

TOTOWA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Totowa, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Totowa Board of Education

Totowa, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION

BOROUGH OF TOTOWA PUBLIC SCHOOLS
10 Crews Street
TOTOWA, NEW JERSEY 07512
OFFICE OF THE CHIEF SCHOOL ADMINISTRATOR
Patricia Capitelli

Tel: 973-956-0010

Fax: 973-956-9859

September 27, 2017

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, 2017, 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 U.S. Uniform Guidance and the State Treasury Circular Letter 15-08 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 eight. These include regular, as well as special education for students with disabilities. The District completed the 2016-2017 fiscal year with an enrollment of 1064 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)
12/13	968	1013
13/14	1024	1069
14/15	1018	1083
15/16	1082	1099
16/17	1050	1064

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 2016-2017 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" and "Totowa Preschool (TPK) Kops for Kids" programs (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. Starting in the summer of 2016, The Foundation sponsored a new Summer Enrichment program for the students. The program allowed students to select from a wide variety of classes, ranging from Artistic Reading and Geography to Pig Dissection. During the winter months of 2017 similar Enrichment programs were offered after school to the students in both Memorial School and Washington Park School. The Foundation plans to offer Enrichment classes all year round going forward.

Extracurricular programming continued during the 2016-2017 school year. The middle school bowling league continues along with the interscholastic traveling boys' basketball team, boys' volleyball team, girls' traveling basketball team, and girls' traveling volleyball team. 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 since that inaugural year 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>	- 2005-2006
<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>	- 2011-2012
<i>The Wiz</i>	- 2012-2013
<i>The Little Mermaid</i>	- 2013-2014
<i>Beauty and the Beast</i>	- 2014-2015
<i>Mary Poppins</i>	- 2015-2016
<i>Aladdin</i>	- 2016-2017

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, cultural arts programs, the eighth grade dance, and an eighth grade trip to a Broadway play.

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

Partnership with Totowa Police Department: The administration and Board of Education have continued their partnership with the Totowa Police Department to contract with, at a reduced rate, three full time armed Totowa active duty police officers at a cost of \$40.00 per hour per officer. In addition, two recently retired Totowa Police Department officers are contracted.

Partnership with Municipal Alliance: The administration and Board of Education have continued their partnership with the Municipal Alliance during the 2016-2017 school year. The Municipal Alliance helps run programs such as Senior Citizen luncheons, Community Awareness, and school based prevention programs.

Partnership with Totowa Fire Department: The administration and the Board of Education have continued their partnership with the Totowa Fire Department during the 2016-2017 school year. The Fire Department provides programs and hands-on activities to educate our students about fire prevention and safety.

4. FACILITIES -

During the summer 2016, the front sidewalk at Memorial School was excavated to fix and replace a broken pipe. The sidewalk was redesigned with new pavers. During the summer 2017, the second half of the paver project at Memorial School was completed. Also during the summer 2017, Washington Park School's networking infrastructure was completely revamped. New routers were installed in all classrooms in preparation of moving to a 1:1 initiative in grades five through eight.

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 U.S. Uniform Guidance and State Treasury Circular Letter 15-08 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,

Patricia Capitelli

Patricia Capitelli
Chief School Administrator

(Signature)

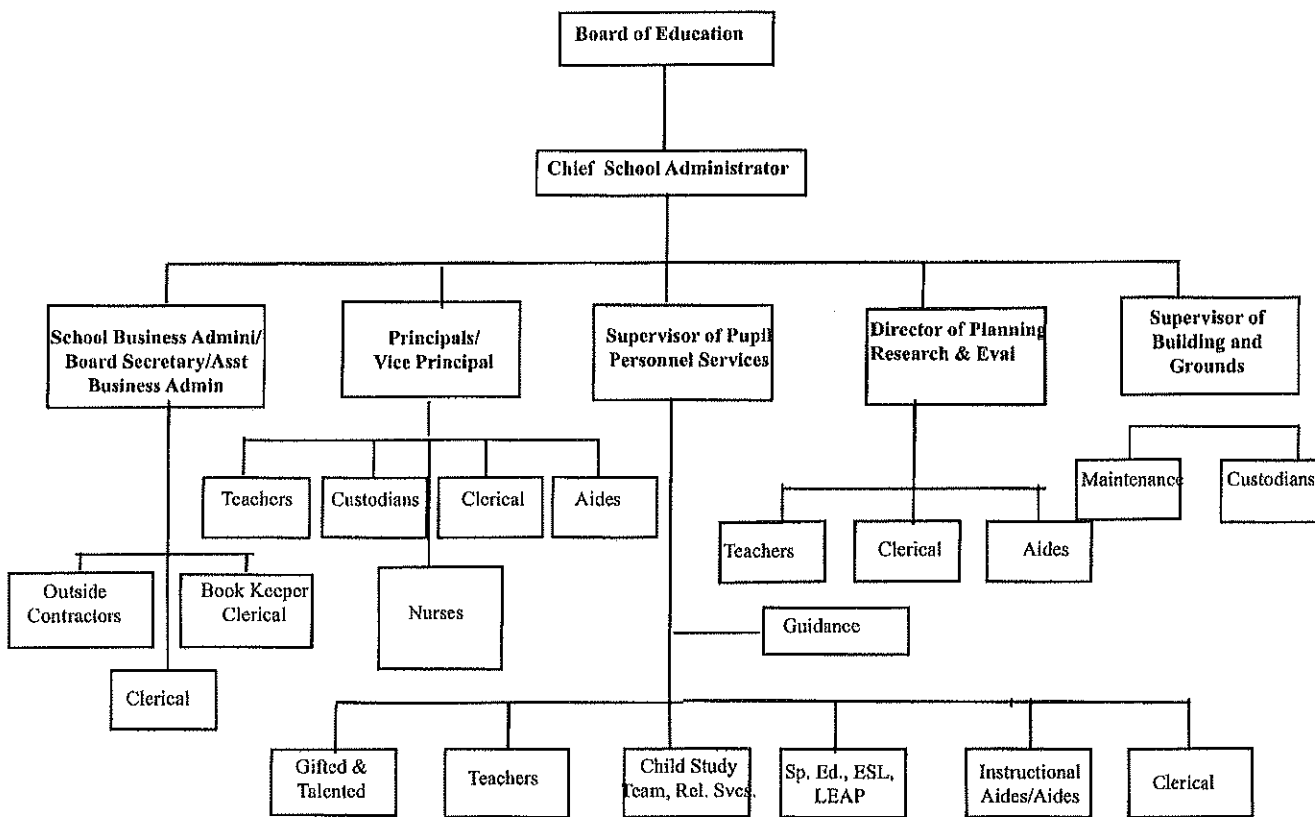
Vincent Varcadipane
School Business Administrator/
Board Secretary

POLICY

BOARD OF EDUCATION BOROUGH OF TOTOWA

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART



REVISED: October 21 , 2015 - Totowa Board of Education

Totowa Board of Education
Roster of Officials
June 30, 2017

Members of the Board of Education

Term Expires

Michele Ruocco – President	2019
Marcello Guarneri – Vice President	2018
Heather Antonucci	2020
Gary Bierach	2019
Rosemarie Carr	2019
Jennifer DeCeglie	2020
Kenneth Kerwin	2018
Sanders Reynoso	2020
Keith Schaffer	2018

Other Officials

Patricia Capitelli, Chief School Administrator

Vincent Varcadipane, Board Secretary/School Business Administrator

Lisa Nash, Treasurer of School Monies

Raymond B. Reddin, Attorney

Totowa Board of Education
Consultants and Advisors
June 30, 2017

Audit Firm

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

Attorney

Raymond B. Reddin, Esq.
Reddin Masri LLC
485 Totowa Road
Totowa, New Jersey 07512

Official Depository

Valley National Bank
55 Union Boulevard
Totowa, New Jersey 07512

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension 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.

Other Information

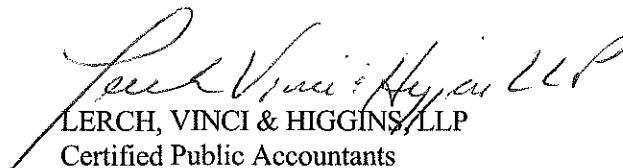
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Totowa Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Totowa Board of Education.


The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2017 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 effectiveness of the Totowa Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Totowa Board of Education's internal control over financial reporting and compliance.


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


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
September 27, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis Year Ended June 30, 2017

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, 2017. 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 an 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 (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year are as follows:

- The assets and deferred outflows of resources of the Totowa Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,894,932 (net position).
- The District's total net position increased through current year operations by \$848,912.
- Total district-wide revenues were \$22,556,215. General revenues accounted for \$15,455,255 or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,100,960 or 31% of total revenues.
- The school district had \$21,254,217 in expenses for governmental activities; only \$6,623,878 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$15,454,810 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 \$4,049,430. Of this amount, \$5,767 is restricted for capital reserve. After deducting statutory reserves, \$287,057 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, 2017**

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: Food Service
Required financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position 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, deferred outflows/inflows of resources and liability information	All assets, deferred outflows/inflows of resources 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, deferred outflows/inflows of resources 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, 2017

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 position includes all of the district's assets, deferred outflows/inflows of resources 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 position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position 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, 2017**

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 position and a statement of changes in fiduciary net position. 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 position for 2017 and 2016.

Net Position. The district's combined net position were \$2,894,932 and \$2,046,020, on June 30, 2017 and 2016, respectively. (See Table A-1).

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

**Table A-1
Statement of Net Position
as of June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 4,163,763	\$ 3,434,852	\$ 176,935	\$ 140,238	\$ 4,340,698	\$ 3,575,090
Capital Assets	7,819,326	8,129,805	-	-	7,819,326	8,129,805
Total Assets	<u>11,983,089</u>	<u>11,564,657</u>	<u>176,935</u>	<u>140,238</u>	<u>12,160,024</u>	<u>11,704,895</u>
Deferred Outflows of Resources	1,953,693	1,054,332	-	-	1,953,693	1,054,332
Total Assets and Deferred Outflows	<u>13,936,782</u>	<u>12,618,989</u>	<u>176,935</u>	<u>140,238</u>	<u>14,113,717</u>	<u>12,759,227</u>
Long-Term Liabilities	10,270,993	9,734,829			10,270,993	9,734,829
Other Liabilities	160,533	237,083	36,602	24,281	197,135	261,364
Total Liabilities	<u>10,431,526</u>	<u>9,971,912</u>	<u>36,602</u>	<u>24,281</u>	<u>10,468,128</u>	<u>9,996,193</u>
Deferred Inflows of Resources	750,119	716,411	538	603	750,657	717,014
Total Liabilities and Deferred Inflows	<u>11,181,645</u>	<u>10,688,323</u>	<u>37,140</u>	<u>24,884</u>	<u>11,218,785</u>	<u>10,713,207</u>
Net Position						
Net Investment in Capital Assets	4,485,777	4,167,704			4,485,777	4,167,704
Restricted	5,767	5,767			5,767	5,767
Unrestricted	(1,736,407)	(2,242,805)	139,795	115,354	(1,596,612)	(2,127,451)
Total Net Position	<u>\$ 2,755,137</u>	<u>\$ 1,930,666</u>	<u>\$ 139,795</u>	<u>\$ 115,354</u>	<u>\$ 2,894,932</u>	<u>\$ 2,046,020</u>

Table A-2 on the following page shows changes in net position for fiscal years 2017 and 2016.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 297,706	\$ 289,742	\$ 314,176	\$ 283,479	\$ 611,882	\$ 573,221
Grants and Contributions	6,326,172	4,956,830	162,906	151,226	6,489,078	5,108,056
General Revenues						
Property Taxes	15,272,328	14,719,070			15,272,328	14,719,070
State Aid - Unrestricted	30,485	19,382			30,485	19,382
Interest	17,787	9,879	445	254	18,232	10,133
Miscellaneous	134,210	10,703	-	-	134,210	10,703
Total Revenues	<u>22,078,688</u>	<u>20,005,606</u>	<u>477,527</u>	<u>434,959</u>	<u>22,556,215</u>	<u>20,440,565</u>
Expenses						
Instruction						
Regular	10,335,689	9,168,993			10,335,689	9,168,993
Special Education	2,500,203	2,182,867			2,500,203	2,182,867
Other Instruction	217,306	514,346			217,306	514,346
Support Services						
Student and Instruction Related Services	3,417,267	3,022,167			3,417,267	3,022,167
General Administrative Services	605,195	565,830			605,195	565,830
School Administrative Services	1,001,594	943,181			1,001,594	943,181
Plant Operations and Maintenance	2,007,867	1,841,354			2,007,867	1,841,354
Administrative Information Technology	12,713	-	-	-	12,713	-
Pupil Transportation	526,669	514,332			526,669	514,332
Central Services	539,097	518,059			539,097	518,059
Food Services			453,086	430,241	453,086	430,241
Interest on Long-Term Debt	90,617	99,770	-	-	90,617	99,770
Total Expenses	<u>21,254,217</u>	<u>19,370,899</u>	<u>453,086</u>	<u>430,241</u>	<u>21,707,303</u>	<u>19,801,140</u>
Change in Net Position	<u>\$ 824,471</u>	<u>\$ 634,707</u>	<u>\$ 24,441</u>	<u>\$ 4,718</u>	<u>\$ 848,912</u>	<u>\$ 639,425</u>

