

TOTOWA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Totowa, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Totowa Board of Education

Totowa, New Jersey

For The Fiscal Year Ended June 30, 2012

Prepared by

Business Office

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INTRODUCTORY SECTION

BOROUGH OF TOTOWA PUBLIC SCHOOLS
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OFFICE OF THE CHIEF SCHOOL ADMINISTRATOR
Vincent Varcadipane Ed.D

Tel: 973-956-0010

Fax: 973-956-9859

November 29, 2012

Honorable President and
Members of the Board of Education
Totowa School District
Passaic County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Totowa School District for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Totowa Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis(MD&A), the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No 34. The basic financial statements also include individual fund statements, notes to the financial statements and required supplementary information(RSI). The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Totowa School District an Independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the district are included in this report. The Totowa Board of Education and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-Kindergarten, Kindergarten, and grades one through 8. These include regular, as well as special education for handicapped youngsters. The District

completed the 2011-2012 fiscal year with an enrollment of 995 students. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

(Data Source: ASSA Report, including SE Students)

Fiscal Year	Student Enrollment 10/15	Total (End of Year)
10/04	914	930
10/05	958	973
10/06	974	993
10/07	985	995
10/08	997	1000
10/09	1019	1073
10/11	989	1037
11/12	956	995

2. ECONOMIC CONDITION AND OUTLOOK:

The Totowa area has completed an era of development and expansion that is expected to stabilize. The number of businesses relocating to the area result in a stabilized level tax base; both residential and industrial, and a stabilized annual daily enrollment. The attractiveness of the Totowa tax base and the progressive school system, has been the catalyst for the purchase of houses for many families looking for housing.

3. MAJOR INITIATIVES:

A. Totowa Education Foundation, Inc.

The Totowa Education Foundation, Inc. has continued to flourish throughout the 2011-2012 school year. Students continued to engage in Foundation programs offered at no cost to our taxpayers. Continued success of Foundation programs is due to the commitment made from the administrative staff of the Totowa School District.

The Foundation sponsored "Kops for Kids" program (September through June) and the "Kops for Kids Summer Program" (July and August) continues to provide an important service to the community, as well as generating the majority of the revenue for extracurricular programming and technological equipment.

Extracurricular programming continued during the 2011-2012 school year. The middle school bowling league continues along with the interscholastic traveling boys basketball team, a girls traveling basketball team, interscholastic and an intramural volleyball program. The 2001-2002 school year saw the inaugural annual musical production for middle school students complete with singing, dancing and a pit band. The musicals performed were:

<i>Bye, Bye Birdie</i>	- 2001-2002
<i>Guys and Dolls</i>	2002-2003
<i>The Music Man</i>	- 2003-2004
<i>The Wizard of Oz</i>	- 2004-2005
<i>Oliver</i>	- 2005-2005
<i>Oklahoma</i>	- 2006-2007
<i>Godspell</i>	- 2007-2008
<i>Grease</i>	- 2008-2009
<i>West Side Story</i>	- 2009-2010
<i>Little Shops of Horror</i>	- 2010-2011
<i>Anne</i>	- 2012-2012

The Ski Club was discontinued due to continually diminishing numbers of students participating in the program.

B. Community Partnerships - The PTO, Dwight D. Eisenhower Library, Police and Fire Department as well as the many local business make Totowa a community that works together.

The PTO serves as one of the District's strongest supporters and child advocate organizations. Extensive cultural arts offerings are financed through the efforts of the PTO. Through the Tricky Tray and Fall Fundraiser, two major sources of revenue, the PTO has continued to fund major initiatives in the district. In the past, PTO funds (50% of Tricky Tray revenues) have been used for technology equipment, outdoor lunch (picnic) tables for students, fencing/trees, enhanced sound systems and lighting in the gymnasium and most recently, an electronic marquee in the front of Memorial School.

Dwight D. Eisenhower Library and the school continues to cooperate in a collaborative jointure. The PTO sponsored their annual Book Fair with over 100 parents and students participating in the evening program.

Eighth Grade Science Fair/Art Show - Students share their inventions through a series of presentations that were judged by citizens at-large. The expectation is that this kind of support will continue to grow in the future. Every student is represented in the annual Art Show.

4. FACILITIES

The district's Long Range Facilities Plan was approved annually. The original plan was completed by Dr. Varcadipane with no additional cost to the board. The model proposal was to construct classrooms and a gymnasium on to Washington Park School. During the 2011-2012 school year, the students and faculty enjoyed a newly renovated cafeteria floor. This same floor was scheduled for completion in the hallways at Memorial School in the summer of 2012. During the 2011-2012 school year, a fence was installed, with a sliding gate, at Memorial School to ensure the safety of students. In addition, the cyclone fence above the wall around Memorial School was replaced with a new one. Weeds and overgrown trees were removed including the removal of a dead overhanging tree on the property of a resident on Elizabeth Place. Plans for 2012-2013 include accent lighting in the WPS Gym, lighting and stage lights at Memorial School in the Auditorium.

5. INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is also subject to periodic evaluation by the district management.

As a part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulation.

6. BUDGETARY CONTROLS -

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

6A. PROPRIETARY FUNDS -

This fund is established for the operation of food services, providing school lunch to the students of the district. This fund is financed and operated in a manner similar to private business enterprises. This fund is self-supporting primarily through recovered user charges and aid from the State of New Jersey.

7. ACCOUNTING SYSTEM AND REPORTS -

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds.

8. CASH MANAGEMENT -

The investment policy of the district is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with this Act.

9. OTHER INFORMATION

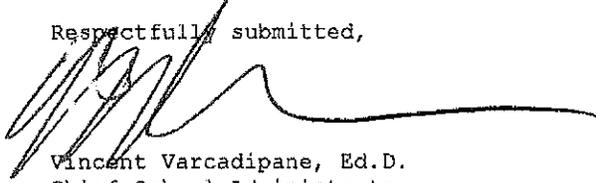
A. Independent Audit -

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-128 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and individual fund financial statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. **ACKNOWLEDGEMENTS** -

We would like to express our appreciation to the members of the Totowa School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Vincent Varcadipane, Ed.D.
Chief School Administrator



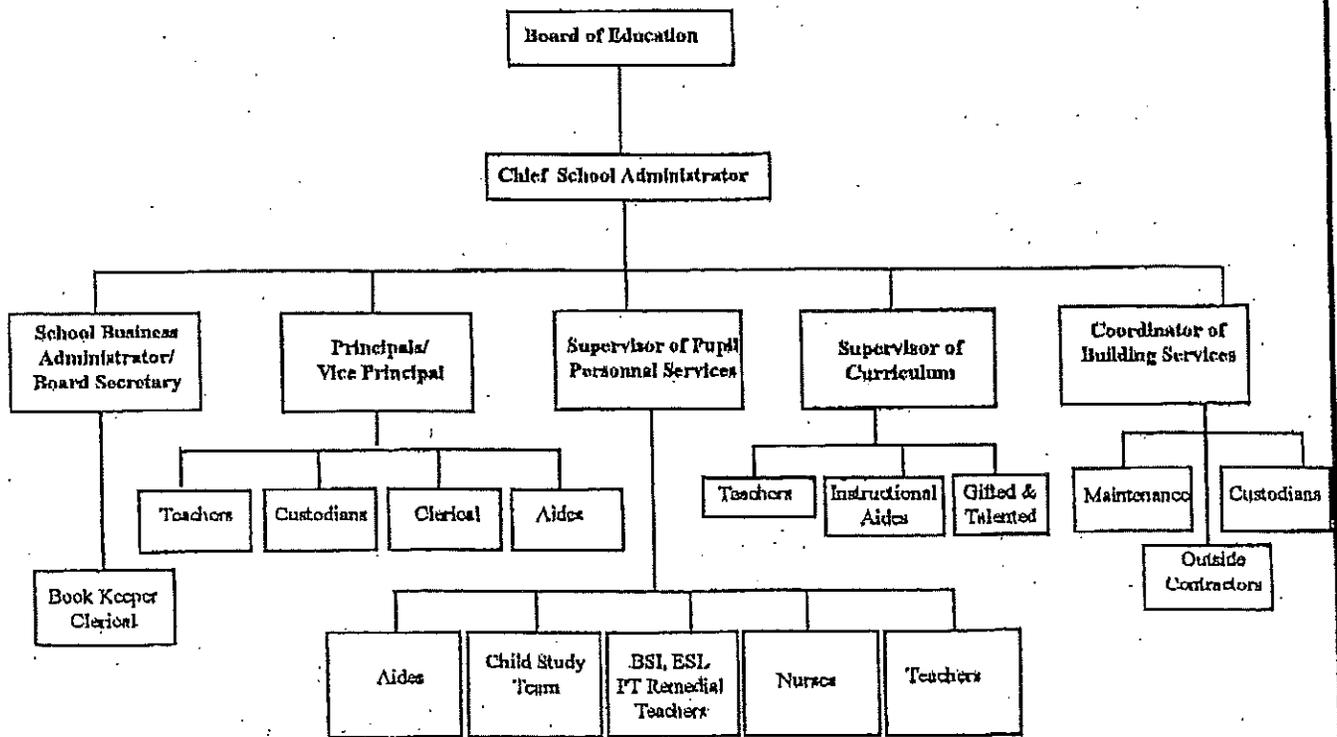
Colin Monahan
School Business Administrator,
Board Secretary

POLICY

BOARD OF EDUCATION BOROUGH OF TOTOWA

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART



TOTOWA BOARD OF EDUCATION

**ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Bruce Matano, President	2013
Anthony Zarek, Vice President	2013
Valerie D'Ambrosio	2014
Thomas Ferraro	2014
Beatrice Kerwin	2015
Marcello Guarneri	2015
Jennifer DeCeglie	2014
Keith Schaffer	2015
Michelle Ruocco	2013
<u>Other Officials</u>	
Vincent Varcadipane, Ed.D., Chief School Administrator	
Colin Monahan, Board Secretary/School Business Administrator	
Lisa Nash, Treasurer of School Monies	
Raymond B. Reddin, Attorney	

**TOTOWA BOARD OF EDUCATION
Consultants and Advisors**

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208N
Fair Lawn, New Jersey 07410

Attorney

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Piro, Zinna, Cifelli, Paris & Genitempo
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Nutley, New Jersey 07110-2787

Official Depository

Valley National Bank
55 Union Boulevard
Totowa, New Jersey 07512

FINANCIAL SECTION

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REGISTERED MUNICIPAL ACCOUNTANTS

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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Totowa Board of Education
Totowa, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Totowa Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

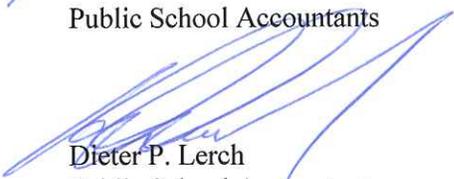
In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012 on our consideration of the Totowa Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Totowa Board of Education's basic financial statements as a whole. The introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis Year Ended June 30, 2012

This section of the Totowa Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year are as follows:

- The assets of the Totowa Board of Education exceeded its liabilities at the close of the fiscal year by \$5,579,310 (net assets).
- The District's total net assets increased through current year operations by \$525,143.
- Total government activities revenues were \$15,777,292. General revenues accounted for \$13,336,478 or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,440,814 or 15% of total revenues.
- The school district had \$15,260,369 in expenses for governmental activities; only \$2,440,814 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$13,336,478 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$3,156,227. Of this amount, \$154,563 is restricted for debt service, capital reserve and capital projects, and \$258,123 is available for spending at the District's discretion (unassigned fund balance – General Fund),

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Totowa Board of Education.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Totowa Board of Education's overall financial status.

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are fund financial statements that focus on individual parts of the Totowa Board of Education, reporting the Board's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 summarizes the major features of the Board's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:
Required financial Statements	Statements of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Food Service Statement of Net Assets Statement of Revenues, Expenses, and Changes in Fund Net Assets Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

District-Wide Statements

The district-wide statements report information about the Totowa Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

In the district-wide financial statements the district's activities are shown in two categories:

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds – focusing on its most significant or “major” funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The district uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

The district has three kinds of funds:

- *Governmental funds*- Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- *Fiduciary funds*- The District is the trustee, or *fiduciary*, for assets that belong to others such as payroll and payroll agency funds, as well as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOTOWA BOARD OF EDUCATION AS A WHOLE

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 provides a summary of the school district's net assets for 2012 and 2011.

Net Assets. The district's combined net assets were \$5,579,310 on June 30, 2012. (See Table A-1).

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

Table A-1
Statement of Net Assets
as of June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 3,474,345	\$ 2,959,335	\$ 127,579	\$ 113,036	\$ 3,601,924	\$ 3,072,371
Capital Assets	9,261,487	9,544,349	-	-	9,261,487	9,544,349
Total Assets	<u>12,735,832</u>	<u>12,503,684</u>	<u>127,579</u>	<u>113,036</u>	<u>12,863,411</u>	<u>12,616,720</u>
Long-Term Liabilities	6,938,452	7,324,006			6,938,452	7,324,006
Other Liabilities	316,806	216,027	28,843	22,520	345,649	238,547
Total Liabilities	<u>7,255,258</u>	<u>7,540,033</u>	<u>28,843</u>	<u>22,520</u>	<u>7,284,101</u>	<u>7,562,553</u>
Net Assets						
Invested in capital assets, net of related debt	2,997,163	2,860,550			2,997,163	2,860,550
Restricted	154,563	97,306			154,563	97,306
Unrestricted	2,328,848	2,005,795	98,736	90,516	2,427,584	2,096,311
Total Net Assets	<u>\$ 5,480,574</u>	<u>\$ 4,963,651</u>	<u>\$ 98,736</u>	<u>\$ 90,516</u>	<u>\$ 5,579,310</u>	<u>\$ 5,054,167</u>

Table A-2 on the following page shows changes in net assets for fiscal years 2012 and 2011.