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

Governmental Activities. The District's total revenues were \$22,078,688. General revenues, which included property taxes, tuition, unrestricted state aid, investment earnings, and miscellaneous revenue, amounted to \$15,454,810 or 70% of total revenues. Charges for services, grants and contributions amounted to \$6,623,878 or 30%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$13,053,198 or 61% and student support services and debt service totaled \$8,201,019 or 39% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities
For Fiscal Year 2017

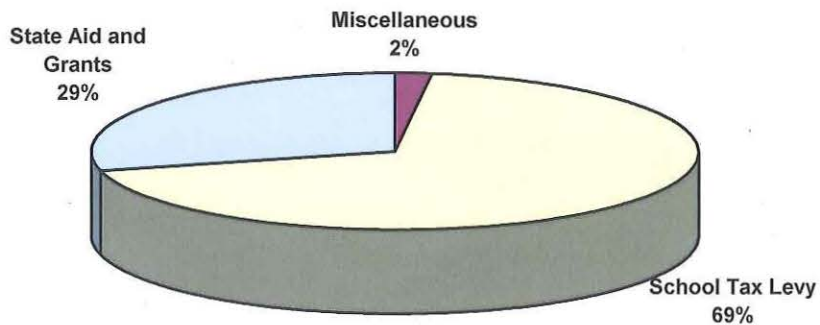
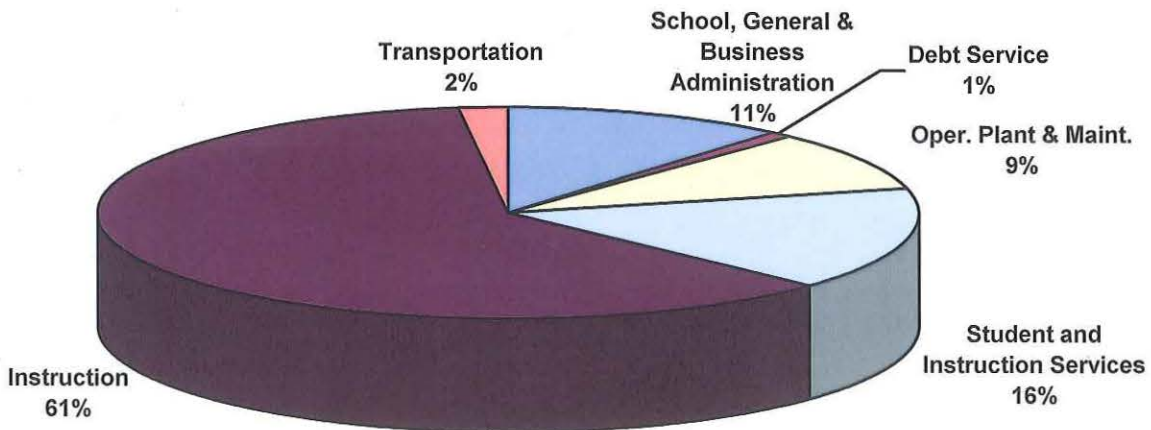


Figure A-3 Expenses by Function – Governmental Activities
For Fiscal Year 2017



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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Governmental Activities				
Instruction				
Regular	\$ 10,335,689	\$ 9,168,993	\$ 6,243,062	\$ 6,128,761
Special Education	2,500,203	2,182,867	1,491,095	1,211,295
Other Instruction	217,306	514,346	134,324	354,038
Support Services				
Student and Instruction Related Services	3,417,267	3,022,167	2,296,105	2,163,274
General Administrative Services	605,195	565,830	605,195	565,830
School Administrative Services	1,001,594	943,181	750,571	780,320
Plant Operations and Maintenance	2,007,867	1,841,354	1,967,984	1,811,143
Administrative Information Technology	12,713	-	12,713	-
Pupil Transportation	526,669	514,332	499,576	491,837
Central Services	539,097	518,059	539,097	518,059
Interest on Long-Term Debt	90,617	99,770	90,617	99,770
Total	\$ 21,254,217	\$ 19,370,899	\$ 14,630,339	\$ 14,124,327

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2017 was \$453,086. 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, 2017**

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 \$4,049,430. At June 30, 2016, the fund balance was \$3,250,550, for an increase of \$798,880.

Revenues for the District's governmental funds were \$18,888,752, while total expenditures were \$18,089,872.

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,			
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 14,546,578	\$ 13,996,370	\$ 550,208	4%
Tuition	297,706	289,742	7,964	3%
Investment Earnings	17,711	9,831	7,880	80%
Miscellaneous	134,210	10,703	123,507	1154%
Intergovernmental				
Federal Sources	21,291	86,346	(65,055)	-75%
State Sources	<u>2,540,668</u>	<u>2,225,712</u>	<u>314,956</u>	14%
 Total Revenues	 <u>\$ 17,558,164</u>	 <u>\$ 16,618,704</u>	 <u>\$ 939,460</u>	 5.65%

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	For the Fiscal Years		Amount of	Percent
	Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Instruction	\$ 9,849,786	\$ 9,621,846	\$ 227,940	2%
Support Services	6,836,074	6,511,206	324,868	5%
Capital Outlay	<u>73,500</u>	<u>20,775</u>	<u>52,725</u>	254%
 Total Expenditures	 <u>\$ 16,759,360</u>	 <u>\$ 16,153,827</u>	 <u>\$ 605,533</u>	 3.7%

Total General Fund expenditures increased by \$605,533 or 3.7%, 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 \$604,762 for the year ended June 30, 2017. Federal sources accounted for 65% of the total revenue for the year, while state sources accounted for 35%.

Expenditures of the Special Revenue Fund were \$604,762. Instructional expenditures were \$370,653 or 61%.

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, 2017**

Capital Assets. At the end of the fiscal years ended June 30, 2017 and 2016, the school district had invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Land	\$ 130,267	\$ 130,267
Buildings	11,955,661	11,882,161
Improvements Other Than Buildings	244,588	244,588
Machinery and Equipment	<u>1,840,697</u>	<u>1,840,697</u>
 Total	 14,171,213	 14,097,713
 Less: Accumulated Depreciation	 <u>(6,351,887)</u>	 <u>(5,967,908)</u>
 Total	 <u>\$ 7,819,326</u>	 <u>\$ 8,129,805</u>

Additional information about the District's capital assets can be found in Note 3C of this report.

Debt Administration. As of June 30, 2017 the school district had outstanding long-term liabilities in the amount of \$10,104,249.

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities
As of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Serial Bonds Payable	\$ 3,230,000	\$ 3,815,000
Net Pension Liability	6,293,075	5,126,424
Compensated Absences Payable	<u>581,174</u>	<u>556,528</u>
 Total	 <u>\$ 10,104,249</u>	 <u>\$ 9,497,952</u>

Additional information about the District's long-term liabilities can be found in Note 3E of this report.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2017**

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

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.

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 Business Administrator, Totowa Board of Education, 294 Totowa Road, Totowa, New Jersey 07512.

BASIC FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,112,930	\$ 134,896	\$ 4,247,826
Receivables, net			
Receivables from Other Governments	73,980	10,988	84,968
Internal Balances	(28,416)	28,416	
Other Receivables	5,269		5,269
Inventory		2,635	2,635
Capital Assets, Not Being Depreciated	130,267		130,267
Capital Assets, Being Depreciated	<u>7,689,059</u>	<u>-</u>	<u>7,689,059</u>
Total Assets	<u>11,983,089</u>	<u>176,935</u>	<u>12,160,024</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	1,890,498		1,890,498
Deferred Amount on Refunding	<u>63,195</u>	<u>-</u>	<u>63,195</u>
Total Deferred Outflows of Resources	<u>1,953,693</u>	<u>-</u>	<u>1,953,693</u>
Total Assets and Deferred Outflows of Resources	<u>13,936,782</u>	<u>176,935</u>	<u>14,113,717</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	40,365	36,602	76,967
Payable to Other Governments	73,968		73,968
Accrued Interest Payable	46,200		46,200
Noncurrent Liabilities			
Due Within One Year	660,000		660,000
Due Beyond One Year	<u>9,610,993</u>	<u>-</u>	<u>9,610,993</u>
Total Liabilities	<u>10,431,526</u>	<u>36,602</u>	<u>10,468,128</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	750,119		750,119
Deferred Commodities Revenue	<u>-</u>	<u>538</u>	<u>538</u>
Total Deferred Inflows of Resources	<u>750,119</u>	<u>538</u>	<u>750,657</u>
Total Liabilities and Deferred Inflows of Resources	<u>11,181,645</u>	<u>37,140</u>	<u>11,218,785</u>
NET POSITION			
Net Investment in Capital Assets	4,485,777		4,485,777
Restricted for			
Capital Projects	5,767		5,767
Unrestricted	<u>(1,736,407)</u>	<u>139,795</u>	<u>(1,596,612)</u>
Total Net Position	<u>\$ 2,755,137</u>	<u>\$ 139,795</u>	<u>\$ 2,894,932</u>

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

**TOTOWA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 10,335,689	\$ 297,706	\$ 3,794,921	\$ (6,243,062)		\$ (6,243,062)	
Special Education	2,500,203		1,009,108	(1,491,095)		(1,491,095)	
Other Instruction	217,306		82,982	(134,324)		(134,324)	
Support Services							
Student and Instruction Related Services	3,417,267		1,121,162	(2,296,105)		(2,296,105)	
General Administrative Services	605,195		-	(605,195)		(605,195)	
School Administrative Services	1,001,594		251,023	(750,571)		(750,571)	
Central Services	539,097		-	(539,097)		(539,097)	
Plant Operations and Maintenance	2,007,867		39,883	(1,967,984)		(1,967,984)	
Administrative Information Technology	12,713		-	(12,713)		(12,713)	
Pupil Transportation	526,669		27,093	(499,576)		(499,576)	
Interest on Debt	90,617	-	-	(90,617)	-	(90,617)	
Total Governmental Activities	21,254,217	297,706	6,326,172	(14,630,339)	-	(14,630,339)	
Business-Type Activities							
Food Service	453,086	314,176	162,906	-	\$ 23,996	23,996	
Total Business-Type Activities	453,086	314,176	162,906	-	23,996	23,996	
Total Primary Government	\$ 21,707,303	\$ 611,882	\$ 6,489,078	\$ -	(14,630,339)	23,996	(14,606,343)
General Revenues							
Property Taxes, Levied for General Purposes				14,546,578		14,546,578	
Taxes Levied for Debt Service				725,750		725,750	
State Aid - Unrestricted				30,485		30,485	
Investment Earnings				17,787	445	18,232	
Miscellaneous Income				134,210	-	134,210	
Total General Revenues				15,454,810	445	15,455,255	
Change in Net Position				824,471	24,441	848,912	
Net Position, Beginning of Year				1,930,666	115,354	2,046,020	
Net Position, End of Year				\$ 2,755,137	\$ 139,795	\$ 2,894,932	

FUND FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

	<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	\$ 4,010,185	\$ 83,695	\$ 19,050		\$ 4,112,930
Receivables, Net					
Due from Other Funds	24,319				24,319
Receivables from Other Governments	57,632	16,348	-	-	73,980
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 4,092,136</u>	<u>\$ 100,043</u>	<u>\$ 19,050</u>	<u>\$ -</u>	<u>\$ 4,211,229</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 14,290	\$ 26,075			\$ 40,365
Due to Other Funds	28,416		\$ 19,050		47,466
Payable to State Government	-	73,968	-	-	73,968
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>42,706</u>	<u>100,043</u>	<u>19,050</u>	<u>-</u>	<u>161,799</u>
Fund Balances					
Restricted					
Capital Reserve	5,767				5,767
Excess Surplus	2,008,739				2,008,739
Excess Surplus - Designated for Subsequent Year's Budget	1,565,709				1,565,709
Assigned					
Designated in Subsequent Year's Budget	182,158				182,158
Unassigned	287,057	-	-	-	287,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>4,049,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,049,430</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 4,092,136</u>	<u>\$ 100,043</u>	<u>\$ 19,050</u>	<u>\$ -</u>	<u>\$ 4,211,229</u>

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because: \$ 4,049,430

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,171,213 and the accumulated depreciation is \$6,351,887. 7,819,326

Amounts resulting from the refunding of debt and net pension liabilities are reported as deferred inflows and outflows of resources on the statement of net position and amortized over the life of the debt.

Deferred Inflows of Resources			
Net Pension Liability	\$	(750,119)	
Deferred Outflows of Resources			
Net Pension Liability		1,890,498	
Debt Refunding		<u>63,195</u>	
			1,203,574

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (46,200)

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	(3,396,744)	
Net Pension Liability	(6,293,075)	
Compensated Absences	<u>(581,174)</u>	
		<u>(10,270,993)</u>

Net Position of Governmental Activities \$ 2,755,137

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

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<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	\$ 14,546,578			\$ 725,750	\$ 15,272,328
Tuition	297,706				297,706
Investment Earnings	17,711		\$ 76		17,787
Miscellaneous	134,210	-	-	-	134,210
Total - Local Sources	<u>14,996,205</u>	<u>-</u>	<u>76</u>	<u>725,750</u>	<u>15,722,031</u>
State Sources	2,540,668	\$ 209,923			2,750,591
Federal Sources	21,291	394,839	-	-	416,130
Total Revenues	<u>17,558,164</u>	<u>604,762</u>	<u>76</u>	<u>725,750</u>	<u>18,888,752</u>
EXPENDITURES					
Current					
Regular Instruction	7,625,556	145,500			7,771,056
Special Education Instruction	2,058,978	225,153			2,284,131
Other Instruction	165,252				165,252
Support Services and Undistributed Costs					
Student and Instruction Related Services	2,559,066	223,459			2,782,525
General Administrative Services	547,874				547,874
School Administrative Services	808,004				808,004
Administrative Info. Technology	11,845				11,845
Central Services	494,755				494,755
Plant Operations and Maintenance	1,889,779	10,650			1,900,429
Pupil Transportation	524,751				524,751
Debt Service					
Principal				585,000	585,000
Interest and Other Charges				140,750	140,750
Capital Outlay	73,500	-	-	-	73,500
Total Expenditures	<u>16,759,360</u>	<u>604,762</u>	<u>-</u>	<u>725,750</u>	<u>18,089,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>798,804</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>798,880</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	76				76
Transfers Out	-	-	(76)	-	(76)
Total Other Financing Sources and Uses	<u>76</u>	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	798,880	-	-	-	798,880
Fund Balance, Beginning of Year	<u>3,250,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,250,550</u>
Fund Balance, End of Year	<u>\$ 4,049,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,049,430</u>

**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, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 798,880

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital Outlay	\$ 73,500	
Depreciation Expense	<u>(383,979)</u>	
		(310,479)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. For these items are measured by the amount of financial resources used (paid):

Amortization of Original Issue Premium	70,133	
Amortization of Deferred Amount on Refunding	(26,581)	
Net Pension Liability	(274,417)	
Compensated Absences	<u>(24,646)</u>	
		(255,511)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Principal		585,000
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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.

Decrease in Accrued Interest		<u>6,581</u>
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Change in Net Position of Governmental Activities		<u>\$ 824,471</u>
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**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017**

	Enterprise Fund - Food Service
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 134,896
Intergovernmental Receivable	
State	337
Federal	10,651
Inventory	2,635
Due From Other Funds	<u>28,416</u>
Total Current Assets	<u>176,935</u>
LIABILITIES	
Accounts Payable	<u>36,602</u>
Total Liabilities	<u>36,602</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>538</u>
Total Deferred Inflows of Resources	<u>538</u>
Total Liabilities and Deferred Inflows of Resources	<u>37,140</u>
NET POSITION	
Unrestricted	<u>139,795</u>
Total Net Position	<u>\$ 139,795</u>

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Enterprise Fund - <u>Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable	\$ 165,456
Daily Sales - Non-Reimbursable	144,882
Other Sales	<u>3,838</u>
 Total Operating Revenues	 <u>314,176</u>
OPERATING EXPENSES	
Cost of Sales - Reimbursable	145,762
Cost of Sales - Non-Reimbursable	42,477
Salaries & Wages	166,748
Insurance	16,869
Supplies	19,947
Professional Service	4,127
Management Fee	39,540
Miscellaneous	<u>17,616</u>
 Total Operating Expenses	 <u>453,086</u>
 Operating Loss	 <u>(138,910)</u>
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	120,767
National Breakfast Program	8,808
USDA Commodities	29,425
State Sources	
State School Lunch Program	3,906
Interest and Investment Revenue	<u>445</u>
 Total Nonoperating Revenues	 <u>163,351</u>
 Change in Net Position	 24,441
Net Position, Beginning of Year	<u>115,354</u>
 Net Position, End of Year	 <u>\$ 139,795</u>

The accompanying Notes to the 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, 2017**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 314,176
Cash Payments to Employees for Salaries and Wages	(166,748)
Cash Payments to Suppliers for Goods and Services	<u>(243,582)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(96,154)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>130,466</u>
Net Cash Provided by Noncapital Financing Activities	<u>130,466</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>445</u>
Net Cash Provided by Investing Activities	<u>445</u>
Net Increase in Cash and Cash Equivalents	34,757
Cash and Cash Equivalents, Beginning of Year	<u>100,139</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 134,896</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	<u>\$ (138,910)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
USDA Commodities	29,425
Change in Assets and Liabilities (Increase)/Decrease in Inventory	1,075
Increase/(Decrease) in Deferred Inflows of Resources	(65)
Increase/(Decrease) in Accounts Payable	<u>12,321</u>
Total Adjustments	<u>42,756</u>
Net Cash Used for Operating Activities	<u><u>\$ (96,154)</u></u>
Non-cash Investing, Capital and Financing Activities:	
Value Received- Food Distribution Program	<u><u>\$ 29,360</u></u>

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

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>30,928</u>	\$ <u>262,809</u>
Total Assets	<u>30,928</u>	<u>\$ 262,809</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 173,767
Due to Student Groups		71,639
Payroll Deductions and Withholdings		11,854
Reserve for Flex Spending		280
Due to Other Funds		5,269
Due to State Government	<u>262</u>	<u>-</u>
Total Liabilities	<u>262</u>	<u>\$ 262,809</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 30,666</u>	

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

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 16,063
Investment Earnings	
Interest	<u>104</u>
 Total Additions	 <u>16,167</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>8,084</u>
 Total Deductions	 <u>8,084</u>
 Change in Net Position	 8,083
Net Position, Beginning of Year	<u>22,583</u>
Net Position, End of Year	<u>\$ 30,666</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

The 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. Fiduciary funds are excluded from the district-wide financial statements.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position 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 position, 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.

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.

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.

Fund Financial Statements

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 and enterprise funds to be major funds.

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, state and local 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 that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

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, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents 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

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

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 and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. 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 deferred inflows of resources.

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 acquisition 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.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets (Continued)

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	10-20
Office Equipment and Furniture	10
Computer Equipment	5-7

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. *Deferred Outflows/Inflows of Resources (Continued)*

The other item that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused personal and sick leave benefits. A long-term liability of accumulated 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 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.

7. *Pensions*

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. *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 position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts 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. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

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.)

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

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.

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2016/2017 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

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, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are 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 inflows of resources. 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.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs.

Tuition Expenditures - Tuition charges for the fiscal year 2015-2016 and 2016-2017 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 of Department of Education.

4. Proprietary Funds, Operating and Non-Operating Revenues and Expenses

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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. The annual budget 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 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$295,476. The increase was funded by 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.

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. 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 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ 5,767
Increased by:	
Interest Earnings	-
	5,767
Withdrawals:	
Approved in District Budget	-
Balance, June 30, 2017	<u>\$ 5,767</u>

C. 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 restrict 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, 2017 is \$3,574,448. Of this amount, \$1,565,709 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$2,008,739 will be appropriated in the 2018/2019 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$4,541,563 and bank and brokerage firm balances of the Board's deposits amounted to \$5,193,125. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 5,193,125</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, 2017 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, 2017, 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, 2017 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>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 16,348	\$ 10,651	\$ 26,999
State	\$ 57,632	-	337	57,969
Gross Receivables	57,632	16,348	10,988	84,968
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 57,632</u>	<u>\$ 16,348</u>	<u>\$ 10,988</u>	<u>\$ 84,968</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,267	-	-	\$ 130,267
Total Capital Assets, Not Being Depreciated	<u>130,267</u>	<u>-</u>	<u>-</u>	<u>130,267</u>
Capital Assets, Being Depreciated:				
Buildings	11,882,161	\$ 73,500		11,955,661
Improvements Other Than Buildings	244,588			244,588
Machinery and Equipment	1,840,697	-	-	1,840,697
Total Capital Assets Being Depreciated	<u>13,967,446</u>	<u>73,500</u>	<u>-</u>	<u>14,040,946</u>
Less Accumulated Depreciation for:				
Buildings	(4,392,477)	(266,904)		(4,659,381)
Improvements Other Than Buildings	(122,507)	(10,520)		(133,027)
Machinery and Equipment	(1,452,924)	(106,555)	-	(1,559,479)
Total Accumulated Depreciation	<u>(5,967,908)</u>	<u>(383,979)</u>	<u>-</u>	<u>(6,351,887)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,999,538</u>	<u>(310,479)</u>	<u>-</u>	<u>7,689,059</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,129,805</u>	<u>\$ (310,479)</u>	<u>\$ -</u>	<u>\$ 7,819,326</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	\$ 273,371
Special	3,915

Total Instruction	<u>277,286</u>
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Support Services

Student Services - Students	30,965
General Administration	34,831
School Administration	15,545
Operation and Maintenance of Plant	15,428
Business and Other Support Services	<u>9,924</u>

Total Support Services	<u>106,693</u>
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Total Governmental Funds	<u>383,979</u>
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Total Depreciation Expense - Governmental Activities	<u>\$ 383,979</u>
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D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 19,050
General Fund	Payroll Agency Fund	5,269
Food Service Fund	General Fund	<u>28,416</u>
Total		<u>\$ 52,735</u>

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.

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

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>	
	<u>General</u>	<u>Total</u>
Transfer Out:		
Capital Projects Fund	\$ 76	\$ 76
	<u>\$ 76</u>	<u>\$ 76</u>

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 and other capital assets. 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, 2017 are comprised of the following issues:

\$5,460,000, 2013 Refunding Bonds, due in annual installments of \$600,000 to \$705,000 through February 15, 2022, interest at 3.00%-4.00% \$3,230,000

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>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 600,000	\$ 123,200	\$ 723,200
2019	615,000	105,200	720,200
2020	645,000	80,600	725,600
2021	665,000	54,800	719,800
2022	<u>705,000</u>	<u>28,200</u>	<u>733,200</u>
	<u>\$ 3,230,000</u>	<u>\$ 392,000</u>	<u>\$ 3,622,000</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 65,078,636
Less: Net Debt	<u>3,230,000</u>
Remaining Borrowing Power	<u>\$ 61,848,636</u>

F. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance, July 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2017</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 3,815,000		\$ (585,000)	\$ 3,230,000	\$ 600,000
Add: Unamortized Premiums	236,877	-	(70,133)	166,744	-
Total Bonds Payable	4,051,877	-	(655,133)	3,396,744	600,000
Net Pension Liability	5,126,424	\$ 1,356,655	(190,004)	6,293,075	
Compensated Absences	556,528	75,615	(50,969)	581,174	60,000
Governmental Activity Long-Term Liabilities	<u>\$ 9,734,829</u>	<u>\$ 1,432,270</u>	<u>\$ (896,106)</u>	<u>\$ 10,270,993</u>	<u>\$ 660,000</u>

For the governmental activities, the liabilities for compensated absences and net position liability are 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.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG).

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.

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 are 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:

Fiscal Year Ended June 30,	District Contribution	Employee Contributions	Amount Reimbursed	Ending Balance
2017		\$ 16,063	\$ 8,084	\$ 30,666
2016		15,769	61,497	22,583
2015		24,898	20,282	68,181

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, 2017, 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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. PERS is a cost sharing multi-employer defined benefit pension plan.

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. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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 but are currently suspended as a result of reform legislation.

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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information 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.