Totowa Board of Education
Totowa, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2012

Table A-2
Change in Net Assets
For The Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 320,503	\$ 159,033	\$ 252,665	\$ 245,793	\$ 573,168	\$ 404,826
Grants and Contributions	2,120,311	1,519,586	88,143	78,342	2,208,454	1,597,928
General Revenues						
Property Taxes	13,317,709	13,072,227			13,317,709	13,072,227
Interest	16,044	16,826	163	161	16,207	16,987
Miscellaneous	2,725	20,695	-	-	2,725	20,695
Total Revenues	<u>15,777,292</u>	<u>14,788,367</u>	<u>340,971</u>	<u>324,296</u>	<u>16,118,263</u>	<u>15,112,663</u>
Expenses						
Instruction						
Regular	6,985,771	6,859,725			6,985,771	6,859,725
Special Education	1,482,236	1,610,676			1,482,236	1,610,676
Other Instruction	573,051	593,159			573,051	593,159
School Sponsored Activities and Athletics	4,780	5,217			4,780	5,217
Support Services						
Student and Instruction Related Services	2,273,015	2,030,595			2,273,015	2,030,595
General Administrative Services	705,178	573,380			705,178	573,380
School Administrative Services	745,495	639,407			745,495	639,407
Plant Operations and Maintenance	1,352,130	1,311,870			1,352,130	1,311,870
Pupil Transportation	405,861	372,654			405,861	372,654
Business Services	455,910	404,065			455,910	404,065
Food Services				302,041	-	302,041
Interest on Long-Term Debt	276,942	297,576	332,751	-	609,693	297,576
Total Expenses	<u>15,260,369</u>	<u>14,698,324</u>	<u>332,751</u>	<u>302,041</u>	<u>15,593,120</u>	<u>15,000,365</u>
Change in Net Assets	516,923	90,043	8,220	22,255	525,143	112,298
Net Assets, Beginning of Year	4,963,651	4,873,608	90,516	68,261	5,054,167	4,941,869
Net Assets, End of Year	<u>\$ 5,480,574</u>	<u>\$ 4,963,651</u>	<u>\$ 98,736</u>	<u>\$ 90,516</u>	<u>\$ 5,579,310</u>	<u>\$ 5,054,167</u>

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2012

Governmental Activities. The District's total revenues were \$15,777,292. The local share of the revenues, that included property taxes, tuition, investment earnings, and miscellaneous revenue, amounted to \$13,656,981 or 87% of total revenues. Funding from state and federal sources amounted to \$2,120,311 or 13%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$9,045,838 or 59% and student support services and debt service totaled \$6,214,531 or 41% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities
For Fiscal Year 2012

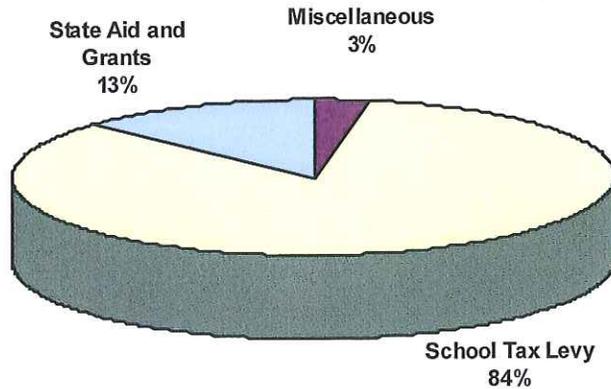
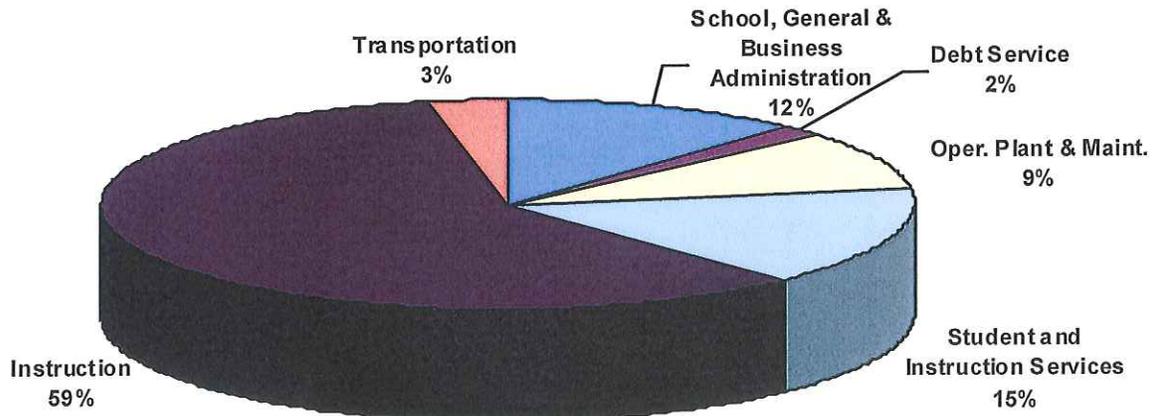


Figure A-3 Expenses by Function – Governmental Activities
For Fiscal Year 2012



**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Instruction				
Regular	\$ 6,985,771	\$ 6,859,725	\$ 6,167,709	\$ 6,094,554
Special Education	1,482,236	1,610,676	480,297	1,136,510
Other Instruction	573,051	593,159	329,744	369,176
School Sponsored Activities and Athletics	4,780	5,217	4,780	5,217
Support Services				
Student and Instruction Related Services	2,273,015	2,030,595	1,962,205	1,870,062
General Administrative Services	705,178	573,380	705,178	573,380
School Administrative Services	745,495	639,407	698,842	613,721
Plant Operations and Maintenance	1,352,130	1,311,870	1,341,309	1,294,915
Pupil Transportation	405,861	372,654	396,639	360,529
Business Services	455,910	404,065	455,910	404,065
Interest on Long-Term Debt	276,942	297,576	276,942	297,576
Total	\$ 15,260,369	\$ 14,698,324	\$ 12,819,555	\$ 13,019,705

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2012 was \$332,751. These costs were funded by operating grants, charges for services and investment earnings (Detailed on Table A-2).

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,156,227. At June 30, 2011, the fund balance was \$2,850,416, for an increase of \$305,811.

Revenues for the District's governmental funds were \$15,777,292, while total expenditures were \$15,572,087. In addition, net other financing sources were \$100,606

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students for grades K through 8 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

General Fund Revenues

	For the Fiscal Years		Amount of	Percent
	Ended June 30,		Increase	Increase
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 12,540,299	\$ 12,294,411	\$ 245,888	2%
Tuition	320,503	159,033	161,470	102%
Investment Earnings	15,665	16,362	(697)	-4%
Miscellaneous	2,725	20,695	(17,970)	-87%
Intergovernmental				
Federal Sources	37,066	20,595	16,471	80%
State Sources	<u>1,510,759</u>	<u>1,054,416</u>	<u>456,343</u>	43%
 Total Revenues	 <u>\$ 14,427,017</u>	 <u>\$ 13,565,512</u>	 <u>\$ 861,505</u>	 6%

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	For the Fiscal Years		Amount of Increase (Decrease)	Percent Increase (Decrease)
	Ended June 30,			
	<u>2012</u>	<u>2011</u>		
Instruction	\$ 8,381,349	\$ 8,347,567	\$ 33,782	0%
Support Services	5,697,487	5,190,076	507,411	10%
Capital Outlay	<u>25,975</u>	<u>3,800</u>	<u>22,175</u>	584%
 Total Expenditures	 <u>\$ 14,104,811</u>	 <u>\$ 13,541,443</u>	 <u>\$ 563,368</u>	 4%

Total General Fund expenditures increased by \$563,368 from the previous year.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$561,665 for the year ended June 30, 2012. Federal sources accounted for 78% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$131,087 or 30% from the previous year.

Expenditures of the Special Revenue Fund were \$561,665. Instructional expenditures were \$393,331 or 70%.

Capital Projects - The capital projects expenditures and other financing uses exceeded revenues and other financing sources by \$89,953. These capital expenditures were financed through bond proceeds, capital reserve and SDA grants.

Proprietary Funds

The District maintains an Enterprise Fund to account for activities which are supported in part through user fees.

Enterprise Fund - The District uses an Enterprise Fund to report activities related to the Food Services programs. The District's Enterprise Fund provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and appropriating surplus for significant unbudgeted costs.
- Increases in appropriations for the funding of capital projects approved in the Long-Range Facilities Plan.

Capital Assets. At the end of the fiscal years ended June 30, 2012 and 2011, the school district had invested in land, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Land	\$ 130,267	\$ 130,267
Construction in Progress	62,044	34,992
Buildings	12,197,760	12,197,760
Improvements Other Than Buildings	142,601	116,626
Machinery and Equipment	<u>2,354,561</u>	<u>2,321,320</u>
 Total	 14,887,233	 14,800,965
 Less: Accumulated Depreciation	 <u>(5,625,746)</u>	 <u>(5,256,616)</u>
 Total	 <u>\$ 9,261,487</u>	 <u>\$ 9,544,349</u>

Debt Administration. As of June 30, 2012 the school district had outstanding long-term liabilities in the amount of \$6,550,846.

**Totowa Board of Education
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities
As of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Serial Bonds Payable	\$ 5,960,000	\$ 6,732,000
Intergovernmental Loans Payable	17,324	25,521
Compensated Absences Payable	<u>573,522</u>	<u>566,485</u>
 Total	 <u>\$ 6,550,846</u>	 <u>\$ 7,324,006</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget in order to prevent over-expenditures in specific line item accounts. These budget revisions were related to:

- ✓ Increases in the cost relating to instructional supplies.
- ✓ Increased costs in providing purchased and professional technical services

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Colin Monahan, Business Administrator, Totowa Board of Education, 294 Totowa Road, Totowa, New Jersey 07512.

BASIC FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,216,739	\$ 58,486	\$ 3,275,225
Receivables, net			
Receivables from Other Governments	161,475	5,112	166,587
Other	54,133		54,133
Internal Balances	(58,608)	58,608	
Deferred Charge	100,606		100,606
Inventory		5,373	5,373
Capital Assets, Not Being Depreciated	192,311		192,311
Capital Assets, Net of Depreciation	<u>9,069,176</u>	<u>-</u>	<u>9,069,176</u>
Total Assets	<u>12,735,832</u>	<u>127,579</u>	<u>12,863,411</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	158,661	27,610	186,271
Payable to Other Governments	45,123		45,123
Accrued Interest Payable	99,294		99,294
Unearned Revenue	13,728	1,233	14,961
Noncurrent Liabilities			
Due Within One Year	528,502		528,502
Due Beyond One Year	<u>6,409,950</u>	<u>-</u>	<u>6,409,950</u>
Total Liabilities	<u>7,255,258</u>	<u>28,843</u>	<u>7,284,101</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,997,163		2,997,163
Restricted for			
Capital Projects	80,434		80,434
Debt Service	74,129		74,129
Unrestricted	<u>2,328,848</u>	<u>98,736</u>	<u>2,427,584</u>
	<u>\$ 5,480,574</u>	<u>\$ 98,736</u>	<u>\$ 5,579,310</u>

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

TOTOWA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 6,985,771		\$ 818,062		\$ (6,167,709)	\$	\$ (6,167,709)
Special Education	1,482,236	\$ 148,578	820,120	\$ 33,241	(480,297)		(480,297)
Other Instruction	573,051	171,925	71,382		(329,744)		(329,744)
School Sponsored Activities and Athletics	4,780				(4,780)		(4,780)
Support Services							
Student and Instruction Related Services	2,273,015		310,810		(1,962,205)		(1,962,205)
General Administrative Services	705,178				(705,178)		(705,178)
School Administrative Services	745,495		46,653		(698,842)		(698,842)
Central Services	455,910				(455,910)		(455,910)
Plant Operations and Maintenance	1,352,130			10,821	(1,341,309)		(1,341,309)
Pupil Transportation	405,861		9,222		(396,639)		(396,639)
Interest on Debt	276,942				(276,942)		(276,942)
Total Governmental Activities	15,260,369	320,503	2,076,249	44,062	(12,819,555)	-	(12,819,555)
Business-Type Activities							
Food Service	332,751	252,665	88,143			\$ 8,057	8,057
Total Business-Type Activities	332,751	252,665	88,143			8,057	8,057
Total Primary Government	\$ 15,593,120	\$ 573,168	\$ 2,164,392	\$ 44,062	(12,819,555)	8,057	(12,811,498)
General Revenues							
Property Taxes, Levied for General Purposes					12,540,299		12,540,299
Taxes Levied for Debt Service					777,410		777,410
Investment Earnings					16,044	163	16,207
Miscellaneous Income					2,725		2,725
Total General Revenues					13,336,478	163	13,336,641
Change in Net Assets					516,923	8,220	525,143
Net Assets, Beginning of Year					4,963,651	90,516	5,054,167
Net Assets, End of Year					\$ 5,480,574	\$ 98,736	\$ 5,579,310