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. 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 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2015 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 (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience 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 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 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. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively 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>	<u>DCRP</u>
2017	\$ 188,765	\$ 789,619	\$ 17,852
2016	196,336	539,055	17,962
2015	180,156	359,900	19,949

In addition for fiscal year 2016/2017 the District contributed \$1,239 for PERS and the State contributed \$1,883 for TPAF for Long Term Disability Insurance Premium (LTDI).

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$473,212 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$6,293,075 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was 0.02124 percent, which was a decrease of 0.00159 percent from its proportionate share measured as of June 30, 2015 of 0.02283 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$464,421 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 117,032	
Changes of Assumptions	1,303,589	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	239,961	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>229,916</u>	<u>\$ 750,119</u>
Total	<u>\$ 1,890,498</u>	<u>\$ 750,119</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 237,906
2019	237,906
2020	296,485
2021	289,162
2022	78,920
Thereafter	<u>-</u>
	<u>\$ 1,140,379</u>

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,979,555 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$52,964,633. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .06732 percent, which was unchanged from its proportionate share measured as of June 30, 2015.

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 63,251,608</u>	<u>\$ 52,964,633</u>	<u>\$ 44,563,990</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

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 classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

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, 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-Local 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 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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 paid 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 paid 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 state 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 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 includes 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 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 or 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, 2015, OPEB 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 an assumed investment rate of return of 4.50 percent.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016, there were 110,512 , retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion 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 employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

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 fiscal years ended June 30, 2017, 2016 and 2015 were \$657,933, \$641,865 and \$571,343, 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.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 14,546,578		\$ 14,546,578	\$ 14,546,578	
Tuition	175,000		175,000	297,706	\$ 122,706
Interest	8,000		8,000	17,606	9,606
Interest Earned - Capital Reserve				105	105
Miscellaneous	-	-	-	134,210	134,210
Total Local Sources	14,729,578	-	14,729,578	14,996,205	266,627
State Sources					
Special Education Aid	387,460		387,460	387,460	
Transportation Aid	16,114		16,114	16,114	
Security Aid	29,390		29,390	29,390	
PARCC Readiness Aid	10,160		10,160	10,160	
Per Pupil Growth Aid	10,160		10,160	10,160	
Extraordinary Aid				185,231	185,231
Professional Learning Community Aid	10,360		10,360	10,360	
Host District Support Aid	256		256	256	
Non Public Transportation Reimbursements				11,136	11,136
On-behalf TPAF Pension Payments (Non-Budget) - Pension				762,010	762,010
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				27,609	27,609
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				657,933	657,933
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,883	1,883
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	473,212	473,212
Total State Sources	463,900	-	463,900	2,582,914	2,119,014
Federal Sources					
Medicaid Reimbursements	12,443		12,443	20,364	7,921
ARRA/SEMI Revenue	-	-	-	927	927
Total Federal Sources	12,443	-	12,443	21,291	8,848
Total Revenues	15,205,921	-	15,205,921	17,600,410	2,394,489
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	358,238	\$ (35,101)	323,137	303,947	19,190
Kindergarten	333,917	(4,357)	329,560	323,894	5,666
Grades 1-5	1,977,307	87,073	2,064,380	2,052,100	12,280
Grades 6-8	2,210,150	(176,436)	2,033,714	1,987,000	46,714
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	32,000		32,000	19,739	12,261
Purchased Professional - Educational Services	52,000	(28,999)	23,001	20,545	2,456
Purchased Technical Services	30,500	127,968	158,468	151,672	6,796
Other Purchased Services	79,050	(978)	78,072	70,603	7,469
General Supplies	148,600	(7,127)	141,473	73,748	67,725
Textbooks	16,000	181	16,181	1,278	14,903
Other Objects	2,000	1,615	3,615	2,615	1,000
Total Regular Programs - Instruction	5,239,762	(36,161)	5,203,601	5,007,141	196,460
Special Education Instruction					
Behavioral Disabilities					
Salaries of Teachers	124,810		124,810	99,043	25,767
Other Salaries for Instruction	126,360	-	126,360	-	126,360
Total Behavioral Disabilities	251,170	-	251,170	99,043	152,127

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 175,908	\$ 79,392	\$ 255,300	\$ 196,944	\$ 58,356
Other Salaries for Instruction	42,120	91,466	133,586	133,586	-
Total Resource Room/Resource Center	218,028	170,858	388,886	330,530	58,356
Autism					
Salaries of Teachers	156,698	5,303	162,001	157,384	4,617
Other Salaries for Instruction	421,200	89,419	510,619	510,619	-
Total Autism	577,898	94,722	672,620	668,003	4,617
Preschool Disabilities-Part-Time					
Salaries of Teachers	67,061	-	67,061	-	67,061
Total Preschool Disability-Part-Time	67,061	-	67,061	-	67,061
Preschool Disabilities-Full-Time					
Salaries of Teachers	67,061		67,061		67,061
Other Salaries for Instruction	168,480	(153,188)	15,292	-	15,292
Total Preschool Disability Full Time	235,541	(153,188)	82,353	-	82,353
Total Special Education Instruction	1,349,698	112,392	1,462,090	1,097,576	364,514
Basic Skills/Remedial - Instruction					
Salaries of Teachers	342,975	(110,213)	232,762	106,119	126,643
Total Basic Skills/Remedial - Instruction	342,975	(110,213)	232,762	106,119	126,643
School Sponsored Co/Extra Curricular Activities					
Salaries	2,000		2,000		2,000
Other Objects	5,000	-	5,000	-	5,000
Total School Sponsored Co/Extra Curricular Activities	7,000	-	7,000	-	7,000
Total Instruction	6,939,435	(33,982)	6,905,453	6,210,836	694,617
Undistributed Expenditures - Instruction					
Tuition to CSSD and Regional Day Schools	493,000	(9,680)	483,320	380,206	103,114
Tuition to Priv. Sch. for the Disabled Within State	159,917	9,680	169,597	109,637	59,960
Total Undistributed Expenditures - Instruction	652,917	-	652,917	489,843	163,074

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 159,078		\$ 159,078	\$ 155,878	\$ 3,200
Purchased Professional and Technical Svcs.	116,000	\$ (2,687)	113,313	66,091	47,222
Supplies and Materials	5,000	-	5,000	2,540	2,460
Total Health Services	280,078	(2,687)	277,391	224,509	52,882
Speech, OT, PT and Related Services					
Salaries	479,444		479,444	461,497	17,947
Purchased Professional Educational Services	99,600	-	99,600	89,632	9,968
Total Speech, OT, PT and Related Services	579,044	-	579,044	551,129	27,915
Guidance					
Salaries of Other Professional Staff	91,359		91,359	91,359	
Purchased Professional - Educational Services	60,000	3,040	63,040	39,050	23,990
Other Purchased Prof. and Tech. Services	15,000	(11,099)	3,901		3,901
Supplies and Materials	14,000	(959)	13,041	4,643	8,398
Other Objects	400	-	400	129	271
Total Guidance	180,759	(9,018)	171,741	135,181	36,560
Child Study Teams					
Salaries of Other Professional Staff	261,078	11,706	272,784	262,759	10,025
Salaries of Secretarial and Clerical Assistants	48,813		48,813	46,128	2,685
Other Salaries	60,000	13,317	73,317	73,317	
Other Purchased Professional and Tech. Services	15,000	(13,317)	1,683	630	1,053
Supplies and Materials	3,000	-	3,000	537	2,463
Other Objects	1,300	-	1,300	1,060	240
Total Child Study Teams	389,191	11,706	400,897	384,431	16,466
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	157,523	(2,014)	155,509	107,581	47,928
Salaries of Secretarial & Clerical Assistants	70,324	-	70,324	70,324	
Other Salaries	47,512	416	47,928	47,928	-
Total Improvement of Instructional Services	275,359	(1,598)	273,761	225,833	47,928

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 308,482		\$ 308,482	\$ 224,802	\$ 83,680
Supplies and Materials	13,500	-	13,500	11,404	2,096
Total Educational Media Serv./School Library	321,982	-	321,982	236,206	85,776
Instructional Staff Training Services					
Other Purchased Services	1,000	\$ 1,598	2,598	2,598	-
Total Instructional Staff Training Services	1,000	1,598	2,598	2,598	-
Support Services General Administration					
Salaries	217,686		217,686	217,686	
Legal Services	80,000	(14,132)	65,868	36,444	29,424
Audit Fees	26,000		26,000	22,338	3,662
Other Purchased Professional Services	10,000	14,920	24,920	24,920	
Communications/Telephone	33,000	11,666	44,666	41,568	3,098
Miscellaneous Purchased Services	36,000	(6,901)	29,099	21,020	8,079
BOE In-House Training/Meeting Supplies	3,000	338	3,338	3,338	
Settlements	40,000	2,597	42,597	42,500	97
Miscellaneous Expenditures	7,000	(338)	6,662	3,134	3,528
BOE Membership Dues and Fees	7,500	-	7,500	7,203	297
Total Support Services General Administration	460,186	8,150	468,336	420,151	48,185
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	346,596		346,596	321,012	25,584
Salaries of Secretarial and Clerical Assistants	214,164		214,164	199,215	14,949
Purchased Professional and Technical Svcs.	9,500	238	9,738	9,738	
Supplies and Materials	7,000	(573)	6,427	1,044	5,383
Other Objects	19,000	335	19,335	16,952	2,383
Total Support Services School Administration	596,260	-	596,260	547,961	48,299
Central Services					
Salaries	334,511		334,511	333,131	1,380
Purchased Professional Services	25,700		25,700	20,447	5,253
Misc. Purchased Services	5,500		5,500	374	5,126
Supplies and Materials	7,000		7,000	3,175	3,825
Miscellaneous Expenditures	1,200	-	1,200	990	210
Total Central Services	373,911	-	373,911	358,117	15,794

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Admin. Info. Tech.					
Salaries	\$ 8,400		\$ 8,400	\$ 8,400	
Other Objects	2,200	-	2,200	-	2,200
Total Admin. Info. Tech	10,600	-	10,600	8,400	2,200
Required Maintenance For School Facilities					
Salaries	86,695	\$ 849	87,544	87,544	
Cleaning, Repair and Maintenance Services	112,000	(13,992)	98,008	86,792	\$ 11,216
General Supplies	50,000	16,637	66,637	66,637	
Other Objects	11,500	(3,494)	8,006	3,106	4,900
Total Required Maint. For School Facilities	260,195	-	260,195	244,079	16,116
Custodial Services					
Salaries	813,887		813,887	771,437	42,450
Cleaning, Repair and Maintenance Services	47,500	1,466	48,966	40,663	8,303
Other Purchased Property Services	15,000		15,000	15,000	
Insurance	75,000		75,000	73,194	1,806
General Supplies	32,000	(1,467)	30,533	5,813	24,720
Energy (Natural Gas)	100,000		100,000	72,577	27,423
Energy (Electricity)	170,000		170,000	142,143	27,857
Other Objects	5,300	-	5,300	4,368	932
Total Custodial Services	1,258,687	(1)	1,258,686	1,125,195	133,491
Security Services					
Salaries	50,000		50,000	31,580	18,420
Purchased Professional & Technical Services	130,000	-	130,000	123,650	6,350
Total Security Services	180,000	-	180,000	155,230	24,770
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	20,000	(1,445)	18,555	18,555	
Contracted Services - Aid in Lieu Payments - Nonpublic	50,000	6,488	56,488	56,488	
Contracted Services (Between Home and School) - Vendors	195,859	(3,691)	192,168	192,168	
Contracted Services (Other than Between Home and School - Vendors	5,000	2,100	7,100	7,100	
Contracted Services - (Spl. Ed. Students) - Joint Agreements	137,000	105,830	242,830	242,830	-
Total Student Transportation Services	407,859	109,282	517,141	517,141	-