FUND FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,115,291		\$ 101,041	\$ 407	\$ 3,216,739
Receivables, Net					
Due from Other Funds	154,440			73,888	228,328
Accounts Receivable		\$ 2,085			2,085
Receivables from Other Governments	58,940	95,505	7,030	-	161,475
	<u>3,328,671</u>	<u>97,590</u>	<u>108,071</u>	<u>74,295</u>	<u>3,608,627</u>
Total Assets	<u>\$ 3,328,671</u>	<u>\$ 97,590</u>	<u>\$ 108,071</u>	<u>\$ 74,295</u>	<u>\$ 3,608,627</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 129,128	\$ 2,481	\$ 27,052		\$ 158,661
Due to Other Funds	132,330	60,261	42,131	\$ 166	234,888
Payable to Federal Government		225			225
Payable to State Government		30,817	14,081		44,898
Deferred Revenue	-	3,806	9,922	-	13,728
	<u>261,458</u>	<u>97,590</u>	<u>93,186</u>	<u>166</u>	<u>452,400</u>
Total Liabilities	<u>261,458</u>	<u>97,590</u>	<u>93,186</u>	<u>166</u>	<u>452,400</u>
Fund Balances					
Restricted					
Capital Reserve	65,549				65,549
Capital Projects			14,885		14,885
Debt Service				74,129	74,129
Excess Surplus	1,466,129				1,466,129
Excess Surplus - Designated for Subsequent Year's Budget	1,090,006				1,090,006
Assigned					
Year End Encumbrances	45,491				45,491
Designated for Subsequent Year's Budget	141,915				141,915
Unassigned	258,123	-	-	-	258,123
	<u>3,067,213</u>	<u>-</u>	<u>14,885</u>	<u>74,129</u>	<u>3,156,227</u>
Total Fund Balances	<u>3,067,213</u>	<u>-</u>	<u>14,885</u>	<u>74,129</u>	<u>3,156,227</u>
Total Liabilities and Fund Balances	<u>\$ 3,328,671</u>	<u>\$ 97,590</u>	<u>\$ 108,071</u>	<u>\$ 74,295</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,887,233 and the accumulated depreciation is \$5,625,746. 9,261,487

The District has financed capital assets through the issuance of serial bonds and intergovernmental loans. The interest accrual at year end is: (99,294)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

Serial Bonds Payable, Net	\$ (6,347,606)	
Intergovernmental Loans Payable	(17,324)	
Compensated Absences	(573,522)	
Deferred Charge - Bond Issuance Costs	100,606	
		<u>(6,837,846)</u>

Net Assets of Governmental Activities \$ 5,480,574

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 12,540,299			\$ 777,410	\$ 13,317,709
Tuition	320,503				320,503
Investment Earnings	15,665		\$ 379		16,044
Miscellaneous	2,725	\$ 1,821	-	-	4,546
Total - Local Sources	<u>12,879,192</u>	<u>1,821</u>	<u>379</u>	<u>777,410</u>	<u>13,658,802</u>
State Sources	1,510,759	119,495	10,821		1,641,075
Federal Sources	37,066	440,349	-	-	477,415
Total Revenues	<u>14,427,017</u>	<u>561,665</u>	<u>11,200</u>	<u>777,410</u>	<u>15,777,292</u>
EXPENDITURES					
Current					
Regular Instruction	6,624,496	94,831			6,719,327
Special Education Instruction	1,181,169	296,679			1,477,848
Other Instruction	570,904	1,821			572,725
School-Sponsored Activities and Athletics	4,780				4,780
Support Services and Undistributed Costs					
Student and Instruction Related Services	2,107,070	135,093			2,242,163
General Administrative Services	671,488				671,488
School Administrative Services	730,146				730,146
Central Services	440,839				440,839
Plant Operations and Maintenance	1,342,083				1,342,083
Pupil Transportation	405,861				405,861
Debt Service					
Principal				493,197	493,197
Interest and Other Charges				284,756	284,756
Bond Issuance Costs				100,606	100,606
Capital Outlay	25,975	33,241	27,052	-	86,268
Total Expenditures	<u>14,104,811</u>	<u>561,665</u>	<u>27,052</u>	<u>878,559</u>	<u>15,572,087</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>322,206</u>	<u>-</u>	<u>(15,852)</u>	<u>(101,149)</u>	<u>205,205</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	379			73,722	74,101
Transfers Out			(74,101)		(74,101)
Refunding Bonds Issued				5,460,000	5,460,000
Premium on Refunding Bonds				624,165	624,165
Payment to Refunded Bond Escrow Agent	-	-	-	(5,983,559)	(5,983,559)
Total Other Financing Sources and Uses	<u>379</u>	<u>-</u>	<u>(74,101)</u>	<u>174,328</u>	<u>100,606</u>
Net Change in Fund Balances	322,585	-	(89,953)	73,179	305,811
Fund Balance, Beginning of Year	2,744,628	-	104,838	950	2,850,416
Fund Balance, End of Year	<u>\$ 3,067,213</u>	<u>\$ -</u>	<u>\$ 14,885</u>	<u>\$ 74,129</u>	<u>\$ 3,156,227</u>

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

**TOTOWA BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)	\$	305,811
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>		
Capital Outlay	\$	86,268
Depreciation Expense		<u>(369,130)</u>
		(282,862)
<p>In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):</p>		
Compensated Absences		(7,037)
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
Bond Principal		485,000
Loan Principal		<u>8,197</u>
		493,197
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
Decrease in Accrued Interest		<u>7,814</u>
Change in Net Assets of Governmental Activities	\$	<u>516,923</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement.

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012**

	Enterprise Fund - <u>Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 58,486
Intergovernmental Receivable	
State	207
Federal	4,905
Inventory	5,373
Due From Other Funds	<u>58,608</u>
Total Current Assets	<u>127,579</u>
LIABILITIES	
Accounts Payable	27,610
Unearned Revenue	<u>1,233</u>
Total Liabilities	<u>28,843</u>
NET ASSETS	
Unrestricted	<u>98,736</u>
Total Net Assets	<u>\$ 98,736</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Enterprise Fund - <u>Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales	\$ 252,665
 Total Operating Revenues	 <u>252,665</u>
OPERATING EXPENSES	
Cost of Sales	138,300
Salaries & Wages	110,589
Supplies	27,169
Professional Service	2,465
Management Fee	37,322
Miscellaneous	16,906
 Total Operating Expenses	 <u>332,751</u>
Operating Loss	<u>(80,086)</u>
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	84,694
State Sources	
State School Lunch Program	3,449
Interest and Investment Revenue	163
 Total Nonoperating Revenues	 <u>88,306</u>
Change in Net Assets	8,220
Net Assets, Beginning of Year	<u>90,516</u>
Net Assets, End of Year	<u>\$ 98,736</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 252,665
Cash Payments to Employees for Salaries and Wages	(110,589)
Cash Payments to Suppliers for Goods and Services	<u>(217,070)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(74,994)</u>
Cash Flows from Noncapital Financing Activities	
Payments Made to General Fund	(1,189)
Cash Received from State and Federal Subsidy Reimbursements	<u>98,165</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>96,976</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>163</u>
Net Cash Provided by Investing Activities	<u>163</u>
Net Increase in Cash and Cash Equivalents	22,145
Cash and Cash Equivalents, Beginning of Year	<u>36,341</u>
Cash and Cash Equivalents, End of Year	<u>\$ 58,486</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$ <u>(80,086)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(1,231)
Increase/(Decrease) in Unearned Revenue	(316)
Increase/(Decrease) in Accounts Payable	<u>6,639</u>
Total Adjustments	<u>5,092</u>
Net Cash Used for Operating Activities	<u>\$ (74,994)</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 101,214	\$ 174,058
Total Assets	<u>101,214</u>	<u>\$ 174,058</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 136,951
Due to Student Groups		24,448
Payroll Deductions and Withholdings		10,611
Due to Other Funds	50,000	2,048
Due to State Government	<u>480</u>	<u>-</u>
Total Liabilities	<u>50,480</u>	<u>\$ 174,058</u>
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 50,734</u>	

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
District	\$ 50,000
Employees	12,960
Investment Earnings	
Interest	132
Total Additions	63,092
DEDUCTIONS	
Unemployment Claims and Contributions	38,976
Total Deductions	38,976
Change in Net Assets	24,116
Net Assets, Beginning of Year	26,618
Net Assets, End of Year	\$ 50,734

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Totowa Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Totowa Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. Basic Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific district activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds.

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental funds and its enterprise fund to be major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, investment earnings and miscellaneous revenues.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2010-2011 and 2011-2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	20
Heavy Equipment	10-12
Office Equipment and Furniture	10
Computer Equipment	5-7

5. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. *Long-Term Obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

With the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2c.)

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that is required to be appropriated in the 2013/2014 original budget certified for taxes.

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that was appropriated in the 2012/2013 original budget certified for taxes.

TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2012/2013 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2011/2012. During 2011/2012 the Board increased the original budget by \$542,897. The increase was funded by additional state and federal aid, grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Undistributed Expenditures – Instruction			
Tuition to CSSD and Regional Day Schools		\$53,600	\$53,600
Tuition – Other		3,400	3,400
Capital Outlay			
Other Objects		22,850	22,850

The above variances were the result of an audit adjustment required to record the State debit/credit memos and were offset with other available resources.

C. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2012 is as follows:

Balance, July 1, 2011	\$ 65,240
Increased by:	
Interest Earnings	<u>309</u>
Balance, June 30, 2012	<u>\$ 65,549</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects is \$116,120.

The 2012/2013 District budget includes a withdrawal from Capital Reserve of \$65,000 to fund certain projects to be undertaken during the 2012/2013 fiscal year.

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2012 is \$2,556,135. Of this amount, \$1,090,006 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$1,466,129 will be appropriated in the 2013/2014 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2012, the book value of the Board's deposits was \$3,550,497 and bank balances of the Board's cash and deposits amounted to \$4,010,089. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>4,010,089</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2012 the Board's bank balances were not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2012, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

B. Receivables

Receivables as of June 30, 2012 for the district's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts		\$ 2,085			\$ 2,085
Intergovernmental	\$ 58,940	95,505	\$ 7,030	\$ 5,112	166,587
Gross Receivables	58,940	97,590	7,030	5,112	168,672
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 58,940</u>	<u>\$ 97,590</u>	<u>\$ 7,030</u>	<u>\$ 5,112</u>	<u>\$ 168,672</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Grant Draw Downs Reserved for Encumbrances	\$ 3,806
Capital Projects Fund	
Unrealized School Facility Grants	9,922
	<hr/>
Total Deferred Revenue for Governmental Funds	\$ 13,728
	<hr/>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance, <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2012</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,267			\$ 130,267
Construction in Progress	34,992	\$ 27,052	-	62,044
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Not Being Depreciated	165,259	27,052	-	192,311
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Being Depreciated:				
Buildings	12,197,760			12,197,760
Improvements Other Than Buildings	116,626	25,975		142,601
Machinery and Equipment	2,321,320	33,241	-	2,354,561
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets Being Depreciated	14,635,706	59,216	-	14,694,922
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation for:				
Buildings	(3,060,140)	(298,246)		(3,358,386)
Improvements Other Than Buildings	(93,371)	(3,449)		(96,820)
Machinery and Equipment	(2,103,105)	(67,435)	-	(2,170,540)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation	(5,256,616)	(369,130)	-	(5,625,746)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Being Depreciated, Net	9,379,090	(309,914)	-	9,069,176
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activities Capital Assets, Net	\$ 9,544,349	\$ (282,862)	\$ -	\$ 9,261,487
	<hr/>	<hr/>	<hr/>	<hr/>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction	
Regular	\$ 262,800
Special	<u>3,764</u>
Total Instruction	<u>266,564</u>
Support Services	
Student and Instruction Services	29,768
General administration	33,483
School Administration	14,944
Operation and Maintenance of Plant	14,831
Business and Other Support Services	<u>9,540</u>
Total Support Services	<u>102,566</u>
Total Governmental Funds	<u>369,130</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 369,130</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 60,261
General Fund	Capital Projects Fund	41,965
General Fund	Debt Service Fund	166
General Fund	Unemployment Compensation Trust Fund	50,000
General Fund	Payroll Agency Fund	2,048
Debt Service Fund	General Fund	73,722
Debt Service Fund	Capital Projects Fund	166
Food Service Fund	General Fund	<u>58,608</u>
Total		<u>\$ 286,936</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	Transfer In:		
	General Fund	Debt Service Fund	Total
Transfer Out:			
Capital Projects Fund	\$ 379	\$ 73,722	\$ 74,101
	\$ 379	\$ 73,722	\$ 74,101

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

E. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2012 are comprised of the following issues:

\$8,702,000, 2003 Bonds, due in annual installments of \$500,000 through February 15, 2013, interest at 4.2%	\$ 500,000
\$5,460,000, 2012 Refunding Bonds, due in annual installments of \$530,000 to \$705,000 through February 15, 2022, interest at 3% to 4%	<u>5,460,000</u>
	<u>\$5,960,000</u>

Intergovernmental Loan Payable

The Board has entered into loan agreements with the New Jersey Economic Development Agency to provide funds for the acquisition and construction of major capital facilities.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Intergovernmental Loan Payable (Continued)

Loans payable at June 30, 2012 are comprised of the following:

\$333,756, 1994 Loan due in annual installments of \$1,320 through July 1, 2013 interest at 1.50%	\$2,639
\$101,268, 1994 Loan due in annual installments of \$7,182 to \$7,502 through July 2013, interest at 5.298%	<u>14,685</u>
Grand Total	<u>\$17,324</u>

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Intergovernmental Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 500,000	\$ 221,661	\$ 8,502	\$ 617	\$ 730,780
2014	530,000	190,100	8,822	208	729,130
2015	550,000	174,200			724,200
2016	565,000	157,700			722,700
2017	585,000	140,750			725,750
2018-2022	<u>3,230,000</u>	<u>392,000</u>	<u>-</u>	<u>-</u>	<u>3,622,000</u>
	<u>\$ 5,960,000</u>	<u>\$ 1,276,411</u>	<u>\$ 17,324</u>	<u>\$ 825</u>	<u>\$ 7,254,560</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2012 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 73,926,513
Less: Net Debt	<u>5,977,324</u>
Remaining Borrowing Power	<u>\$ 67,949,189</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Advance and Current Refundings of Debt

On January 25, 2012, the District issued \$5,460,000 in School District Refunding Bonds having an interest rate of 3.0% to 4.0%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of various School District Bonds of the District. The total bond principal defeased was \$5,747,000 and the total interest payments defeased was \$1,649,455. The net proceeds of \$5,983,559 (after payment of underwriting fees, insurance and other insurance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$236,560. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$559,651 and resulted in an economic gain of \$514,800.