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 202,000	\$ 15,184	\$ 217,184	\$ 217,184	
TPAF Contributions - ERIP	44,000		44,000	4,721	\$ 39,279
Other Retirement Contributions - PERS	212,000	(15,184)	196,816	190,004	6,812
Other Retirement Contributions - DCRP	25,000		25,000	17,852	7,148
Unemployment Compensation	10,000		10,000		10,000
Workmen's Compensation	84,000	3,436	87,436	87,436	
Health Benefits	2,496,395	(3,436)	2,492,959	2,300,043	192,916
Tuition Reimbursement	10,000		10,000	10,000	
Other Employee Benefits	72,500	-	72,500	50,969	21,531
Total Unallocated Benefits - Employee Benefits	3,155,895	-	3,155,895	2,878,209	277,686
On-behalf TPAF Pension Payments (Non-Budget) - Pension				762,010	(762,010)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				27,609	(27,609)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				657,933	(657,933)
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,883	(1,883)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	473,212	(473,212)
Total On-Behalf Payments	-	-	-	1,922,647	(1,922,647)
Total Undistributed Expenditures	9,383,923	117,432	9,501,355	10,426,860	(925,505)
Total Expenditures - Current Expenditures	16,323,358	83,450	16,406,808	16,637,696	(230,888)
CAPITAL OUTLAY					
Equipment					
School Administration	3,000		3,000		3,000
Required Maintenance for School Facilities	10,000	-	10,000	-	10,000
Total Equipment	13,000	-	13,000	-	13,000
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services	-	5,000	5,000	5,000	
Construction Services	100,000	(5,000)	95,000	68,500	26,500
Other Objects (Debt Service Assessment)	38,436	-	38,436	38,436	-
Total Facilities Acquisition and Construction Services	138,436	-	138,436	111,936	26,500
Total Capital Outlay	151,436	-	151,436	111,936	39,500
Transfer to Charter School	19,456	-	19,456	9,728	9,728
Total Expenditures	16,494,250	83,450	16,577,700	16,759,360	(181,660)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,288,329)	(83,450)	(1,371,779)	841,050	2,212,829
Other Financing Sources (Uses)					
Operating Transfer In	-	-	-	76	76
Total Other Financing Sources	-	-	-	76	76

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<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	\$ (1,288,329)	\$ (83,450)	\$ (1,371,779)	\$ 841,126	\$ 2,212,905
Fund Balance, Beginning of Year	<u>3,414,348</u>	<u>-</u>	<u>3,414,348</u>	<u>3,414,348</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,126,019</u>	<u>\$ (83,450)</u>	<u>\$ 2,042,569</u>	<u>\$ 4,255,474</u>	<u>\$ 2,212,905</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 5,767
Excess Surplus	2,008,739
Excess Surplus - Designated in Subsequent Year's Budget	1,565,709
Assigned	
Designated in Subsequent Year's Budget	182,158
Unassigned	<u>493,101</u>
	4,255,474
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(206,044)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 4,049,430</u>

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 150,843	\$ 133,048	\$ 283,891	\$ 209,923	\$ (73,968)
Federal	346,902	78,978	425,880	394,839	(31,041)
Total Revenues	<u>497,745</u>	<u>212,026</u>	<u>709,771</u>	<u>604,762</u>	<u>(105,009)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	119,308	(8,363)	110,945	101,715	9,230
Tuition	227,594	(2,441)	225,153	225,153	
General Supplies	6,989	(1,477)	5,512	5,493	19
Textbooks	13,012	(792)	12,220	12,220	-
Total Instruction	<u>366,903</u>	<u>(13,073)</u>	<u>353,830</u>	<u>344,581</u>	<u>9,249</u>
Support Services					
Salaries		351	351		351
Personal Services-Employee Benefits		26,072	26,072	26,072	
Purchased Prof./Ed. Services	110,127	184,641	294,768	199,359	95,409
Other Purchased Services		4,930	4,930	4,930	
Miscellaneous Purchased Services	20,715	(1,545)	19,170	19,170	
Supplies and Materials	-	10,650	10,650	10,650	-
Total Support Services	<u>130,842</u>	<u>225,099</u>	<u>355,941</u>	<u>260,181</u>	<u>95,760</u>
Total Expenditures	<u>497,745</u>	<u>212,026</u>	<u>709,771</u>	<u>604,762</u>	<u>105,009</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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) \$ 17,600,410	(C-2)	\$ 604,762
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			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Prior Year			
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements - Prior Year	163,798		
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(206,044)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 17,558,164</u>		<u>\$ 604,762</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 16,759,360	(C-2)	\$ 604,762
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			-
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>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 16,759,360</u>		<u>\$ 604,762</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02124%	0.02283%	0.02100%	0.02581%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,293,075	\$ 5,126,424	\$ 3,931,843	\$ 4,933,157
District's Covered-Employee Payroll	\$ 1,619,960	\$ 1,494,545	\$ 1,490,126	\$ 1,665,683
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	388.47%	343.01%	263.86%	296.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.92%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 188,765	\$ 196,336	\$ 180,156	\$ 194,487
Contributions in Relation to the Contractually Required Contribution	<u>188,765</u>	<u>196,336</u>	<u>180,156</u>	<u>194,487</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,619,960	\$ 1,494,545	\$ 1,490,126	\$ 1,665,683
Contributions as a Percentage of Covered-Employee Payroll	11.64%	13.13%	12.08%	11.68%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 52,964,633</u>	<u>\$ 42,074,874</u>	<u>\$ 35,984,913</u>	<u>\$ 34,572,836</u>
Total	<u>\$ 52,964,633</u>	<u>\$ 42,074,874</u>	<u>\$ 35,984,913</u>	<u>\$ 34,572,836</u>
District's Covered-Employee Payroll	\$ 6,414,786	\$ 7,027,176	\$ 6,566,592	\$ 6,432,436
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.74%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

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, 2017

	NCLB		IDEA Part B		Chapter 192		Chapter 193			Nonpublic Nursing	Nonpublic Textbook	Nonpublic Security	Nonpublic Technology	Total
	Title I	Title II-A	Basic	Preschool	Comp. Education	ESL	Corrective Speech	Exam. & Classification	Supplemental Instruction					
REVENUES														
Intergovernmental														
Federal	\$ 121,552	\$ 11,899	\$ 253,323	\$ 8,065										\$ 394,839
State	-	-	-	-	\$ 95,224	\$ 4,933	\$ 11,015	\$ 30,973	\$ 20,245	\$ 19,170	\$ 12,220	\$ 10,650	\$ 5,493	209,923
Total Revenues	\$ 121,552	\$ 11,899	\$ 253,323	\$ 8,065	\$ 95,224	\$ 4,933	\$ 11,015	\$ 30,973	\$ 20,245	\$ 19,170	\$ 12,220	\$ 10,650	\$ 5,493	\$ 604,762
EXPENDITURES														
Instruction														
Salaries of Teachers	\$ 92,854	\$ 8,861												\$ 101,715
Tuition			\$ 217,088	\$ 8,065										225,153
General Supplies													\$ 5,493	5,493
Textbooks											\$ 12,220			12,220
Total Instruction	92,854	8,861	217,088	8,065							12,220		5,493	344,581
Support Services														
Personal Services - Employee Benefits	23,768	2,304												26,072
Purchased Prof./Ed. Services		734	36,235		\$ 95,224	\$ 4,933	\$ 11,015	\$ 30,973	\$ 20,245					199,359
Other Purchased Services	4,930													4,930
Miscellaneous Purchased Services										\$ 19,170				19,170
Supplies and Materials												\$ 10,650		10,650
Total Support Services	28,698	3,038	36,235	-	95,224	4,933	11,015	30,973	20,245	19,170	-	10,650	-	260,181
Total Expenditures	\$ 121,552	\$ 11,899	\$ 253,323	\$ 8,065	\$ 95,224	\$ 4,933	\$ 11,015	\$ 30,973	\$ 20,245	\$ 19,170	\$ 12,220	\$ 10,650	\$ 5,493	\$ 604,762

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources

Revenues	
Interest	\$ 76
	<hr/>
Total Revenues and Other Financing Sources	76

Expenditures and Other Financing Uses

Transfer Out - General Fund	76
	<hr/>
Total Expenditures and Other Financing Uses	76

Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures
and Other Financing Uses

-

Fund Balance- Beginning of Year

-

Fund Balance- End of Year

\$

-

ENTERPRISE FUND

**TOTOWA BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

FIDUCIARY FUNDS

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 71,639	\$ 191,170	\$ 262,809
Total Assets	<u>\$ 71,639</u>	<u>\$ 191,170</u>	<u>\$ 262,809</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 173,767	\$ 173,767
Payroll Deductions and Withholdings Payable		11,854	11,854
Due to Other Funds		5,269	5,269
Reserve for Flex Spending		280	280
Due to Student Groups	<u>\$ 71,639</u>	<u>-</u>	<u>71,639</u>
Total Liabilities	<u>\$ 71,639</u>	<u>\$ 191,170</u>	<u>\$ 262,809</u>

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

	<u>Balance, July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2017</u>
Due to Student Groups				
Elementary Schools				
Washington Park	\$ 94,576	\$ 143,666	\$ 178,197	\$ 60,045
Memorial	<u>12,648</u>	<u>2,465</u>	<u>3,519</u>	<u>11,594</u>
 Total All Schools	 <u>\$ 107,224</u>	 <u>\$ 146,131</u>	 <u>\$ 181,716</u>	 <u>\$ 71,639</u>

**TOTOWA BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance, July 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2017</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 8,552	\$ 4,709,477	\$ 4,706,175	\$ 11,854
Accrued Salaries and Wages - Regular	4,006	5,577,351	5,579,825	1,532
Accrued Salaries and Wages - Summer Pay	161,408	172,235	161,408	172,235
Reserve for Flex Spending	255	300	275	280
Due to Other Funds	<u>4,226</u>	<u>1,043</u>	<u>-</u>	<u>5,269</u>
 Total	 <u>\$ 178,447</u>	 <u>\$ 10,460,406</u>	 <u>\$ 10,447,683</u>	 <u>\$ 191,170</u>

LONG-TERM DEBT

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	1/25/2013	\$ 5,460,000	2/15/2018	\$ 600,000	3.000%	<u>\$ 3,815,000</u>		<u>\$ 585,000</u>	<u>\$ 3,230,000</u>
			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%				
					<u>\$ 3,815,000</u>	<u>\$ -</u>	<u>\$ 585,000</u>	<u>\$ 3,230,000</u>	
						Paid by Budget	<u>\$ 585,000</u>		

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Local Sources					
Local Tax Levy	\$ 725,750	-	\$ 725,750	\$ 725,750	-
Total Revenues	<u>725,750</u>	<u>-</u>	<u>725,750</u>	<u>725,750</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	585,000		585,000	585,000	
Interest	140,750	-	140,750	140,750	-
Total Expenditures	<u>725,750</u>	<u>-</u>	<u>725,750</u>	<u>725,750</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended									
	2008	2009 (Restated)	2010	2011	2012	2013	2014 (Restated)	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,896,557	\$ 3,002,673	\$ 3,340,656	\$ 3,793,083	\$ 4,167,704	\$ 4,485,777
Restricted	12,535	302,768	117,070	97,306	154,563	32,236	21,979	5,687	5,767	5,767
Unrestricted	<u>1,917,878</u>	<u>2,029,661</u>	<u>2,065,023</u>	<u>2,005,795</u>	<u>2,328,848</u>	<u>3,044,331</u>	<u>(2,077,189)</u>	<u>(2,502,811)</u>	<u>(2,242,805)</u>	<u>(1,736,407)</u>
Total Governmental Activities Net Position	<u>\$ 7,991,706</u>	<u>\$ 4,622,466</u>	<u>\$ 4,873,608</u>	<u>\$ 4,963,651</u>	<u>\$ 5,379,968</u>	<u>\$ 6,079,240</u>	<u>\$ 1,285,446</u>	<u>\$ 1,295,959</u>	<u>\$ 1,930,666</u>	<u>\$ 2,755,137</u>
Business-Type Activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 30,491	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736	\$ 103,054	\$ 115,227	\$ 110,636	\$ 115,354	\$ 139,795
Total Business-Type Activities Net Position	<u>\$ 30,491</u>	<u>\$ 40,650</u>	<u>\$ 68,261</u>	<u>\$ 90,516</u>	<u>\$ 98,736</u>	<u>\$ 103,054</u>	<u>\$ 115,227</u>	<u>\$ 110,636</u>	<u>\$ 115,354</u>	<u>\$ 139,795</u>
District-Wide										
Net Investment in Capital Assets	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,896,557	\$ 3,002,673	\$ 3,340,656	\$ 3,793,083	\$ 4,167,704	\$ 4,485,777
Restricted	12,535	302,768	117,070	97,306	154,563	32,236	21,979	5,687	5,767	5,767
Unrestricted	<u>1,948,369</u>	<u>2,070,311</u>	<u>2,133,284</u>	<u>2,096,311</u>	<u>2,427,584</u>	<u>3,147,385</u>	<u>(1,961,962)</u>	<u>(2,392,175)</u>	<u>(2,127,451)</u>	<u>(1,596,612)</u>
Total District Net Position	<u>\$ 8,022,197</u>	<u>\$ 4,663,116</u>	<u>\$ 4,941,869</u>	<u>\$ 5,054,167</u>	<u>\$ 5,478,704</u>	<u>\$ 6,182,294</u>	<u>\$ 1,400,673</u>	<u>\$ 1,406,595</u>	<u>\$ 2,046,020</u>	<u>\$ 2,894,932</u>

Note 1 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting of Pensions".