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance, July 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2012</u>	Due Within <u>One Year</u>
Serial Bonds Payable	\$ 6,732,000	\$ 5,460,000	\$ (6,232,000)	\$ 5,960,000	\$ 500,000
Add: Amortized Premiums		624,165		624,165	
Less: Unamortized Amount on Refunding	-	(236,559)	-	(236,559)	-
Bonds Payable, Net	6,732,000	5,847,606	(6,232,000)	6,347,606	500,000
Intergovernmental Loans Payable	25,521		(8,197)	17,324	8,502
Compensated Absences Payable	566,485	\$ 27,030	(19,993)	573,522	20,000
	<u>\$ 7,324,006</u>	<u>\$ 5,874,636</u>	<u>\$ (6,260,190)</u>	<u>\$ 6,938,452</u>	<u>\$ 528,502</u>

For the governmental activities, the liability for compensated absences is generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG). The Fund is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

The New Jersey School Boards Association Insurance Group (NJSBAIG) provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund is on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District 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 District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>District</u> <u>Contribution</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 50,000	\$ 12,960	\$ 38,976	\$ 50,734
2011	25,000	13,141	26,811	26,618
2010	25,000	12,792	27,599	15,182

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2012, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans (Continued)

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 78.5 percent and \$10.7 billion.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.91 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS and TPAF of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2012, 2011 and 2010 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>
2012	\$ 198,744	\$ 207,941
2011	179,732	19,883
2010	127,795	22,820

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$207,941 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$19,883 and \$22,820, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$497,040 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 547 state and local participating employers and contributing entities for Fiscal Year 2011.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$21.1 billion for state active and retired members and \$38.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2010, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2012, 2011 and 2010 were \$418,017, \$422,307 and \$428,588, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 12,540,299		\$ 12,540,299	\$ 12,540,299	
Tuition	222,000		222,000	320,503	\$ 98,503
Interest				15,356	15,356
Interest Earned - Capital Reserve				309	309
Miscellaneous	18,000	-	18,000	2,725	(15,275)
Total Local Sources	<u>12,780,299</u>	<u>-</u>	<u>12,780,299</u>	<u>12,879,192</u>	<u>98,893</u>
State Sources					
Special Education Aid	171,244	\$ 96,215	267,459	313,159	45,700
Extraordinary Aid				46,691	46,691
Non Public Transportation Reimbursement				9,222	9,222
On-behalf TPAF Pension Payments (Non-Budget) - Pension				187,789	187,789
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				20,152	20,152
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				418,017	418,017
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	497,040	497,040
Total State Sources	<u>171,244</u>	<u>96,215</u>	<u>267,459</u>	<u>1,492,070</u>	<u>1,224,611</u>
Federal Sources					
Medicaid Reimbursements	5,000	-	5,000	11,840	6,840
Education Jobs Fund	24,460	766	25,226	25,226	-
Total Federal Sources	<u>29,460</u>	<u>766</u>	<u>30,226</u>	<u>37,066</u>	<u>6,840</u>
Total Revenues	<u>12,981,003</u>	<u>96,981</u>	<u>13,077,984</u>	<u>14,408,328</u>	<u>1,330,344</u>
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	234,535	(37,029)	197,506	196,030	1,476
Kindergarten	273,390	(7,758)	265,632	262,085	3,547
Grades 1-5	1,849,695	(23,384)	1,826,311	1,793,574	32,737
Grades 6-8	1,862,325	(75,175)	1,787,150	1,776,150	11,000
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	389,113	78,705	467,818	457,020	10,798
Purchased Professional - Educational Services	45,000	10,754	55,754	50,753	5,001
Purchased Technical Services	9,000	21,056	30,056	12,826	17,230
Other Purchased Services	77,000	112,330	189,330	64,226	125,104
General Supplies	150,000	14,634	164,634	141,510	23,124
Textbooks	108,480	(88,480)	20,000	17,655	2,345
Total Regular Programs - Instruction	<u>4,998,538</u>	<u>5,653</u>	<u>5,004,191</u>	<u>4,771,829</u>	<u>232,362</u>
Special Education Instruction					
Behavioral Disabilities					
Salaries of Teachers	275,680	(31,210)	244,470	242,795	1,675
Total Behavioral Disabilities	<u>275,680</u>	<u>(31,210)</u>	<u>244,470</u>	<u>242,795</u>	<u>1,675</u>

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 210,306	\$ (34,231)	\$ 176,075	\$ 175,416	\$ 659
Total Multiple Disabilities	<u>210,306</u>	<u>(34,231)</u>	<u>176,075</u>	<u>175,416</u>	<u>659</u>
Resource Room/Resource Center					
Salaries of Teachers	385,075	(32,450)	352,625	352,625	-
Total Resource Room/Resource Center	<u>385,075</u>	<u>(32,450)</u>	<u>352,625</u>	<u>352,625</u>	<u>-</u>
Total Special Education Instruction	<u>871,061</u>	<u>(97,891)</u>	<u>773,170</u>	<u>770,836</u>	<u>2,334</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	319,855	45,560	365,415	365,415	-
Total Basic Skills/Remedial - Instruction	<u>319,855</u>	<u>45,560</u>	<u>365,415</u>	<u>365,415</u>	<u>-</u>
Bilingual Education - Instruction					
Salaries of Teachers	80,350	(40,000)	40,350	35,990	4,360
Total Bilingual Education - Instruction	<u>80,350</u>	<u>(40,000)</u>	<u>40,350</u>	<u>35,990</u>	<u>4,360</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	2,000		2,000	840	1,160
Other Objects	5,000	-	5,000	3,600	1,400
Total School Sponsored Co/Extra Curricular Activities	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>4,440</u>	<u>2,560</u>
Total Instruction	<u>6,276,804</u>	<u>(86,678)</u>	<u>6,190,126</u>	<u>5,948,510</u>	<u>241,616</u>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	199,500		199,500	19,435	180,065
Tuition to CSSD and Regional Day Schools				53,600	(53,600)
Tuition to Priv. Sch. for the Disabled Within State	517,120	(70,000)	447,120	19,572	427,548
Tuition - Other	-	-	-	3,400	(3,400)
Total Undistributed Expenditures - Instruction	<u>716,620</u>	<u>(70,000)</u>	<u>646,620</u>	<u>96,007</u>	<u>550,613</u>

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 120,810	\$ 2,550	\$ 123,360	\$ 123,360	
Purchased Professional and Technical Svces.	6,000	22,000	28,000	19,045	\$ 8,955
Supplies and Materials	2,000	4,000	6,000	2,915	3,085
Total Health Services	128,810	28,550	157,360	145,320	12,040
Speech, OT, PT and Related Services					
Salaries	439,672	35,654	475,326	455,419	19,907
Purchased Professional Educational Services	61,000	148,556	209,556	175,209	34,347
Total Speech, OT, PT and Related Services	500,672	184,210	684,882	630,628	54,254
Guidance					
Salaries of Other Professional Staff	12,738		12,738	12,738	
Purchased Professional - Educational Services	10,000	(10,000)			
Other Purchased Prof. and Tech. Services	8,500	3,000	11,500	9,754	1,746
Supplies and Materials	10,200	1,000	11,200	6,719	4,481
Other Objects	415	-	415	240	175
Total Guidance	41,853	(6,000)	35,853	29,451	6,402
Child Study Teams					
Salaries of Other Professional Staff	243,145	44,983	288,128	276,664	11,464
Salaries of Secretarial and Clerical Assistants	41,970		41,970	41,970	
Other Salaries	45,000	35,044	80,044	50,769	29,275
Other Purchased Professional and Tech. Services	10,000	(2,991)	7,009	4,458	2,551
Supplies and Materials	4,500	(1,000)	3,500	2,294	1,206
Other Objects	3,500	-	3,500	1,042	2,458
Total Child Study Teams	348,115	76,036	424,151	377,197	46,954
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	133,273		133,273	133,273	
Salaries of Secretarial & Clerical Assistants	60,130		60,130	60,130	
Other Salaries	42,396	-	42,396	42,396	-
Total Improvement of Instructional Services	235,799	-	235,799	235,799	-

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 143,380		\$ 143,380	\$ 135,880	\$ 7,500
Supplies and Materials	2,000	\$ 3,000	5,000	2,552	2,448
Total Educational Media Serv./School Library	<u>145,380</u>	<u>3,000</u>	<u>148,380</u>	<u>138,432</u>	<u>9,948</u>
Instructional Staff Training Services					
Other Purchased Services	-	3,370	3,370	3,370	-
Total Instructional Staff Training Services	<u>-</u>	<u>3,370</u>	<u>3,370</u>	<u>3,370</u>	<u>-</u>
Support Services General Administration					
Salaries	255,187		255,187	255,187	
Legal Services	150,000	125,000	275,000	205,095	69,905
Audit Fees	24,000		24,000	21,048	2,952
Architectural/Engineering Services		3,783	3,783	3,783	
Other Purchased Professional Services	7,050	3,410	10,460	9,195	1,265
Communications/Telephone	29,740		29,740	6,122	23,618
Miscellaneous Purchased Services	26,200	2,902	29,102	29,072	30
General Supplies	5,000	(2,334)	2,666	2,489	177
BOE In-House Training/Meeting Supplies	1,500	1,239	2,739	2,739	0
Miscellaneous Expenditures	15,000	(500)	14,500	10,519	3,981
Total Support Services General Administration	<u>513,677</u>	<u>133,500</u>	<u>647,177</u>	<u>545,249</u>	<u>101,928</u>
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	269,214		269,214	269,214	
Salaries of Secretarial and Clerical Assistants	238,655	199	238,854	229,162	9,692
Purchased Professional and Technical Svcs.	9,000	(199)	8,801	8,364	437
Supplies and Materials	4,500	17,000	21,500	5,245	16,255
Other Objects	17,400	15,011	32,411	14,395	18,016
Total Support Services School Administration	<u>538,769</u>	<u>32,011</u>	<u>570,780</u>	<u>526,379</u>	<u>44,401</u>
Central Services					
Salaries	265,138	29,852	294,990	294,990	
Purchased Professional Services	13,000	(939)	12,061	12,061	
Misc. Purchased Services		150	150	150	
Supplies and Materials	7,000	(213)	6,787	6,568	219
Miscellaneous Expenditures	1,200	(35)	1,165	1,165	-
Total Central Services	<u>286,338</u>	<u>28,815</u>	<u>315,153</u>	<u>314,934</u>	<u>219</u>

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Admin. Info. Tech.					
Other Purchased Services	\$ 3,600	\$ 691	\$ 4,291	\$ 4,291	
Other Objects	2,375	(275)	2,100	2,100	-
Total Admin. Info. Tech	5,975	416	6,391	6,391	-
Required Maintenance For School Facilities					
Salaries	165,484	6,988	172,472	150,276	\$ 22,196
Cleaning, Repair and Maintenance Services	97,667	(17,567)	80,100	60,486	19,614
General Supplies	30,000	7,500	37,500	34,470	3,030
Other Objects	17,700	(5,000)	12,700	4,519	8,181
Total Required Maint. For School Facilities	310,851	(8,079)	302,772	249,751	53,021
Custodial Services					
Salaries	470,437	3,012	473,449	473,449	
Cleaning, Repair and Maintenance Services	58,700	8,825	67,525	58,146	9,379
Other Purchased Property Services	3,500	3,369	6,869	6,869	
Insurance	65,000	(7,500)	57,500	55,711	1,789
General Supplies	10,000	11,876	21,876	20,506	1,370
Energy (Natural Gas)	110,000	16,590	126,590	65,365	61,225
Energy (Electricity)	170,000		170,000	156,304	13,696
Other Objects	4,800	(1,000)	3,800	3,283	517
Total Custodial Services	892,437	35,172	927,609	839,633	87,976
Student Transportation Services					
Contracted Services (Between Home and School) - Vendors	185,000		185,000	176,674	8,326
Contracted Services (Other than Between Home and School - Vendors	5,000		5,000	4,980	20
Contracted Services - (Spl. Ed. Students) - Joint Agreements	225,000		225,000	179,565	45,435
Contracted Services - (Spl. Ed. Students) - Contracted Serv.-Aid in Lieu of Payments-Non-Pub.	50,000	-	50,000	44,642	5,358
Total Student Transportation Services	465,000	-	465,000	405,861	59,139

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 176,000		\$ 176,000	\$ 165,242	\$ 10,758
TPAF Contributions - ERIP	10,000		10,000	3,801	6,199
Other Retirement Contributions - PERS	220,000		220,000	198,744	21,256
Unemployment Compensation	125,000	\$ (20,715)	104,285	50,000	54,285
Workmen's Compensation	70,000		70,000	57,065	12,935
Health Benefits	2,040,728		2,040,728	1,935,230	105,498
Tuition Reimbursement	10,000		10,000	10,000	
Other Employee Benefits	45,000	-	45,000	19,993	25,007
Total Unallocated Benefits - Employee Benefits	2,696,728	(20,715)	2,676,013	2,440,075	235,938
On-behalf TPAF Pension Payments (Non-Budget) - Pension				187,789	(187,789)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				20,152	(20,152)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				418,017	(418,017)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	497,040	(497,040)
Total Undistributed Expenditures	7,827,024	420,287	8,247,311	8,107,476	139,835
Total Expenditures - Current Expenditures	14,103,828	333,609	14,437,437	14,055,986	381,451
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Custodial Services		6,000	6,000		6,000
Construction Services		19,975	19,975	19,975	
Other Objects (Debt Service Assessment)	22,850	(22,850)		22,850	(22,850)
Other Objects	-	6,000	6,000	6,000	-
Total Capital Outlay	22,850	9,125	31,975	48,825	(16,850)
Total Expenditures	14,126,678	342,734	14,469,412	14,104,811	364,601
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,145,675)	(245,753)	(1,391,428)	303,517	1,694,945
Other Financing Sources (Uses) Operating Transfer In	-	-	-	379	379
Total Other Financing Sources	-	-	-	379	379