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

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 6,996,539	\$ 6,857,279	\$ 7,171,784	\$ 6,859,725	\$ 6,985,771	\$ 6,832,422	\$ 6,938,174	\$ 8,621,057	\$ 9,168,993	\$ 10,335,689
Special Education	2,261,052	1,363,745	1,888,150	1,610,676	1,482,236	1,897,792	2,075,543	2,396,063	2,182,867	2,500,203
Other Instruction	773,083	665,212	465,383	593,159	573,051	370,870	262,489	309,226	514,346	217,306
School Sponsored Activities And Athletics	27,478	18,158	8,238	5,217	4,780	3,071	2,025	-	-	-
Support Services:										
Student & Instruction Related Services	1,455,257	1,650,247	1,786,109	2,030,595	2,273,015	2,502,875	2,608,490	2,998,736	3,022,167	3,417,267
General Administration	772,583	543,284	667,796	573,380	705,178	801,427	757,434	564,468	565,830	605,195
School Administrative Services	529,842	605,756	534,856	639,407	745,495	727,904	837,684	930,742	943,181	1,001,594
Other Support Services	347,644	334,823	368,456	404,065	455,910	478,021	442,115	459,313	518,059	539,097
Plant Operations And Maintenance	1,243,589	1,263,197	1,339,428	1,311,870	1,352,130	1,411,469	1,762,510	1,736,065	1,841,354	2,007,867
Administrative Info. Tech.	-	-	-	-	-	-	-	-	-	12,713
Pupil Transportation	613,911	518,655	409,175	372,654	405,861	381,361	406,677	471,983	514,332	526,669
Interest On Long-Term Debt	362,979	342,566	317,817	297,576	276,942	131,817	117,250	108,632	99,770	90,617
Total Governmental Activities Expenses	<u>15,383,957</u>	<u>14,162,922</u>	<u>14,957,192</u>	<u>14,698,324</u>	<u>15,260,369</u>	<u>15,539,029</u>	<u>16,210,391</u>	<u>18,596,285</u>	<u>19,370,899</u>	<u>21,254,217</u>
Business-Type Activities:										
Food Service	64,969	65,869	269,279	302,041	332,751	354,840	408,029	410,104	430,241	453,086
Total Business-Type Activities Expense	<u>64,969</u>	<u>65,869</u>	<u>269,279</u>	<u>302,041</u>	<u>332,751</u>	<u>354,840</u>	<u>408,029</u>	<u>410,104</u>	<u>430,241</u>	<u>453,086</u>
Total District Expenses	<u>\$ 15,448,926</u>	<u>\$ 14,228,791</u>	<u>\$ 15,226,471</u>	<u>\$ 15,000,365</u>	<u>\$ 15,593,120</u>	<u>\$ 15,893,869</u>	<u>\$ 16,618,420</u>	<u>\$ 19,006,389</u>	<u>\$ 19,801,140</u>	<u>\$ 21,707,303</u>
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 96,949	\$ 93,721	\$ 173,659	\$ 159,033	\$ 320,503	\$ 367,690	\$ 245,546	\$ 249,491	\$ 289,742	\$ 297,706
Operating Grants And Contributions	2,489,613	1,974,331	2,226,081	1,505,589	2,076,249	2,385,053	2,373,347	4,289,058	4,956,830	6,326,172
Capital Grants And Contributions	117,890	117,890	125,355	13,997	44,062	-	55,400	-	-	-
Total Governmental Activities Program Revenues	<u>2,704,452</u>	<u>2,185,942</u>	<u>2,525,095</u>	<u>1,678,619</u>	<u>2,440,814</u>	<u>2,752,743</u>	<u>2,674,293</u>	<u>4,538,549</u>	<u>5,246,572</u>	<u>6,623,878</u>
Business-Type Activities:										
Charges For Services										
Food Service	\$ 36,592	\$ 40,236	\$ 229,515	\$ 245,793	\$ 252,665	\$ 253,558	\$ 277,756	\$ 260,744	\$ 283,479	\$ 314,176
Operating Grants And Contributions	33,893	35,646	67,174	78,342	88,143	105,446	142,198	144,512	151,226	162,906
Total Business Type Activities Program Revenues	<u>70,485</u>	<u>75,882</u>	<u>296,689</u>	<u>324,135</u>	<u>340,808</u>	<u>359,004</u>	<u>419,954</u>	<u>405,256</u>	<u>434,705</u>	<u>477,082</u>
Total District Program Revenues	<u>\$ 2,774,937</u>	<u>\$ 2,261,824</u>	<u>\$ 2,821,784</u>	<u>\$ 2,002,754</u>	<u>\$ 2,781,622</u>	<u>\$ 3,111,747</u>	<u>\$ 3,094,247</u>	<u>\$ 4,943,805</u>	<u>\$ 5,681,277</u>	<u>\$ 7,100,960</u>

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

	Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (12,679,505)	\$ (11,976,980)	\$ (12,432,097)	\$ (13,019,705)	\$ (12,819,555)	\$ (12,786,286)	\$ (13,536,098)	\$ (14,057,736)	\$ (14,124,327)	\$ (14,630,339)
Business-Type Activities	5,516	10,013	27,410	22,094	8,057	4,164	11,925	(4,848)	4,464	23,996
Total District-Wide Net Expense	\$ (12,673,989)	\$ (11,966,967)	\$ (12,404,687)	\$ (12,997,611)	\$ (12,811,498)	\$ (12,782,122)	\$ (13,524,173)	\$ (14,062,584)	\$ (14,119,863)	\$ (14,606,343)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 11,055,151	\$ 11,447,357	\$ 11,893,664	\$ 12,294,411	\$ 12,540,299	\$ 12,791,105	\$ 13,046,927	\$ 13,307,866	\$ 13,996,370	\$ 14,546,578
Taxes Levied For Debt Service	787,194	797,538	761,399	777,816	777,410	657,058	728,724	707,837	722,700	725,750
Investment Earnings	173,835	75,357	27,089	16,826	16,044	12,381	15,145	10,994	9,879	17,787
Federal and State Aid - Unrestricted	147,763	38,413	-	-	-	-	-	20,320	19,382	30,485
State Aid Restricted for Debt Service	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	38,558	2,572	1,087	20,695	2,725	25,014	20,343	13,232	10,703	134,210
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	12,202,501	12,361,237	12,683,239	13,109,748	13,336,478	13,485,558	13,811,139	14,060,249	14,759,034	15,454,810
Business-Type Activities:										
Investment Earnings	690	146	201	161	163	154	248	257	254	445
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	690	146	201	161	163	154	248	257	254	445
Total District-Wide	\$ 12,203,191	\$ 12,361,383	\$ 12,683,440	\$ 13,109,909	\$ 13,336,641	\$ 13,485,712	\$ 13,811,387	\$ 14,060,506	\$ 14,759,288	\$ 15,455,255
Change in Net Position										
Governmental Activities	\$ (477,004)	\$ 384,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471
Business-Type Activities	6,206	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441
	(470,798)	394,416	278,753	112,298	525,143	703,590	287,214	(2,078)	639,425	848,912
Transfer Out	-	(55,000)	-	-	-	-	-	-	-	-
Net Change in Net Position										
Governmental Activities	\$ (477,004)	\$ 329,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471
Business-Type Activities	6,206	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441
Total District	\$ (470,798)	\$ 339,416	\$ 278,753	\$ 112,298	\$ 525,143	\$ 703,590	\$ 287,214	\$ (2,078)	\$ 639,425	\$ 848,912

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

	2008	2009	2010	Fiscal Year Ended 2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 2,186,368	\$ 2,703,336	\$ 2,533,451							
Unreserved	239,121	149,048	238,921							
Restricted				\$ 2,300,921	\$ 2,621,684	\$ 3,242,443	\$ 2,964,438	\$ 2,371,990	\$ 2,739,805	\$ 3,580,215
Committed				130,000						
Assigned				51,625	187,406	5,963	108,056	111,499	162,500	182,158
Unassigned	-	-	-	262,082	258,123	243,680	265,039	302,136	348,245	287,057
Total General Fund	\$ 2,425,489	\$ 2,852,384	\$ 2,772,372	\$ 2,744,628	\$ 3,067,213	\$ 3,492,086	\$ 3,337,533	\$ 2,785,625	\$ 3,250,550	\$ 4,049,430
All Other Governmental Funds										
Reserved	\$ 36,000									
Unreserved	560,948	\$ 271,209	\$ 74,672							
Restricted	-	-	-	\$ 105,788	\$ 89,014	\$ 16,770	\$ 16,363	\$ -	\$ -	\$ -
Total All Other Governmental Funds	\$ 596,948	\$ 271,209	\$ 74,672	\$ 105,788	\$ 89,014	\$ 16,770	\$ 16,363	\$ -	\$ -	\$ -

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 TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 11,842,345	\$ 12,244,895	\$ 12,655,073	\$ 13,072,227	\$ 13,317,709	\$ 13,448,163	\$ 13,775,651	\$ 14,015,703	\$ 14,719,070	\$ 15,272,328
Tuition Charges	96,949	93,721	173,659	159,033	320,503	367,690	245,546	249,491	289,742	297,706
Interest Earnings	173,835	75,357	27,089	16,826	16,044	12,381	15,145	10,994	9,879	17,787
Miscellaneous	38,558	2,572	1,087	23,895	4,546	22,122	20,343	13,232	10,703	134,210
State Sources	2,495,841	1,718,611	1,779,089	1,186,364	1,641,075	2,024,056	1,974,276	2,462,904	2,425,229	2,750,591
Federal Sources	259,425	294,133	572,347	330,022	477,415	360,997	399,071	278,048	520,988	416,130
Total Revenue	14,906,953	14,429,289	15,208,344	14,788,367	15,777,292	16,235,409	16,430,032	17,030,372	17,975,611	18,888,752
Expenditures										
Instruction										
Regular Instruction	6,741,663	6,617,221	6,870,794	6,568,872	6,719,327	6,593,278	6,727,427	7,294,863	7,477,460	7,771,056
Special Education Instruction	2,260,935	1,376,222	1,876,687	1,598,701	1,477,848	1,896,073	2,070,969	2,299,097	2,050,758	2,284,131
Other Instruction	773,083	665,212	462,474	588,661	572,725	371,277	262,304	267,071	426,454	165,252
School Sponsored Activities and Athletics	27,478	18,158	8,228	5,217	4,780	3,074	2,025	-	-	-
Support Services:										
Student and Inst. Related Services	1,402,848	1,608,630	1,746,024	1,988,907	2,242,163	2,477,292	2,579,919	2,753,874	2,653,200	2,782,525
General Administration	720,712	493,445	499,993	539,670	671,488	770,520	726,658	530,967	524,863	547,874
School Administrative Services	502,933	565,288	648,906	620,890	730,146	714,698	823,505	837,253	817,145	808,004
Plant Operations And Maintenance	1,221,276	1,239,119	1,324,186	1,297,071	1,342,083	1,403,577	1,753,108	1,760,685	1,803,898	1,900,429
Pupil Transportation	613,911	518,655	409,175	372,654	405,861	381,361	406,677	474,324	513,853	524,751
Administrative Info. Tech.	-	-	-	-	-	-	-	-	-	11,845
Other Support Services	329,036	314,517	351,702	387,578	440,839	464,653	428,316	465,525	499,580	494,755
Capital Outlay	142,234	59,294	328,778	38,792	86,268	79,089	74,953	190,784	20,775	73,500
Debt Service:										
Principal	417,147	447,393	629,644	472,913	493,197	508,502	538,822	550,000	565,000	585,000
Interest and Other Charges	370,047	349,979	328,292	305,069	284,756	222,278	190,309	174,200	157,700	140,750
Bond Issuance Costs	-	-	-	-	100,606	-	-	-	-	-
Total Expenditures	15,523,303	14,273,133	15,484,883	14,784,995	15,572,087	15,885,672	16,584,992	17,598,643	17,510,686	18,089,872
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(616,350)	156,156	(276,539)	3,372	205,205	349,737	(154,960)	(568,271)	464,925	798,880
Other Financing Sources (Uses)										
Serial Bond Proceeds	-	-	-	-	5,460,000	-	-	-	-	-
Premium Interest on Bonds	-	-	-	-	624,165	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	(5,983,559)	-	-	-	-	-
Cancellation of Unexpended SDA Grant	-	-	-	-	-	2,892	-	-	-	-
Transfers In	30,282	316,629	477,329	52,575	74,101	18,636	14,131	48	48	76
Transfers Out	(30,282)	(371,629)	(477,329)	(52,575)	(74,101)	(18,636)	(14,131)	(48)	(48)	(76)
Total Other Financing Sources (Uses)	-	(55,000)	-	-	100,606	2,892	-	-	-	-
Net Change in Fund Balances	\$ (616,350)	\$ 101,156	\$ (276,539)	\$ 3,372	\$ 305,811	\$ 352,629	\$ (154,960)	\$ (568,271)	\$ 464,925	\$ 798,880
Debt Service as a Percentage of										
Noncapital Expenditures	5.12%	5.61%	6.32%	5.28%	5.02%	4.62%	4.42%	4.16%	4.13%	4.03%

* Noncapital expenditures are total expenditures less capital outlay.