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	\$ (1,145,675)	\$ (245,753)	\$ (1,391,428)	\$ 303,896	\$ 1,695,324
Fund Balance, Beginning of Year	<u>2,820,743</u>	<u>-</u>	<u>2,820,743</u>	<u>2,820,743</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,675,068</u>	<u>\$ (245,753)</u>	<u>\$ 1,429,315</u>	<u>\$ 3,124,639</u>	<u>\$ 1,695,324</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 549
Capital Reserve, Designated for Subsequent Year's Expenditures	65,000
Excess Surplus	1,466,129
Excess Surplus - Designated in Subsequent Year's Budget	1,090,006
Assigned	
Year End Encumbrances	45,491
Designated for Subsequent Year's Expenditures	141,915
Unassigned	<u>315,549</u>
	3,124,639
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(57,426)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 3,067,213</u>

**TOTOWA BOARD OF EDUCATION
 COMBINING BUDGETARY COMPARISON SCHEDULE
 EDUCATION JOBS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources					
Education Jobs Fund	\$ 24,460	\$ 766	\$ 25,226	\$ 25,226	-
Total Revenues	<u>24,460</u>	<u>766</u>	<u>25,226</u>	<u>25,226</u>	<u>-</u>
EXPENDITURES:					
Current Expenses					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 1-5	24,460	766	25,226	25,226	-
Total Instruction - Regular Programs	<u>24,460</u>	<u>766</u>	<u>25,226</u>	<u>25,226</u>	<u>-</u>
Total Instruction	<u>24,460</u>	<u>766</u>	<u>25,226</u>	<u>25,226</u>	<u>-</u>
Total Expenditures	<u>24,460</u>	<u>766</u>	<u>25,226</u>	<u>25,226</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Local				\$ 1,821	\$ 1,821
State	\$ 86,895	\$ 60,964	\$ 147,859	117,042	(30,817)
Federal	309,975	139,199	449,174	440,349	(8,825)
Total Revenues	<u>396,870</u>	<u>200,163</u>	<u>597,033</u>	<u>559,212</u>	<u>(37,821)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	131,975	(49,841)	82,134	81,275	859
Purchased Professional/Technical Services	18,000	(12,563)	5,437	5,437	
Tuition	220,000	6,181	226,181	226,181	
General Supplies		63,343	63,343	62,866	477
Textbooks	12,304	(2,039)	10,265	10,265	-
Total Instruction	<u>382,279</u>	<u>5,081</u>	<u>387,360</u>	<u>386,024</u>	<u>1,336</u>
Support Services					
Purchased Prof./Ed. Services		144,563	144,563	112,580	31,983
Other Purchased Services	14,591	1,195	15,786	13,715	2,071
Supplies and Materials		6,824	6,824	4,452	2,372
Personal Services-Employee Benefits	-	9,200	9,200	9,200	-
Total Support Services	<u>14,591</u>	<u>161,782</u>	<u>176,373</u>	<u>139,947</u>	<u>36,426</u>
Facilities and Acquisition Construction Svcs.					
Equipment - Instructional	-	33,300	33,300	33,241	59
Total Expenditures	<u>396,870</u>	<u>200,163</u>	<u>597,033</u>	<u>559,212</u>	<u>37,821</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 14,408,328	(C-2)	\$ 559,212
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Current Year				(3,806)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Prior Year				6,259
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Prior Year		76,115		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year		<u>(57,426)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		<u>\$ 14,427,017</u>		<u>\$ 561,665</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 14,104,811	(C-2)	\$ 559,212
Differences - Budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes - Prior Year				6,259
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes - Current Year		<u>-</u>		<u>(3,806)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		<u>\$ 14,104,811</u>		<u>\$ 561,665</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	NCLB				IDEA Part B		Total Exhibit E-1A	2012
	Title I 2011-12	Title I-A 2011-12	Title II-A 2010-11	Title II-D 2010-11	Title III 2010-11	Title IV 2010-11		
REVENUES								
Intergovernmental	\$ 58,257	\$ 11,205	\$ 17,625	\$ 2,789	\$ 450	\$ 1,033	\$ 377	\$ 1,821
Local								\$ 117,042
State								\$ 89,522
Federal								\$ 440,349
Total Revenues	\$ 58,257	\$ 11,205	\$ 17,625	\$ 2,789	\$ 450	\$ 1,033	\$ 377	\$ 208,385
EXPENDITURES								
Instruction								
Salaries of Teachers	\$ 38,000	\$ 14,000	\$ 2,789	\$ 450	\$ 377	\$ 1,033	\$ 377	\$ 15,038
Purchased Professional/Technical Services								\$ 1,821
Tuition	11,439	9,171						226,181
General Supplies								41,223
Textbooks								62,866
Total Instruction	49,439	9,171	14,000	2,789	450	1,033	377	10,265
Support Services								
Salaries								68,367
Purchased Prof./Ed. Services								13,160
Other Purchased Services								8,326
Supplies and Materials	2,418	2,034	825					1,821
Personal Services - Employer Benefits	6,400	2,800						41,223
Total Support Services	8,818	2,034	3,625	-	-	-	-	10,265
Facilities and Acquisition Construction Svcs.								
Equipment - Instructional								33,241
Total Expenditures	\$ 58,257	\$ 11,205	\$ 17,625	\$ 2,789	\$ 450	\$ 1,033	\$ 377	\$ 208,385

TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ARRA		Chapter 192		Chapter 193				Total E+L			
	IDEA Discretionary	IDEA Basic	IDEA Preschool	Comp. Education	ESL	Corrective Speech	Exam. & Classification	Supplemental Instruction		Noapublic Nursing	Noapublic Textbook	Municipal Alliance
REVENUES												
Intergovernmental												
Federal	\$ 74,464	\$ 5,935	\$ 9,123		\$ 345	\$ 11,374	\$ 17,389	\$ 10,593	\$ 12,890	\$ 10,265	\$ 1,821	\$ 89,522
Local				\$ 54,186								1,821
State												117,042
Total Revenues	\$ 74,464	\$ 5,935	\$ 9,123	\$ 54,186	\$ 345	\$ 11,374	\$ 17,389	\$ 10,593	\$ 12,890	\$ 10,265	\$ 1,821	\$ 208,385
EXPENDITURES												
Instruction												
Salaries of Teachers		\$ 5,935	\$ 9,123								\$ 1,821	\$ 15,058
Other Purchased Services												1,821
Tuition												41,223
General Supplies	\$ 41,223									\$ 10,265		10,265
Textbooks												
Total Instruction	41,223	5,935	9,123							10,265	1,821	68,367
Support Services												
Salaries												
Purchased Prof/Ed. Services				\$ 54,186	\$ 345	\$ 11,374	\$ 17,389	\$ 10,593	\$ 12,890			\$ 93,887
Other Purchased Services												12,890
Supplies and Materials												
Personal Services - Employee Benefits												
Total Support Services				54,186	345	11,374	17,389	10,593	12,890			106,777
Facilities and Acquisition Construction Svcs.												
Equipment - Instructional	33,241											33,241
Total Expenditures	\$ 74,464	\$ 5,935	\$ 9,123	\$ 54,186	\$ 345	\$ 11,374	\$ 17,389	\$ 10,593	\$ 12,890	\$ 10,265	\$ 1,821	\$ 208,385

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Current Year</u>		<u>Unexpended Balance, June 30, 2012</u>
		<u>Prior Years Expended</u>	<u>Cancelled</u>	<u>Expended</u>	<u>Cancelled</u>	
Improvements to Washington Park School	\$ 11,167,998	\$ 10,896,758	\$ 264,390		\$ 6,850	
Roof Replacement and Repairs at Washington Park School	616,547	549,675			66,872	
Cafeteria Floor Replacement at Washington Park School	<u>86,851</u>	<u>34,992</u>	<u>-</u>	<u>\$ 27,052</u>	<u>-</u>	<u>\$ 24,807</u>
	<u>\$ 11,871,396</u>	<u>\$ 11,481,425</u>	<u>\$ 264,390</u>	<u>\$ 27,052</u>	<u>\$ 73,722</u>	<u>\$ 24,807</u>

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Revenues and Other Financing Sources	
Interest	\$ 379
	<u>379</u>
Total Revenues and Other Financing Sources	
	<u>379</u>
Expenditures and Other Financing Uses	
Construction Services	27,052
Transfer Out - Debt Service Fund	73,722
Transfer Out - General Fund	<u>379</u>
	<u>101,153</u>
Total Expenditures and Other Financing Uses	
	<u>101,153</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(100,774)
Fund Balance- Beginning of Year	<u>125,581</u>
Fund Balance- End of Year	<u>\$ 24,807</u>
Reconciliation to GAAP Fund Balance:	
Fund Balance, Budgetary Basis	\$ 24,807
Less: Unearned Revenue - SDA Grants	<u>(9,922)</u>
Fund Balance, GAAP Basis	<u>\$ 14,885</u>
Recapitulation:	
Available for Capital Projects Expenditures	<u>\$ 14,885</u>

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
IMPROVEMENTS TO WASHINGTON PARK SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SCC Grant	\$ 2,932,683		\$ 2,932,683	\$ 2,932,683
Transfer In - Capital Outlay	580,000		580,000	580,000
Bond Proceeds	7,655,315	-	7,655,315	7,655,315
	<u>11,167,998</u>	<u>-</u>	<u>11,167,998</u>	<u>11,167,998</u>
Expenditures and Other Financing Uses				
Capital Outlay - Construction Services	313,955		313,955	580,000
Cancellation of Accounts Payable	(90,016)		(90,016)	
Cancelled	264,390		264,390	
Unallocated	10,672,819		10,672,819	10,581,148
Transfer to Debt Service Fund	-	\$ 6,850	6,850	6,850
	<u>11,161,148</u>	<u>6,850</u>	<u>11,167,998</u>	<u>11,167,998</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 6,850</u>	<u>\$ (6,850)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional project information:				
Project Number	SP#5200-060-03-0788			
Grant Date	02/09/2005			
Bond Authorization Date	03/11/2003			
Bonds Authorized	\$ 7,975,000			
Bonds Issued	7,975,000			
Original Authorized Cost	10,791,262			
Authorized Cost Cancelled	376,736			
Additional Authorized Cost	580,000			
Revised Authorized Cost	11,167,998			
Percentage Increase(Decrease) Over Original				
Authorized Cost	5.37%			
Percentage Completion	100.00%			
Original Target Completion Date	06/2007			
Revised Target Completion Date	06/2009			

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ROOF REPLACEMENT AND REPAIRS AT WASHINGTON PARK SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SCC Grant	\$ 81,306		\$ 81,306	\$ 81,306
Bond Proceeds	121,958		121,958	121,958
Transfer In - Capital Outlay	200,000		200,000	200,000
Transfer In - Capital Reserve	<u>213,283</u>	<u>-</u>	<u>213,283</u>	<u>213,283</u>
 Total Revenues and Other Financing Sources	 616,547	 -	 616,547	 616,547
Expenditures and Other Financing Uses				
Construction Services	549,675		549,675	549,675
Transfer to Debt Service Fund	<u>-</u>	<u>\$ 66,872</u>	<u>66,872</u>	<u>66,872</u>
 Total Expenditures and Other Financing Uses	 <u>549,675</u>	 <u>66,872</u>	 <u>616,547</u>	 <u>616,547</u>
 Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 <u>\$ 66,872</u>	 <u>\$ (66,872)</u>	 <u>\$ -</u>	 <u>\$ -</u>

Additional project information:

Project Number	SP#5200-060-05-2000
Grant Date	02/09/2005
Bond Authorization Date	03/11/2003
Bonds Authorized	\$ 121,958
Bonds Issued	121,958
Original Authorized Cost	203,264
Additional Authorized Cost - 2005/06	213,283
Additional Authorized Cost - 2006/07	200,000
Revised Authorized Cost	616,547

Percentage Increase(Decrease) Over Original

Authorized Cost	200.00%
Percentage Completion	100.00%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
CAFETERIA FLOOR REPLACEMENT AT WASHINGTON PARK SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$ 34,740		\$ 34,740	\$ 34,740
Transfer In - Capital Reserve	<u>52,111</u>	<u>-</u>	<u>52,111</u>	<u>52,111</u>
Total Revenues and Other Financing Sources	86,851	-	86,851	86,851
Expenditures and Other Financing Uses				
Construction Services	<u>34,992</u>	<u>\$ 27,052</u>	<u>62,044</u>	<u>86,851</u>
Total Expenditures and Other Financing Uses	<u>34,992</u>	<u>27,052</u>	<u>62,044</u>	<u>86,851</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 51,859</u>	<u>\$ (27,052)</u>	<u>\$ 24,807</u>	<u>\$ -</u>
Additional project information:				
Project Number	5200-060-10-1001			
Grant Date	8/9/2010			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	86,851			
Authorized Cost Cancelled				
Revised Authorized Cost	86,851			
Percentage Increase(Decrease) Over Original				
Authorized Cost	0.00%			
Percentage Completion	71.44%			
Original Target Completion Date	6/30/2013			
Revised Target Completion Date	6/30/2013			

ENTERPRISE FUND

EXHIBIT G-1

**TOTOWA BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 24,448	\$ 149,610	\$ 174,058
Total Assets	<u>\$ 24,448</u>	<u>\$ 149,610</u>	<u>\$ 174,058</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 136,951	\$ 136,951
Payroll Deductions and Withholdings Payable		10,611	10,611
Due to Other Funds		2,048	2,048
Due to Student Groups	<u>\$ 24,448</u>	<u>-</u>	<u>24,448</u>
Total Liabilities	<u>\$ 24,448</u>	<u>\$ 149,610</u>	<u>\$ 174,058</u>

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2012</u>
Due to Student Groups				
Elementary Schools				
Washington Park	\$ 21,031	\$ 83,154	\$ 89,999	\$ 14,186
Memorial	<u>10,197</u>	<u>2,965</u>	<u>2,900</u>	<u>10,262</u>
 Total All Schools	 <u>\$ 31,228</u>	 <u>\$ 86,119</u>	 <u>\$ 92,899</u>	 <u>\$ 24,448</u>