**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>Donation</u>	<u>Insurance Refund</u>	<u>Misc.</u>	<u>Total</u>
2017	\$ 297,706	\$ 17,787	\$ 72,800	\$ 45,273	\$ 16,137	\$ 449,703
2016	289,742	9,831			10,703	310,276
2015	249,491	10,994			13,232	273,717
2014	245,546	15,145			20,343	281,034
2013	367,690	12,381			22,122	402,193
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

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.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
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	1,544,805,000	1,007,100	2,800	739,736,900	377,270,900	N/A	2,699,721,700	3,583,498	2,703,305,198	2,527,634,598	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	2,522,765,395	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	2,324,179,089	0.566
2013	27,680,700	1,375,565,900	900,400	2,800	604,639,000	330,052,800	N/A	2,338,841,600	2,405,947	2,341,247,547	2,113,230,027	0.588
2014	44,455,000	1,360,013,300	900,400	2,800	602,371,000	289,825,800	N/A	2,297,568,300	1,910,636	2,299,478,936	1,971,601,591	0.610
2015	44,758,200	1,357,951,300	900,400	2,800	612,756,900	289,562,300	N/A	2,305,931,900	2,290,124	2,308,222,024	2,156,561,331	0.638
2016	44,294,000	1,357,290,700	900,400	2,800	602,952,000	288,411,200	N/A	2,293,851,100	2,246,233	2,296,097,333	2,216,310,167	0.665
2017	40,939,100	1,356,147,900	900,400	2,800	598,416,900	274,566,700	N/A	2,270,973,800	2,380,814	2,273,354,614	2,128,007,043	0.691

Source: County Abstract of Ratables

87

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>
2017	\$ 2.359	\$ 0.691	\$ 0.426	\$ 0.554	\$ 0.688
2016	2.349	0.665	0.418	0.543	0.723
2015	2.284	0.638	0.404	0.534	0.708
2014	2.122	0.610	0.397	0.524	0.591
2013	2.103	0.588	0.401	0.512	0.602
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

* Revaluation of Real Property

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

2017			2008		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Totowa VF LLC C/O Vornado Realty Trust	54,000,000	2.38%	Totowa VF, LLC	\$ 32,000,000	2.73%
Fidelity Syn. C/O Slater Companies	46,000,000	2.02%	Fidelity Syndications	26,018,600	2.22%
IPT Totowa C/O MF Poer & Co.	24,521,900	1.08%	Hoffman La Roche, Inc.	19,125,600	1.63%
Abill Realty Corp.	22,365,000	0.98%	Totowa Plaza Rt 46 LLC	17,257,800	1.47%
50 Madison Road LLC	18,928,400	0.83%	Norwell Land Company	15,974,200	1.36%
HPFVIII 700 Union LLC C/O Ryan	18,500,000	0.81%	Rossmore Assoc/Vons Co.	12,100,000	1.03%
Ratan Totowa LLC	18,355,800	0.81%	Taft Associates	9,778,800	0.83%
Digital Totowa LLC	16,504,800	0.73%	930 N. Riverview Assoc. LLC	9,435,700	0.81%
Taft Associates	15,400,000	0.68%	Abill Realty Corp.	9,305,000	0.79%
Totowa Plaza Rte 46 LLC	15,400,000	0.68%	515 Union Blvd. Assoc. LLC	7,800,000	0.67%
	<u>\$ 249,975,900</u>	<u>11.00%</u>		<u>\$ 158,795,700</u>	<u>13.55%</u>

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	
2008	\$ 11,842,345	\$ 11,842,345	100.00%	
2009	12,244,895	12,244,895	100.00%	
2010	13,317,709	13,317,709	100.00%	
2011	13,072,227	13,072,227	100.00%	
2012	13,317,709	13,317,709	100.00%	
2013	13,448,163	13,448,163	100.00%	
2014	13,775,651	13,775,651	100.00%	
2015	14,015,703	14,015,703	100.00%	
2016	14,719,070	14,719,070	100.00%	
2017	15,272,328	15,272,328	100.00%	

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		<u>Population</u>	<u>Per Capita</u>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases	Total District		
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	10,817	668
2011	6,732,000			25,521		6,757,521	10,885	621
2012	5,960,000			17,324		5,977,324	10,891	549
2013	5,460,000			8,822		5,468,822	10,924	501
2014	4,930,000			-		4,930,000	10,960	450
2015	4,380,000			-		4,380,000	10,973	399
2016	3,815,000			-		3,815,000	10,904	350
2017	3,230,000			-		3,230,000	10,904 *	296

Source: District records

* - Estimate

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
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%	665
2011	6,732,000		6,732,000	0.28%	618
2012	5,960,000		5,960,000	0.25%	547
2013	5,460,000		5,460,000	0.23%	500
2014	4,930,000		4,930,000	0.21%	450
2015	4,380,000		4,380,000	0.19%	399
2016	3,815,000		3,815,000	0.17%	350
2017	3,230,000		3,230,000	0.14%	296

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**TOTOWA BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
FOR YEAR ENDED DECEMBER 31, 2016
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Borough of Totowa School District	\$ 3,815,000	\$ 3,815,000	
Regional School District	5,273,000	5,273,000	
Borough of Totowa	<u>2,404,593</u>	<u>183,577</u>	<u>\$ 2,221,016</u>
	<u>\$ 11,492,593</u>	<u>\$ 9,271,577</u>	<u>2,221,016</u>
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			17,278,633
Passaic County Utilities Authority (B)			2,541,878
Passaic Valley Sewerage Commission (B)			<u>3,276,291</u>
			<u>23,096,802</u>
Total Direct and Overlapping Debt			<u>\$ 25,317,818</u>

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2016 equalized value by the total 2016 equalized value for Passaic County.

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

Sources:

- (1) Borough of Totowa 2016 Annual Debt Statement
- (2) PCUA 2016 Audit
- (3) PVSC 2016 Audit

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

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2016	\$ 2,135,602,923
	2015	2,225,802,992
	2014	2,146,457,679
		<u>\$ 6,507,863,594</u>
	Average equalized valuation of taxable property	\$ 2,169,287,865
	Debt limit (3 % of average equalization value)	65,078,636
	Total Net Debt Applicable to Limit	<u>3,230,000</u>
	Legal debt margin	<u>\$ 61,848,636</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 71,628,296	\$ 73,709,739	\$ 75,524,419	\$ 73,926,513	\$ 69,964,649	\$ 64,996,589	\$ 62,960,592	\$ 63,776,123	\$ 65,078,636
Total Net Debt Applicable to Limit	<u>7,860,078</u>	<u>7,230,434</u>	<u>6,757,521</u>	<u>5,977,324</u>	<u>5,468,822</u>	<u>4,930,000</u>	<u>4,380,000</u>	<u>3,815,000</u>	<u>3,230,000</u>
Legal Debt Margin	<u>\$ 63,768,218</u>	<u>\$ 66,479,305</u>	<u>\$ 68,766,898</u>	<u>\$ 67,949,189</u>	<u>\$ 64,495,827</u>	<u>\$ 60,066,589</u>	<u>\$ 58,580,592</u>	<u>\$ 59,961,123</u>	<u>\$ 61,848,636</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.97%	9.81%	8.95%	8.09%	7.82%	7.59%	6.96%	5.98%	4.96%

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 NJSIA 18A:24-19 for a K through 12 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>
2016	5.3%	N/A	10,904
2015	5.9%	\$ 47,189	10,973
2014	6.8	43,687	10,960
2013	8.2	41,857	10,924
2012	7.3	41,824	10,891
2011	7.5	41,371	10,885
2010	7.6	39,807	10,817
2009	7.4	38,932	10,661
2008	3.8	39,907	10,557
2007	2.9	38,897	10,489

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>2017</u>		<u>2008</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)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	62	68	71	68	69	65	68	67	68	69
Special Education	26	23	17	18	19	20	13	13	17	16
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	12	12	12	12	13	13	17	11	13	14
General Administration	2	2	2	7	9	9	2	2	2	2
School Administrative Services	7	7	7	7	9	9	9	13	8	7
Other Administrative Services										
Central Services	3	3	3	3	4	4	4	4	4	4
Administrative Information Technology										
Plant Operations And Maintenance	13	13	13	13	13	13	15	17	17	17
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<u>125</u>	<u>128</u>	<u>125</u>	<u>128</u>	<u>136</u>	<u>133</u>	<u>128</u>	<u>127</u>	<u>129</u>	<u>129</u>

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	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
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	1.83%	95.60%
2010	1,073	14,707,866	13,707	7.68%	91	1:12	1:12	N/A	1,021	970	2.10%	95.00%
2011	1,037	13,968,221	13,470	-1.73%	86	1:12	1:12	N/A	1,027	968	0.59%	94.26%
2012	995	14,607,260	14,681	8.99%	88	1:12	1:12	N/A	990	945	-3.60%	95.45%
2013	1,013	15,075,803	14,882	1.37%	85	1:12	1:12	N/A	1,015	962	2.53%	94.78%
2014	1,059	15,747,891	14,871	-0.08%	87	1:12	1:12	N/A	1,057	1,008	4.14%	95.36%
2015	1,083	16,683,659	15,405	3.59%	85	1:12	1:12	N/A	1,071	1,022	1.32%	95.42%
2016	1,099	16,767,211	15,257	-0.96%	86	1:12	1:12	N/A	1,084	1,035	1.21%	95.48%
2017	1,057	17,290,622	16,358	7.22%	85	1:12	1:12	N/A	1,043	995	-3.78%	95.40%

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building										
<u>Elementary</u>										
Square Feet	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152
Capacity (students)										
Enrollment	354	363	389	372	351	350	395	414	404	373
<u>Middle School</u>										
Square Feet	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822
Capacity (students)										
Enrollment	686	680	584	655	539	660	662	669	688	684
Number of Schools at June 30, 2016										
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)**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
School Facilities	Project #										
Memorial School	N/A	127,120	125,183	\$ 117,348	\$ 89,731	\$ 92,804	\$ 109,743	\$ 115,799	\$ 140,587	\$ 147,564	\$ 145,719
Washington Park School	N/A	<u>116,959</u>	<u>121,082</u>	<u>111,115</u>	<u>110,358</u>	<u>150,263</u>	<u>140,008</u>	<u>131,283</u>	<u>105,686</u>	<u>99,597</u>	<u>92,763</u>
Grand Total		<u>\$ 244,079</u>	<u>\$ 246,265</u>	<u>\$ 228,463</u>	<u>\$ 200,089</u>	<u>\$ 243,067</u>	<u>\$ 249,751</u>	<u>\$ 247,082</u>	<u>\$ 246,273</u>	<u>\$ 247,161</u>	<u>\$ 238,482</u>

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Source: School District Financial Statements

TOTOWA BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2017
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
<u>Property</u>		
Blanket Real and Personal Property	\$ 450,000,000.00	\$ 5,000.00
Blanket Extra Expense	\$ 50,000,000.00	\$ 5,000.00
Blanket Valuable Papers and Records	\$ 10,000,000.00	\$ 5,000.00
Demolition and Increased Cost of Construction	\$ 25,000,000.00	
Pollutant Cleanup and Removal	\$ 250,000.00	
Flood Zones	\$ 75,000,000.00	\$ 10,000.00
Earthquake	\$ 50,000,000.00	
Terrorism	\$ 1,000,000.00	
<u>Electronic Data Processing</u>		
Blanket Hardware/Software	\$ 100,000.00	\$ 1,000.00
Blanket Extra Expense	Included	
Flood	\$ 500,000.00	\$ 10,000.00
<u>Equipment Breakdown</u>		
Combined Single Limit per Accident for Property Damage and Business Income	\$ 100,000,000.00	\$ 5,000.00
<u>Crime</u>		
Public Employee Dishonesty with Faithful Performance	\$ 500,000.00	\$ 1,000.00
Theft, Disappearance and Destruction	\$ 50,000.00	\$ 1,000.00
Forgery or Alteration	\$ 50,000.00	\$ 1,000.00
Computer Fraud	\$ 50,000.00	\$ 1,000.00
Public Officials Bond		
Board Secretary	\$ 15,000.00	
Treasurer of School Monies	\$ 225,000.00	\$ 1,000.00
<u>Comprehensive General Liability</u>		
Bodily Injury and Property Damage	\$ 11,000,000.00	
Personal Injury and Advertising Injury	\$ 11,000,000.00	
Employee Benefits Liability	\$ 11,000,000.00	\$ 1,000.00
<u>Automobile</u>		
Combined Single Limit per Accident for Property Damage	\$ 11,000,000.00	
Uninsured/Underinsured Motorists - Private Passenger Auto	\$ 1,000,000.00	
Personal Injury Protection	\$ 250,000.00	
Physical Damage		\$ 1,000.00

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
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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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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 prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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, 2017 and the related notes to the financial statements, which collectively comprise the Totowa Board of Education's basic financial statements and have issued our report thereon dated September 27, 2017.