**TOTOWA BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance, July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2012</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 486	\$ 4,235,906	\$ 4,225,781	\$ 10,611
Accrued Salaries and Wages	127,127	5,430,349	5,420,525	136,951
Due to Other Funds	<u>1,594</u>	<u>454</u>	<u>-</u>	<u>2,048</u>
 Total	 <u>\$ 129,207</u>	 <u>\$ 9,666,709</u>	 <u>\$ 9,646,306</u>	 <u>\$ 149,610</u>

LONG-TERM DEBT

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance, July 1, 2011	Issued	Retired	Balance, June 30, 2012
Improvements to Washington Park and Memorial Schools	8/15/2003	\$ 8,702,000	2/15/2013	\$ 500,000	4.200%	\$ 6,732,000		\$ 6,232,000	\$ 500,000
Refunding Bonds	1/25/2012	5,460,000	2/15/2014	530,000	3.000%				
			2/15/2015	550,000	3.000%				
			2/15/2016	565,000	3.000%				
			2/15/2017	585,000	3.000%				
			2/15/2018	600,000	3.000%				
			2/15/2019	615,000	4.000%				
			2/15/2020	645,000	4.000%				
			2/15/2021	665,000	4.000%				
			2/15/2022	705,000	4.000%				
						-	\$ 5,460,000	-	5,460,000
						\$ 6,732,000	\$ 5,460,000	\$ 6,232,000	\$ 5,960,000
								Paid by Budget	\$ 485,000
								Refunded	5,747,000
								\$ 6,232,000	

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 777,410	-	\$ 777,410	\$ 777,410	-
Total Revenues	<u>777,410</u>	<u>-</u>	<u>777,410</u>	<u>777,410</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	493,197		493,197	493,197	
Interest	285,163		285,163	284,756	\$ 407
Bond Issuance Costs	-		-	100,606	(100,606)
Total Expenditures	<u>778,360</u>	<u>-</u>	<u>778,360</u>	<u>878,559</u>	<u>(100,199)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(950)	-	(950)	(101,149)	(100,199)
Other Financing Sources					
Operating Transfer In				73,722	73,722
Refunding Bonds Issued				5,460,000	5,460,000
Premium on Refunding Bonds				624,165	624,165
Payment to Refunding Bond Escrow Agent	-		-	(5,983,559)	(5,983,559)
Net Change in Fund Balance	(950)	-	(950)	73,179	74,129
Fund Balance, Beginning of Year	<u>950</u>	<u>-</u>	<u>950</u>	<u>950</u>	<u>-</u>
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ 74,129	\$ 74,129
Recapitulation:					
Restricted for Debt Service					
Designated for Subsequent Year's Expenditures				\$ 73,722	
Available for Debt Service Expenditures				<u>407</u>	
				<u>\$ 74,129</u>	

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Intergovernmental Loan</u>	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2011	Retired Current Year	Amount Outstanding June 30, 2012
Safe Loan	1.50%	\$ 33,756	\$ 3,959	\$ 1,320	\$ 2,639
Small Project	5.29%	101,268	<u>21,562</u>	<u>6,877</u>	<u>14,685</u>
			<u>\$ 25,521</u>	<u>\$ 8,197</u>	<u>\$ 17,324</u>

STATISTICAL SECTION

This part of the Totowa Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOTOWA BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities						(Restated)			
Invested in Capital Assets, Net of Related Debt	\$ 436,583	\$ 1,243,589	\$ 2,401,427	\$ 5,763,733	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,997,163
Restricted	158,685	171,924	21,508	12,070	12,535	302,768	117,070	97,306	154,563
Unrestricted	1,297,249	2,255,798	3,882,985	2,692,907	1,917,878	2,029,661	2,065,023	2,005,795	2,328,848
Total Governmental Activities Net Assets	\$ 1,892,517	\$ 3,671,311	\$ 6,305,920	\$ 8,468,710	\$ 7,991,706	\$ 4,622,466	\$ 4,873,608	\$ 4,963,651	\$ 5,480,574
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt	\$ 18,090	\$ 23,328	\$ 23,659	\$ 24,285	\$ 30,491	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736
Restricted									
Unrestricted	\$ 18,090	\$ 23,328	\$ 23,659	\$ 24,285	\$ 30,491	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736
Total Business-Type Activities Net Assets	\$ 18,090	\$ 23,328	\$ 23,659	\$ 24,285	\$ 30,491	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736
District-Wide									
Invested in Capital Assets, Net of Related Debt	\$ 436,583	\$ 1,243,589	\$ 2,401,427	\$ 5,763,733	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,997,163
Restricted	158,685	171,924	21,508	12,070	12,535	302,768	117,070	97,306	154,563
Unrestricted	1,315,339	2,279,126	3,906,644	2,717,192	1,948,369	2,070,311	2,133,284	2,096,311	2,427,584
Total District Net Assets	\$ 1,910,607	\$ 3,694,639	\$ 6,329,579	\$ 8,492,995	\$ 8,022,197	\$ 4,663,116	\$ 4,941,869	\$ 5,054,167	\$ 5,579,310

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

TOTOWA BOARD OF EDUCATION
 CHANGES IN NET ASSETS
 LAST NINE FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental Activities									
Instruction									
Regular	\$ 4,819,614	\$ 4,996,219	\$ 5,244,312	\$ 6,384,262	\$ 6,996,539	\$ 6,857,279	\$ 7,171,784	\$ 6,859,725	\$ 6,985,771
Special Education	1,707,793	1,518,928	1,485,801	1,908,657	2,261,052	1,363,745	1,888,150	1,610,676	1,482,236
Other Instruction	298,376	407,835	544,383	443,779	773,083	665,212	465,383	593,159	573,051
School Sponsored Activities And Athletics	8,575	23,632	17,233	29,869	27,478	18,158	8,238	5,217	4,780
Support Services:									
Tuition									
Student & Instruction Related Services	835,330	1,295,628	1,475,387	1,429,682	1,455,237	1,650,247	1,786,109	2,030,595	2,273,015
School Administrative Services	662,675	588,397	652,533	562,460	529,842	605,756	534,856	639,407	745,495
General Administration	460,274	394,144	448,356	538,773	772,583	543,284	667,796	703,380	703,178
Plant Operations And Maintenance	882,997	918,732	956,291	1,147,998	1,243,589	1,263,197	1,339,428	1,311,870	1,352,130
Pupil Transportation	507,856	496,472	480,380	555,811	613,911	518,655	409,175	372,654	405,861
Other Support Services	233,420	261,886	294,653	555,980	347,644	334,823	368,456	404,065	455,910
Interest On Long-Term Debt	397,130	424,579	404,532	382,623	362,979	342,566	317,817	297,576	276,942
Unallocated Depreciation	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	10,814,040	11,326,452	12,003,861	13,939,894	15,383,957	14,162,922	14,957,192	14,698,324	15,260,369
Business-Type Activities:									
Food Service	42,204	37,269	49,351	58,362	64,969	65,869	269,279	302,041	332,751
Total Business-Type Activities Expense	42,204	37,269	49,351	58,362	64,969	65,869	269,279	302,041	332,751
Total District Expenses	\$ 10,856,244	\$ 11,363,721	\$ 12,053,212	\$ 13,998,256	\$ 15,448,926	\$ 14,228,791	\$ 15,226,471	\$ 15,000,365	\$ 15,593,120
Program Revenues									
Governmental Activities:									
Charges For Services:									
Instruction (Tuition)	\$ 1,591,824	\$ 1,692,112	\$ 1,812,947	\$ 2,318,007	\$ 2,489,613	\$ 1,974,331	\$ 2,226,081	\$ 1,505,589	\$ 2,076,249
Operating Grants And Contributions	64,999	489,336	1,173,073	1,653,629	117,890	117,890	125,355	13,997	44,062
Capital Grants And Contributions									
Total Governmental Activities Program Revenues	1,656,823	2,181,448	2,986,020	4,026,839	2,704,452	2,185,942	2,525,095	1,678,619	2,440,814
Business-Type Activities:									
Charges For Services:									
Food Service	28,493	25,868	29,388	30,366	36,592	40,236	229,515	245,793	252,665
Operating Grants And Contributions	17,289	16,299	19,494	27,601	33,893	35,646	67,174	78,342	88,143
Total Business Type Activities Program Revenues	45,782	42,167	48,882	57,967	70,485	75,882	296,689	324,135	340,808
Total District Program Revenues	\$ 1,702,605	\$ 2,223,615	\$ 3,034,902	\$ 4,084,806	\$ 2,774,937	\$ 2,261,824	\$ 2,821,784	\$ 2,002,754	\$ 2,781,622

TOTOWA BOARD OF EDUCATION
 CHANGES IN NET ASSETS
 LAST NINE FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue									
Governmental Activities	\$ (9,157,217)	\$ (9,145,004)	\$ (9,017,841)	\$ (9,913,055)	\$ (12,679,505)	\$ (11,976,980)	\$ (12,432,097)	\$ (13,019,705)	\$ (12,819,555)
Business-Type Activities	3,578	4,898	(462)	(395)	5,516	10,013	27,410	22,094	8,057
Total District-Wide Net Expense	\$ (9,153,639)	\$ (9,140,106)	\$ (9,018,310)	\$ (9,913,450)	\$ (12,673,989)	\$ (11,966,967)	\$ (12,404,687)	\$ (12,997,611)	\$ (12,811,498)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Property Taxes Levied For General Purposes, Net	\$ 8,992,325	\$ 9,771,938	\$ 10,264,318	\$ 10,863,652	\$ 11,055,151	\$ 11,447,357	\$ 11,893,664	\$ 12,294,411	\$ 12,540,299
Taxes Levied For Debt Service	488,123	808,991	818,585	781,019	787,194	797,538	761,399	777,816	777,410
Investment Earnings	92,272	117,616	384,665	281,519	173,835	75,357	27,089	16,826	16,044
Federal and State Aid - Unrestricted	100,598	125,047	125,866	125,764	147,763	38,413			
State Aid Restricted for Debt Service	28,740	28,740	28,740						
Miscellaneous Income	4,809	11,466	30,278	23,891	38,558	2,572	1,087	20,695	2,725
Accrued Interest on Bonds	19,304	-	-	-	-	-	-	-	-
Total Governmental Activities	9,726,171	10,863,798	11,652,450	12,075,845	12,202,501	12,361,237	12,683,239	13,109,748	13,336,478
Business-Type Activities:									
Investment Earnings	114	340	800	1,021	690	146	201	161	163
Transfers	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	114	340	800	1,021	690	146	201	161	163
Total District-Wide	\$ 9,726,285	\$ 10,864,138	\$ 11,653,250	\$ 12,076,866	\$ 12,203,191	\$ 12,361,383	\$ 12,683,440	\$ 13,109,909	\$ 13,336,641
Change in Net Assets									
Governmental Activities	\$ 568,954	\$ 1,718,794	\$ 2,634,609	\$ 2,162,790	\$ (477,004)	\$ 384,257	\$ 251,142	\$ 90,043	\$ 516,923
Business-Type Activities	3,692	5,238	331	626	6,206	10,159	27,611	22,255	8,220
Total District	\$ 572,646	\$ 1,724,032	\$ 2,634,940	\$ 2,163,416	\$ (470,798)	\$ 394,416	\$ 278,753	\$ 112,298	\$ 525,143
Transfer Out	-	-	-	-	-	(55,000)	-	-	-
Net Change in Net Assets									
Governmental Activities	\$ 568,954	\$ 1,718,794	\$ 2,634,609	\$ 2,162,790	\$ (477,004)	\$ 329,257	\$ 251,142	\$ 90,043	\$ 516,923
Business-Type Activities	3,692	5,238	331	626	6,206	10,159	27,611	22,255	8,220
Total District	\$ 572,646	\$ 1,724,032	\$ 2,634,940	\$ 2,163,416	\$ (470,798)	\$ 339,416	\$ 278,753	\$ 112,298	\$ 525,143

Note:
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

TOTOWA BOARD OF EDUCATION
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST NINE FISCAL YEARS
 (Unaudited)
 (modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Reserved	\$ 1,830,288	\$ 2,780,876	\$ 3,519,516	\$ 2,956,817	\$ 2,186,368	\$ 2,703,336	\$ 2,533,451		
Unreserved	261,204	311,085	230,570	199,366	239,121	149,048	238,921	\$ 2,300,921	\$ 2,621,684
Restricted								130,000	
Committed								51,625	187,406
Assigned								262,082	258,123
Unassigned									
Total General Fund	\$ 2,091,492	\$ 3,091,961	\$ 3,750,086	\$ 3,156,183	\$ 2,425,489	\$ 2,852,384	\$ 2,772,372	\$ 2,744,628	\$ 3,067,213
All Other Governmental Funds									
Reserved	\$ 1,528,000	\$ 8,439,339	\$ 1,405,853		\$ 56,000				
Unreserved	6,819,571	(1,833,754)	(1,113,377)	\$ 482,604	560,948	\$ 271,209	\$ 74,672		
Restricted								\$ 105,788	\$ 89,014
Total All Other Governmental Funds	\$ 8,347,571	\$ 6,605,585	\$ 292,476	\$ 482,604	\$ 596,948	\$ 271,209	\$ 74,672	\$ 105,788	\$ 89,014

Note:
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

TOTOWA BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues									
Tax Levy	\$ 9,480,448	\$ 10,580,929	\$ 11,082,901	\$ 11,644,671	\$ 11,842,345	\$ 12,244,895	\$ 12,655,073	\$ 13,072,227	\$ 13,317,709
Tuition Charges	92,272	177,616	384,665	281,519	96,949	93,721	173,659	159,033	320,503
Interest Earnings	5,022	11,466	30,278	23,891	38,558	2,572	1,087	16,826	16,044
Miscellaneous	1,565,414	2,088,097	2,902,003	3,834,168	2,495,841	1,718,611	1,779,089	23,895	4,546
State Sources	222,534	247,138	238,623	265,232	259,425	294,133	572,347	1,186,364	1,641,075
Federal Sources									477,415
Total Revenue	11,363,690	13,105,246	14,638,470	16,102,684	14,906,953	14,429,289	15,208,344	14,788,367	15,777,292
Expenditures									
Instruction									
Regular Instruction	4,874,456	4,950,289	5,327,095	6,107,261	6,741,665	6,617,221	6,870,794	6,568,872	6,719,327
Special Education Instruction	1,723,292	1,505,827	1,470,943	1,936,243	2,260,935	1,376,222	1,876,687	1,598,701	1,477,848
Other Instruction	296,413	413,833	538,950	453,105	773,083	665,212	462,474	588,661	572,725
School Sponsored Activities and Athletics	8,575	23,632	17,233	29,869	27,478	18,158	8,228	5,217	4,780
Support Services:									
Student and Inst. Related Services	778,278	1,229,447	1,518,747	1,436,618	1,402,848	1,608,630	1,746,024	1,988,907	2,242,163
General Administration	428,310	384,054	437,465	503,038	720,712	493,445	499,993	539,670	671,488
School Administrative Services	620,344	591,568	654,308	529,323	502,933	565,288	648,906	620,890	730,146
Plant Operations And Maintenance	819,054	907,868	956,396	1,135,197	1,221,276	1,239,119	1,324,186	1,297,071	1,342,083
Pupil Transportation	507,856	496,472	480,380	555,811	613,911	518,655	409,175	372,654	405,861
Other Support Services	217,114	261,957	282,587	535,309	314,517	314,517	351,702	387,578	440,839
Capital Outlay	438,601	2,244,085	7,742,854	2,493,453	142,234	59,294	328,778	38,792	86,268
Debt Service:									
Principal	254,035	407,130	455,366	401,914	417,147	447,393	629,644	472,913	493,197
Interest and Other Charges	262,969	430,601	411,130	389,318	370,047	349,979	328,292	305,069	284,756
Bond Issuance Costs									100,606
Total Expenditures	11,229,277	13,846,763	20,293,454	16,506,459	15,523,303	14,273,133	15,484,883	14,784,995	15,572,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,413	(741,517)	(5,654,984)	(403,775)	(616,350)	156,156	(276,539)	3,372	205,205
Other Financing Sources (Uses)									
Serial Bond Proceeds	8,702,000								5,460,000
Premium Interest on Bonds	19,304								624,165
Payment to Refunded Bond Escrow Agent	80,694	119,899	431,275	868,453	30,282	316,629	477,329	52,575	(5,983,559)
Transfers In	(80,694)	(119,899)	(431,275)	(868,453)	(30,282)	(371,629)	(477,329)	(52,575)	74,101
Transfers Out									(74,101)
Total Other Financing Sources (Uses)	8,721,304	(741,517)	(5,654,984)	(403,775)	(616,350)	156,156	(276,539)	3,372	100,606
Net Change in Fund Balances	\$ 8,655,717	\$ (741,517)	\$ (5,654,984)	\$ (403,775)	\$ (616,350)	\$ 101,156	\$ (276,539)	\$ 3,372	\$ 305,811
Debt Service as a Percentage of Noncapital Expenditures	4.79%	7.22%	6.90%	5.65%	5.12%	5.61%	6.32%	5.28%	5.02%

* Noncapital expenditures are total expenditures less capital outlay.

Note: GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>Tuition</u>	<u>Interest on Deposits</u>	<u>Rentals</u>	<u>Misc.</u>	<u>Total</u>
2012	\$ 320,503	\$ 16,044		\$ 4,546	\$ 341,093
2011	159,033	16,826		23,895	199,754
2010	173,659	27,089		1,087	201,835
2009	93,721	48,633		2,572	144,926
2008	96,949	143,553		38,558	279,060
2007	55,203	218,581		8,891	282,675
2006		166,673		30,278	196,951
2005		57,717		11,466	69,183
2004		30,882		5,022	35,904
2003		35,550		5,719	41,269

Source: School District's Financial Statements

TOTOWA BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30	Vacant Land	Residential	Farm Reg.	Q/farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2003	\$ 21,267,200	\$ 556,386,400	\$ 550,800	500	\$ 319,429,600	\$ 207,238,700	N/A	\$ 1,104,873,200	\$ 2,372,827	\$ 1,107,246,027	\$ 1,333,099,903	\$ 0.857
2004	17,098,700	595,542,100	550,800	500	320,376,100	207,181,400	N/A	1,140,749,600	1,900,491	1,142,650,091	1,397,960,518	0.936
2005	12,624,100	634,068,400	550,800	500	321,028,500	206,968,800	N/A	1,175,241,100	1,637,570	1,176,878,670	1,969,237,768	0.943
2006	10,906,600	664,187,700	550,800	500	316,473,400	196,183,800	N/A	1,188,302,800	1,564,506	1,189,867,306	2,335,362,720	0.978
2007	12,385,700	656,438,500	550,800	500	312,185,700	190,153,000	N/A	1,171,716,200	1,422,982	1,173,139,182	2,316,477,454	1.012
2008	13,260,200	658,512,500	550,800	500	320,241,600	177,776,500	N/A	1,170,342,100	1,447,159	1,171,789,259	1,763,425,655	1.045
2009 *	36,899,000	1,544,803,000	1,007,100	2,800	739,736,900	377,270,900	N/A	2,699,721,700	3,583,498	2,703,305,198	2,527,694,398	0.468
2010	33,653,600	1,543,628,500	1,007,100	2,800	731,106,100	368,661,200	N/A	2,678,059,300	2,883,486	2,680,942,786	2,322,765,395	0.488
2011	30,317,700	1,380,731,400	900,400	2,800	655,477,800	337,383,600	N/A	2,404,813,700	2,718,721	2,407,532,421	2,454,392,427	0.554
2012	29,449,300	1,378,014,500	900,400	2,800	635,098,000	332,149,500	N/A	2,375,614,500	2,717,962	2,378,332,462	Not Available	0.566

Source: County Abstract of Rates

^a Tax rates are per \$100

* Revaluation of Real Property

**TOTOWA BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Regional School District</u>	<u>Municipality</u>	<u>County</u>
2012	\$ 2.060	\$ 0.566	\$ 0.399	\$ 0.474	\$ 0.621
2011	1.965	0.554	0.372	0.462	0.577
2010	1.698	0.488	0.323	0.390	0.497
2009 *	1.620	0.468	0.294	0.391	0.467
2008	3.539	1.045	0.638	0.859	0.997
2007	3.400	1.012	0.607	0.828	0.953
2006	3.210	0.978	0.578	0.729	0.925
2005	3.090	0.943	0.560	0.698	0.889
2004	2.910	0.926	0.519	0.668	0.797
2003	2.710	0.857	0.496	0.651	0.706

* Revaluation of Real Property

EXHIBIT J-8

TOTOWA BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Fidelity Syndications	\$ 56,514,800	2.38%	\$ 26,018,600	2.35%
Totowa VF, LLC	56,501,300	2.38%	33,988,000	3.08%
Hoffman La Roche, Inc.	32,485,800	1.37%	19,500,000	1.76%
930 N. Riverview Assoc LLC	24,424,700	1.03%	16,228,100	1.47%
Abill Realty	22,365,000	0.94%	9,305,000	84.00%
Norwell Land Company	18,500,000	0.78%	15,474,200	1.40%
Totowa Plaza Rt 46 LLC	18,355,800	0.77%		0.00%
Totowa Plaza Rt 46 LLC	17,711,500	0.74%		
50 Madison Road LLC	16,928,400	0.71%		
Taft Associates	16,920,000	0.71%	9,778,800	89.00%
Holiday 46 LLC			17,757,800	1.61%
Rossmore Assoc/Vons Co.			11,500,000	1.04%
IMS America, LTD			10,500,000	95.00%
	\$ 263,787,300	11.80%	\$ 170,050,500	15.39%

Source: Municipal Tax Assessor

**TOTOWA BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 8,148,090	\$ 8,148,090	100.00%	
2004	9,480,448	9,480,448	100.00%	
2005	10,580,929	10,580,929	100.00%	
2006	11,082,901	11,082,901	100.00%	
2007	11,644,071	11,615,330	98.00%	\$ 28,741
2008	11,842,345	11,842,345	100.00%	
2009	12,244,895	12,244,895	100.00%	
2010	12,655,073	12,655,073	100.00%	
2011	13,072,227	13,072,227	100.00%	
2012	13,317,709	13,317,709	100.00%	

**TOTOWA BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases	Total District		
2005	\$ 9,444,000		\$ 68,676	\$ 69,222		\$ 9,581,898	10,386	\$ 923
2006	9,064,000			62,532		9,126,532	10,431	875
2007	8,669,000			55,678		8,724,678	10,489	832
2008	8,259,000			48,471		8,307,471	10,557	787
2009	7,819,000			41,078		7,860,078	10,661	737
2010	7,197,000			33,434		7,230,434	10,811	669
2011	6,732,000			25,521		6,757,521	10,821	624
2012	5,960,000			17,324		5,977,324	10,821 *	552

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

* - Estimate

TOTOWA BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2005	\$ 9,444,000		\$ 9,444,000	0.80%	\$ 909
2006	9,064,000		9,064,000	0.76%	869
2007	8,669,000		8,669,000	0.74%	826
2008	8,259,000		8,259,000	0.70%	782
2009	7,819,000		7,819,000	0.29%	733
2010	7,197,000		7,197,000	0.27%	666
2011	6,732,000		6,732,000	0.28%	622
2012	5,960,000		5,960,000	0.25%	551

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**TOTOWA BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
FOR YEAR ENDED DECEMBER 31, 2011
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Borough of Totowa School District	\$ 6,749,324	\$ 6,749,324	
Regional School District	3,207,385	3,207,385	
Borough of Totowa	<u>3,308,783</u>	<u>1,295,577</u>	\$ 2,013,206
	<u>\$ 13,265,492</u>	<u>\$ 11,252,286</u>	<u>2,013,206</u>
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			15,659,104
Passaic County Utilities Authority (B)			2,738,233
Passaic Valley Sewerage Commission (B)			<u>3,339,204</u>
			<u>21,736,541</u>
Total Direct and Overlapping Debt			<u>\$ 23,749,747</u>

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2011 equalized value by the total 2011 equalized value for Passaic County.

(B) Overlapping debt was computed based upon municipal flow to the Authority.

Sources:

- (1) Borough of Totowa 2011 Annual Debt Statement
- (2) PCUA 2011 Audit
- (3) PVSC 2011 Audit

TOTOWA BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2011	\$ 2,350,057,363
2010	2,502,157,619
2009	2,540,436,341
	<u>\$ 7,392,651,323</u>
Average equalized valuation of taxable property	\$ 2,464,217,108
Debt limit (3 % of average equalization value)	73,926,513 ^a
Total Net Debt Applicable to Limit	<u>5,977,324</u>
Legal debt margin	<u>\$ 67,949,189</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 35,439,889	\$ 37,577,856	\$ 41,938,816	\$ 40,085,906	\$ 63,408,826	\$ 67,501,286	\$ 71,628,296	\$ 73,709,739	\$ 75,524,419	\$ 73,926,513
Total Net Debt Applicable to Limit	<u>1,520,098</u>	<u>13,347,605</u>	<u>9,854,709</u>	<u>9,126,532</u>	<u>8,724,618</u>	<u>8,307,471</u>	<u>7,860,078</u>	<u>7,230,434</u>	<u>6,757,521</u>	<u>5,977,324</u>
Legal Debt Margin	\$ 33,919,791	\$ 24,230,251	\$ 32,084,107	\$ 30,959,374	\$ 54,684,208	\$ 59,193,815	\$ 63,768,218	\$ 66,479,305	\$ 68,766,898	\$ 67,949,189
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.29%	35.52%	23.50%	22.77%	13.76%	12.31%	10.97%	9.81%	8.95%	8.09%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

^a Limit set by NUSA 18A:24-19 for a K through L2 district; other % limits would be applicable for other district types.