Internal Control Over Financial Reporting

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

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

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

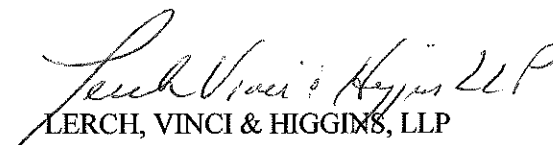
Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Totowa Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we 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 September 27, 2017.

Purpose of this Report

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


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


 Dieter P. Lerch
 Public School Accountant
 PSA Number CS00756

Fair Lawn, New Jersey
 September 27, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the Totowa Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Totowa Board of Education's major state programs for the fiscal year ended June 30, 2017. The Totowa Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Totowa Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. 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; and New Jersey OMB Circular 15-08, 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 state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Totowa Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Totowa Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Totowa Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Totowa Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, 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 Totowa Board of Education's internal control over compliance.

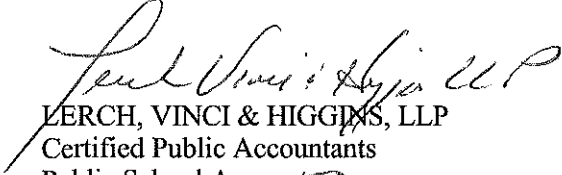
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

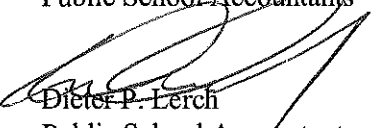
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

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, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated September 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is 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 information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
September 27, 2017

TOTOWA BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2017			MEMO GAAP Receivable
											Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture														
<i>Passed-Through State Dept. of Education</i>														
<i>Enterprise Fund</i>														
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	\$ 8,808			\$ 8,214	\$ 8,808		\$ (594)			\$ 594
School Breakfast Program	10.553	16161NJ304N1099	N/A	7/1/15-6/30/16	7,597	\$ (553)		553						
Food Distribution Program														
Non-Cash Assistance	10.555		N/A	7/1/16-6/30/17	29,360			29,360	28,822			\$ 538		
Non-Cash Assistance	10.555		N/A	7/1/15-6/30/16	31,020	603			603					
Cash Assistance	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	120,767			110,710	120,767		(10,057)			10,057
Cash Assistance	10.555	16161NJ304N1099	N/A	7/1/15-6/30/16	108,867	(7,164)		7,164						
Total U.S. Department of Agriculture						(7,114)	-	156,001	159,000	-	(10,651)	538	-	10,651
U.S. Department of Education														
<i>General Fund</i>														
Special Education Medicaid Reimbursement	93.778	1705NJSMAF	N/A	7/1/16-6/30/17	20,364			20,364	20,364		-			68,100
Special Education Medicaid Reimbursement	93.778		N/A	4/1/09-12/31/09	927			927	927					927
Special Education Medicaid Reimbursement	93.778		N/A	7/1/13-6/30/14	68,100	(68,100)		68,100	-					
Total General Fund						(68,100)	-	89,391	21,291	-	-	-	-	69,027
U.S. Department of Education														
<i>Passed-Through State Dept. of Education</i>														
<i>Special Revenue Fund</i>														
I.D.E.A. Part B, Basic Regular	84.027	H027A160100	IDEA520017	7/1/16-6/30/17	261,113		\$ 13,670	237,681	253,323	\$ (13,670)	(37,102)	21,460		15,642
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	IDEA520016	7/1/15-6/30/16	276,170	(15,692)	(13,670)	15,692		13,670				
I.D.E.A. Part B, Preschool	84.173	H173A160114	IDEA520017	7/1/16-6/30/17	8,416	-		8,065	8,065	-	(351)	351		
Cluster Total - Special Education						(15,692)	-	261,438	261,388	-	(37,453)	21,811	-	15,642
NCLB - Title I	84.010	S010A160030	NCLB520017	7/1/16-6/30/17	130,756		26	120,846	121,552	(26)	(9,936)	9,230		706
NCLB - Title I	84.010	S010A150030	NCLB520016	7/1/15-6/30/16	134,826	26	(26)			26				
NCLB - Title II-A	84.367	S367A160029	NCLB520017	7/1/16-6/30/17	11,230		669	11,899	11,899	(669)				
NCLB - Title II-A	84.367	S367A150029	NCLB520016	7/1/15-6/30/16	13,309	669	(669)			669				
Total Special Revenue Fund						(14,997)	-	394,183	394,839	-	(47,389)	31,041	-	16,348
Total Federal Awards						\$ (90,211)	\$ -	\$ 639,575	\$ 575,130	\$ -	\$ (58,040)	31,579	\$ -	96,026

The Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Note: The District is not subject to a Federal Single Audit.

TOTOWA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

State/County/Program Title General Fund	Grant or State Project/Number	Grant Entity	Balance, June 30, 2016		Award Amount	Balance, June 30, 2017		Unearned Revenue	Due to Donor	GAAP Reversible	Cumulative Expenditures
			Accounts Receivable/Deferred Revenue	Due to Donor		Accounts Receivable	Unearned Revenue				
State Department of Education	17-495-034-5120-099	7/1/16-6/30/17	\$	\$	\$	\$	\$	(17,294)			\$
	17-495-034-5120-099	7/1/16-6/30/17	387,460		387,460						387,460
	17-495-034-5120-084	7/1/16-6/30/17	23,890		23,890			(2,318)			21,572
	17-495-034-5120-084	7/1/16-6/30/17	1,141		1,141			(450)			691
	17-495-034-5120-098	7/1/16-6/30/17	10,160		10,160						10,160
	17-495-034-5120-098	7/1/16-6/30/17	10,160		10,160			(450)			9,710
	17-495-034-5120-097	7/1/16-6/30/17	10,160		10,160			(450)			9,710
	17-495-034-5120-097	7/1/16-6/30/17	10,160		10,160			(450)			9,710
	17-495-034-5120-102	7/1/16-6/30/17	296		296			(111)			185
	17-495-034-5120-102	7/1/16-6/30/17	296		296			(111)			185
	17-495-034-5120-813	7/1/16-6/30/17	16,114		16,114			(72)			16,042
	17-495-034-5120-813	7/1/16-6/30/17	11,136		11,136			(1,136)			10,000
	Non Public Transportation Benefit	N/A	18,521		18,521			(18,521)			
	17-109-034-5120-473	7/1/16-6/30/17	143,008		143,008						143,008
	17-495-034-5120-098	7/1/16-6/30/17	762,010		762,010						762,010
	17-109-034-5120-094	7/1/16-6/30/17	27,609		27,609						27,609
	17-495-034-5120-094	7/1/16-6/30/17	657,993		657,993						657,993
	17-109-034-5120-098	7/1/16-6/30/17	473,372		473,372						473,372
	17-495-034-5120-493	7/1/16-6/30/17	463,578		463,578						463,578
17-495-034-5120-493	7/1/16-6/30/17	463,578		463,578						463,578	
Total Grant Fund			2,539,845		2,539,845			(20,676)			2,519,169
State/County/Program Title											
Chapter 192 - Auxiliary Services			6,678		6,678						6,678
17-109-034-5120-067	7/1/16-6/30/17	4,933		4,933							4,933
17-109-034-5120-067	7/1/16-6/30/17	1,745		1,745							1,745
Complementary Education			1,812		1,812						1,812
17-109-034-5120-067	7/1/16-6/30/17	147,628		147,628							147,628
17-109-034-5120-067	7/1/16-6/30/17	51,880		51,880							51,880
17-109-034-5120-067	7/1/16-6/30/17	54,692		54,692							54,692
Chapter 192 - Non-Budget Services:											
Examination & Certification			43,946		43,946						43,946
17-109-034-5120-066	7/1/16-6/30/17	12,097		12,097							12,097
17-109-034-5120-066	7/1/16-6/30/17	23,541		23,541							23,541
Supplemental Instruction			9,655		9,655						9,655
17-109-034-5120-066	7/1/16-6/30/17	12,246		12,246							12,246
17-109-034-5120-066	7/1/16-6/30/17	1,151		1,151							1,151
17-109-034-5120-066	7/1/16-6/30/17	16,721		16,721							16,721
17-109-034-5120-066	7/1/16-6/30/17	28,110		28,110							28,110
17-109-034-5120-066	7/1/16-6/30/17	80,033		80,033							80,033
17-109-034-5120-064	7/1/16-6/30/17	12,220		12,220							12,220
17-109-034-5120-070	7/1/16-6/30/17	19,170		19,170							19,170
17-109-034-5120-070	7/1/16-6/30/17	4,342		4,342							4,342
17-109-034-5120-373	7/1/16-6/30/17	260		260							260
17-109-034-5120-499	7/1/16-6/30/17	10,650		10,650							10,650
17-109-034-5120-499	7/1/16-6/30/17	333,871		333,871							333,871
Total Special Revenue Fund			84,062		84,062			(337)			83,725
Chapter 192 - Auxiliary Services											
17-109-034-5120-023	7/1/16-6/30/17	3,906		3,906							3,906
16-109-034-5120-023	7/1/16-6/30/17	3,278		3,278							3,278
Total Enterprise Fund											
Enterprise Fund											
17-109-034-5120-023	7/1/16-6/30/17	3,906		3,906							3,906
16-109-034-5120-023	7/1/16-6/30/17	3,278		3,278							3,278
Total State Financial Assistance Subject to Single Audit Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-495-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$
17-109-034-5120-492	7/1/16-6/30/17	762,010		762,010							762,010
17-109-034-5120-498	7/1/16-6/30/17	277,699		277,699							277,699
17-109-034-5120-498	7/1/16-6/30/17	485,203		485,203							485,203
17-109-034-5120-498	7/1/16-6/30/17	1,883		1,883							1,883
17-109-034-5120-494	7/1/16-6/30/17	1,883		1,883							1,883
Total State Financial Assistance Subject to Major Program Determination			\$	\$	\$	\$	\$	\$	\$	\$	\$

The Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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 prepared and 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 basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "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 financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The 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 a decrease of \$42,246 for the general fund. There was no adjustment 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 financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 21,291	\$ 2,540,668	\$ 2,561,959
Special Revenue Fund	394,839	209,923	604,762
Food Service Fund	<u>159,000</u>	<u>3,906</u>	<u>162,906</u>
Total Financial Assistance	<u>\$ 575,130</u>	<u>\$ 2,754,497</u>	<u>\$ 3,329,627</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, 2017**

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 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$473,212 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$789,619, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$657,933 and TPAF Long-Term Disability Insurance in the amount of \$1,883 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance 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 financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

Financial Statement Section

- | | |
|--|--------------------------------------|
| A) Type of auditor's report issued: | <u>Unmodified</u> |
| B) Internal control over financial reporting: | |
| 1) Material weakness(es) identified? | _____ yes <u> X </u> no |
| 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? | _____ yes <u> X </u> none reported |
| C) Noncompliance material to basic financial statements noted? | _____ yes <u> X </u> no |

Federal Awards Section

Not Applicable

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Type of auditor's report on compliance for major programs: Unmodified

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? yes X no

Identification of major programs:

GMIS Number(s)	Name of State Program
<u>17-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>17-495-034-5120-102</u>	<u>Host District Support Aid</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

There are none.

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**TOTOWA BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. Uniform Guidance and New Jersey OMB's Letter 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.