**TOTOWA BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>School District Population</u>
2011	7.5	N/A	10,821
2010	7.6	\$ 42,228	10,811
2009	7.4	40,426	10,661
2008	3.8	41,556	10,557
2007	2.9	40,223	10,489
2006	3.1	37,865	10,431
2005	3.1	35,269	10,386
2004	3.2	33,370	10,160
2003	4.2	32,585	9,903
2002	4.1	32,195	9,935

Source: United States Bureau of Census - Population Division NJ Department of Labor,
Bureau of Labor Force Statistics

N/A - Updated information not available

TOTOWA BOARD OF EDUCATION
 PRINCIPAL EMPLOYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

TOTOWA BOARD OF EDUCATION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction	67	63	67	74	66	62	68	71	68	69
Regular					14	26	23	17	18	19
Special Education										
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	9	9	9	9	12	12	12	12	12	13
General Administration	2	2	2	2	2	2	2	2	7	9
School Administrative Services	8	7	7	7	7	7	7	7	7	9
Other Administrative Services										
Central Services	3	3	3	3	3	3	3	3	3	4
Administrative Information Technology										
Plant Operations And Maintenance	10	10	10	10	13	13	13	13	13	13
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care										
Total	99	94	98	105	117	125	128	125	128	136

Source: District Personnel Records

TOTOWA BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2003	969	\$ 9,185,931	\$ 9,480	-1.70%	86	1:14	1:12	N/A	947	909	5.46%	95.99%
2004	968	10,273,672	10,613	11.96%	89	1:12	1:12	N/A	953	921	0.63%	96.64%
2005	930	10,764,947	11,575	9.06%	89	1:12	1:12	N/A	912	874	-4.30%	95.83%
2006	973	11,684,104	12,008	3.74%	83	1:12	1:12	N/A	973	951	6.69%	97.74%
2007	1,055	13,221,774	12,532	4.36%	92	1:12	1:12	N/A	981	971	0.82%	98.98%
2008	1,053	14,594,875	13,860	10.59%	88	1:12	1:12	N/A	982	929	0.10%	94.60%
2009	1,054	13,416,467	12,729	-8.16%	91	1:12	1:12	N/A	1,000	956	2.91%	95.60%
2010	1,073	14,198,169	13,232	3.95%	91	1:12	1:12	N/A	1,021	970	1.46%	95.00%
2011	1,037	13,968,221	13,470	1.80%	86	1:12	1:12	N/A	1,027	968	-0.21%	94.26%
2012	995	14,607,260	14,681	10.95%	88	1:12	1:12	N/A	990	945	-2.58%	95.45%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

TOTOWA BOARD OF EDUCATION
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
<u>Elementary</u>										
Square Feet	60,700	60,700	60,700	54,000	62,152	62,152	62,152	62,152	62,152	62,152
Capacity (students)				516	697	354	363	389	372	351
Enrollment	493	527	506							
<u>Middle School</u>										
Square Feet	54,000	54,000	54,000	94,700	89,822	89,822	89,822	89,822	89,822	89,822
Capacity (students)				399	344	686	680	584	655	539
Enrollment	408	452	448							
Number of Schools at June 30, 2012										
Elementary =	1	1	1	1	1	1	1	1	1	1
Middle School =	1	1	1	1	1	1	1	1	1	1
Senior High School =										
Other =										

Source: District Records

TOTOWA BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)

School Facilities	Project #	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Memorial School	N/A	\$ 109,743	\$ 115,799	\$ 140,587	\$ 147,564	\$ 145,719	\$ 127,803	\$ 64,470	\$ 62,804	\$ 58,425	\$ 49,227
Washington Park School	N/A	140,008	131,283	105,686	99,597	92,763	105,263	74,865	67,123	54,489	52,012
Board Offices - Firehouse	N/A	-	-	-	-	-	-	-	-	-	29
Grand Total		\$ 249,751	\$ 247,082	\$ 246,273	\$ 247,161	\$ 238,482	\$ 233,066	\$ 139,335	\$ 129,927	\$ 112,914	\$ 101,268

Source: School District Financial Statements

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Property-New Jersey School Boards Association Insurance Group		
Blanket Building Contents	\$ 39,378,919	
Blanket Real and Personal Property	500,000,000	\$ 5,000
Electronic Data Processing	100,000	1,000
Equipment Breakdown	100,000,000	
Crime		
Public Employee Dishonesty with Faithful Performance	500,000	1,000
Theft, Disappearance and Destruction	50,000	1,000
Forgery or Alteration	50,000	1,000
Computer Fraud	50,000	1,000
Public Officials Bond		
Board Secretary	250,000	
Comprehensive General Liability	11,000,000	
Automobile	11,000,000	
Public Official Bonds		
Board Secretary	15,000	
School Leaders Employment Practice Are Advantage	5,000,000	

Source: School District's records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
of the Board of Trustees
Totowa Board of Education
Totowa, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Totowa Board of Education's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Totowa Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Totowa Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Totowa Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Totowa Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Totowa Board of Education'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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

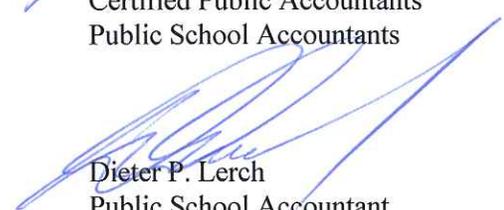
We also noted a certain matter that we have reported to management of the Totowa Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 29, 2012.

Totowa Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Totowa Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 29, 2012

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

Honorable President and Members
of the Board of Trustees
Totowa Board of Education
Totowa, New Jersey

Compliance

We have audited the Totowa Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Totowa Board of Education's major federal and state programs for the fiscal year ended June 30, 2012. Totowa Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Totowa Board of Education's management. Our responsibility is to express an opinion on Totowa Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Totowa Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Totowa Board of Education's compliance with those requirements.

In our opinion, Totowa Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

Internal Control Over Compliance

Management of Totowa Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Totowa Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected on a timely basis.

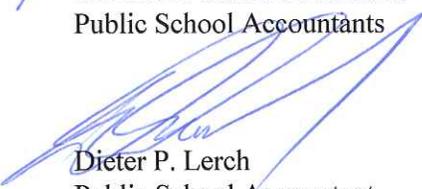
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 29, 2012

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal CFDA Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance, June 30, 2012		MEMO GAAP Receivable	
									Accounts Receivable	Deferred Revenue		Due to Grantor
U.S. Department of Agriculture												
<i>Passed-Through State Dept. of Education</i>												
<i>Enterprise Fund</i>												
			\$ 84,694			\$ 79,789	\$ (84,694)		\$ (4,905)		\$ 4,905	
10.555	N/A	7/1/11-6/30/12		(14,501)		14,501						
10.555	N/A	7/1/10-6/30/11	75,201									
Total U.S. Department of Agriculture												
				(14,501)		94,290	(84,694)		(4,905)		4,905	
U.S. Department of Education												
<i>General Fund</i>												
93.778	N/A	7/1/11-6/30/12	11,840			11,840	(11,840)					
84.410	N/A	9/1/10-8/31/12	25,226			25,226	(25,226)					
Total General Fund												
						37,066	(37,066)					
U.S. Department of Education												
<i>Passed-Through State Dept. of Education</i>												
<i>Special Revenue Fund</i>												
84.010	NCLB520012	9/1/11-8/31/12	61,488			49,190	(58,257)		(12,298)	3,231	9,067	
84.010	NCLB520011	9/1/10-8/31/11	59,441	(15,523)		26,728	(11,205)					
84.389	N/A	9/1/09-8/31/11	17,059	(5,459)		5,459			(2,945)	2,120	825	
84.281	NCLB520012	9/1/11-8/31/12	19,745			16,806	(17,625)					
84.281	NCLB520011	9/1/10-8/31/11	19,923	(4,755)		7,544	(2,789)					
84.281	NCLB520011	9/1/10-8/31/11	137	21		137	(450)			\$ 21		
84.365	NCLB520008	9/1/07-6/30/08	153	1033			(1,033)					
84.340	NCLB520011	9/1/10-8/31/11	2,933	377			(377)					
84.298	NCLB520008	9/1/07-6/30/08	1,384	204						204		
84.027	SE12012	5/1/12-6/30/13	75,000			225,399	(74,464)		(75,000)	536	74,464	
84.027	IDEA520012	9/1/11-8/31/12	259,486			19,706	(236,548)		(14,087)	2,938	11,149	
84.027	IDEA520011	9/1/10-8/31/11	231,447	(6,546)		23,173	(13,160)					
84.391	N/A	9/1/09-8/31/11	252,927	(17,238)		8,326	(5,953)					
84.173	IDEA520012	9/1/11-8/31/12	8,326			8,326	(8,326)					
84.173	IDEA520011	9/1/10-8/31/11	8,296	1,057								
84.392	N/A	9/1/09-8/31/11	9,123			9,123	(9,123)					
Total Special Revenue Fund												
				(46,516)		391,585	(440,349)		(104,330)	8,825	225	
Total Federal Awards												
			\$ (61,017)	\$ -	\$ 497,715	\$ (536,883)	\$ -	\$ -	\$ (109,235)	\$ 8,825	\$ 225	
											\$ 100,410	

TOTOWA BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Department of Education State Grant/Program Title	Grant or State Project Number	Grant Period	Balance, June 30, 2011			Refund of Prior Years' Balances			Balance, June 30, 2012			MEMO	
			Award Amount	(Accounts Receivable/ Deferred Revenue)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	QAAP Reservable
State Department of Education													
Special Revenue Fund													
New Jersey Nonpublic Aid													
Textbook Aid	12-100-034-5120-064	7/11-6/30/12	10,265										10,265
Textbook Aid	11-100-034-5120-064	7/11-6/30/11	12,789		\$ 1,365			\$ (1,365)			\$ 1,772		12,890
Nursing Services	12-100-034-5120-070	7/11-6/30/12	14,652										14,652
Nursing Services	11-100-034-5120-070	7/11-6/30/11	15,150		1,188			(1,188)					15,150
Auxiliary Services													
ESL	12-100-034-5120-067	7/11-6/30/12	1,379										1,379
ESL	11-100-034-5120-067	7/11-6/30/11	3,842		2,988			(2,988)					3,842
Compensatory Education	12-100-034-5120-067	7/11-6/30/12	69,317										69,317
Compensatory Education	11-100-034-5120-067	7/11-6/30/11	82,955		18,755			(18,755)					82,955
Entrepreneurial Fund													
Exam Fees & Classification	12-100-034-5120-066	7/11-6/30/12	23,989										23,989
Exam Fees & Classification	11-100-034-5120-066	7/11-6/30/11	17,380		4,620			(4,620)					17,380
Supplemental Instruction	12-100-034-5120-066	7/11-6/30/12	14,030										14,030
Supplemental Instruction	11-100-034-5120-066	7/11-6/30/11	12,646		1,668			(1,668)					12,646
Corrective Speech	12-100-034-5120-066	7/11-6/30/12	14,217										14,217
Corrective Speech	11-100-034-5120-066	7/11-6/30/11	13,143		3,106			(3,106)					13,143
Total Special Revenue Fund					\$ 35,710			\$ (33,710)			\$ 30,817		\$ 117,042
Enterprise Fund													
National School Lunch Program	12-100-010-3350-023	7/11-6/30/12	3,449										3,449
National School Lunch Program	11-100-010-3350-023	7/11-6/30/11	5,141		(633)			(633)					5,141
(State Share)													
Total Enterprise Fund													3,449
Capital Projects Fund													
School Development Authority													
Facilities Grant													
Caliente Floor Replacement	5200-060-10-1001	N/A	34,740										34,740
Caliente Floor Replacement													
at Washington Park School													
Total Capital Projects Fund													34,740
Total State Awards													34,740
Total State Financial Assistance Not Subject to Single Audit Determination													
On-Behalf TPAF - Pension	12-100-034-5095-006	7/11-6/30/12	187,789										187,789
On-Behalf TPAF - NCGI Premium	12-100-034-5095-007	7/11-6/30/12	422,307										422,307
On-Behalf TPAF - Post Ret. Acc.	12-100-034-5095-001	7/11-6/30/12	422,307										422,307
On-Behalf TPAF - Post Ret. Acc.	11-100-034-5095-001	7/11-6/30/11	499,041		(50,005)			(49,718)					449,041
Reimbursed TPAF Social Security													
Reimbursed TPAF Social Security													
Total State Financial Assistance Subject to Single Audit					\$ 35,710			\$ (33,710)			\$ 30,817		\$ 1,199,210

**TOTOWA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Totowa Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$18,689 for the general fund and an increase of \$2,453 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 37,066	\$ 1,510,759	\$ 1,547,825
Special Revenue Fund	440,349	119,495	559,844
Capital Projects Fund		10,821	10,821
Food Service Fund	<u>84,694</u>	<u>3,449</u>	<u>88,143</u>
Total Financial Assistance	<u>\$ 562,109</u>	<u>\$ 1,644,524</u>	<u>\$ 2,206,633</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The District's state loans outstanding at June 30, 2012, which are not required to be reported on the schedule of state financial assistance, are as follows:

<u>Loan Program</u>	<u>Total</u>
Safe Loan	\$ 2,639
Small Project	<u>14,685</u>
	<u>\$ 17,324</u>

NOTE 6 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$497,040 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$207,941 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$418,017 represents the amount paid by the State on behalf of the District for the year ended June 30, 2012.

NOTE 7 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part I – Summary of Auditor's Results

State Awards Section

J) Dollar threshold used to distinguish Type A and Type B programs: \$ 300,000

K) Auditee qualified as low-risk auditee? X yes no

L) Type of auditor's report on compliance for major programs: Unqualified

M) Internal Control over compliance:

1) Material weakness(es) identified? yes X no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? yes X no

O) Identification of major programs:

GMIS Number(s)	Name of State Program
12-495-034-5120-089	Special Education Aid
12-495-034-5095-002	Reimbursed TPAF Social Security Contributions

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2012-1:

Two (2) contracts were awarded under the IDEA Special Education Achievement Grant for the acquisition of equipment without adherence to the Public School Contracts Law.

Criteria or Specific Requirement:

Public School Contracts Law.

Condition:

Equipment was purchased through the use of a Special Education Grant. However, such purchases were not made in accordance with Public School Contracts Law requirements.

Questioned Costs:

None.

Context:

The District utilized a Special Education Grant to purchase ipads and Smart Boards. Requirements of the Public School Contracts Law were not utilized when awarding such contracts.

Effect:

The District was not in compliance with Public School Contracts Law requirements.

Cause:

Unknown.

Recommendation:

Contracts awarded under the IDEA Special Education Achievement Grant be awarded in accordance with the requirements of the Public School Contracts Law.

Management's Response:

Management has reviewed this finding and has indicated that corrective action will be taken.

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

Finding 2012-2:

Two (2) contracts were awarded under the Special Education Grant for the acquisition of equipment without adherence to the Public School Contracts Law.

Federal Program Information:

IDEA Special Education Achievement Grant	84.027
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Criteria or Specific Requirement:

Public School Contracts Law, OMB Circular A-133 Grant Compliance Supplement

Condition:

Equipment was purchased through the use of a Special Education Grant. However, such purchases were not made in accordance with Public School Contracts Law requirements.

Questioned Costs:

None.

Context:

The District utilized a Special Education Grant to purchase ipads and Smart Boards. Requirements of the Public School Contracts Law were not utilized when awarding such contacts.

Effect:

The District was not in compliance with Public School Contracts Law requirements.

Cause:

Unknown.

Recommendation:

Contracts awarded under the Special Education Grant be awarded in accordance with the requirements of the Public School Contracts Law.

Management's Response:

Management has reviewed this finding and has indicated that corrective action will be taken.

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

There are none.

**TOTOWA BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.