

TOTOWA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Totowa, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Totowa Board of Education
Totowa, New Jersey
For The Fiscal Year Ended June 30, 2018**

**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: 973-389-9838

January 25, 2019

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, 2018, 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 2017-2018 fiscal year with an enrollment of 1040 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)
13/14	1024	1069
14/15	1018	1083
15/16	1082	1099
16/17	1050	1064
17/18	1028	1040

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 2017-2018 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 Totowa Education Foundation staff, administration, Totowa Education Foundation Board.

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. The Foundation ran Summer Enrichment courses again during the summer of 2017. Starting in the fall of 2017, The Foundation sponsored a new Enrichment program for the students. The program allowed students to select from a wide variety of classes, ranging from Artists in Training to Junior Scientist. During the winter months of 2018 similar Enrichment programs were offered after school to the students in both Memorial School and Washington Park School. The Foundation anticipates being able to continue to offer Enrichment classes all year round.

Extracurricular programming continued during the 2017-2018 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
<i>The Lion King</i>	- 2017-2018

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. The PTO sponsored their annual Book Fair with over 100 parents and students participating in the evening program.

Dwight D. Eisenhower Library and the school continue to cooperate in a collaborative jointure. The School District and the Library made a push to register all students for library cards. The cards give the students free access to digital resources, as well as, access to all items in the library.

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, one recently retired Totowa Police Department officer is contracted.

Partnership with Municipal Alliance: The administration and Board of Education have continued their partnership with the Municipal Alliance during the 2017-2018 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 2017-2018 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 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. During the summer 2018, the Memorial School Tunnel restoration project has begun. This includes concrete restoration, a new roof, and paver system above the tunnel and boiler room.

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

Vincent Varcadipane

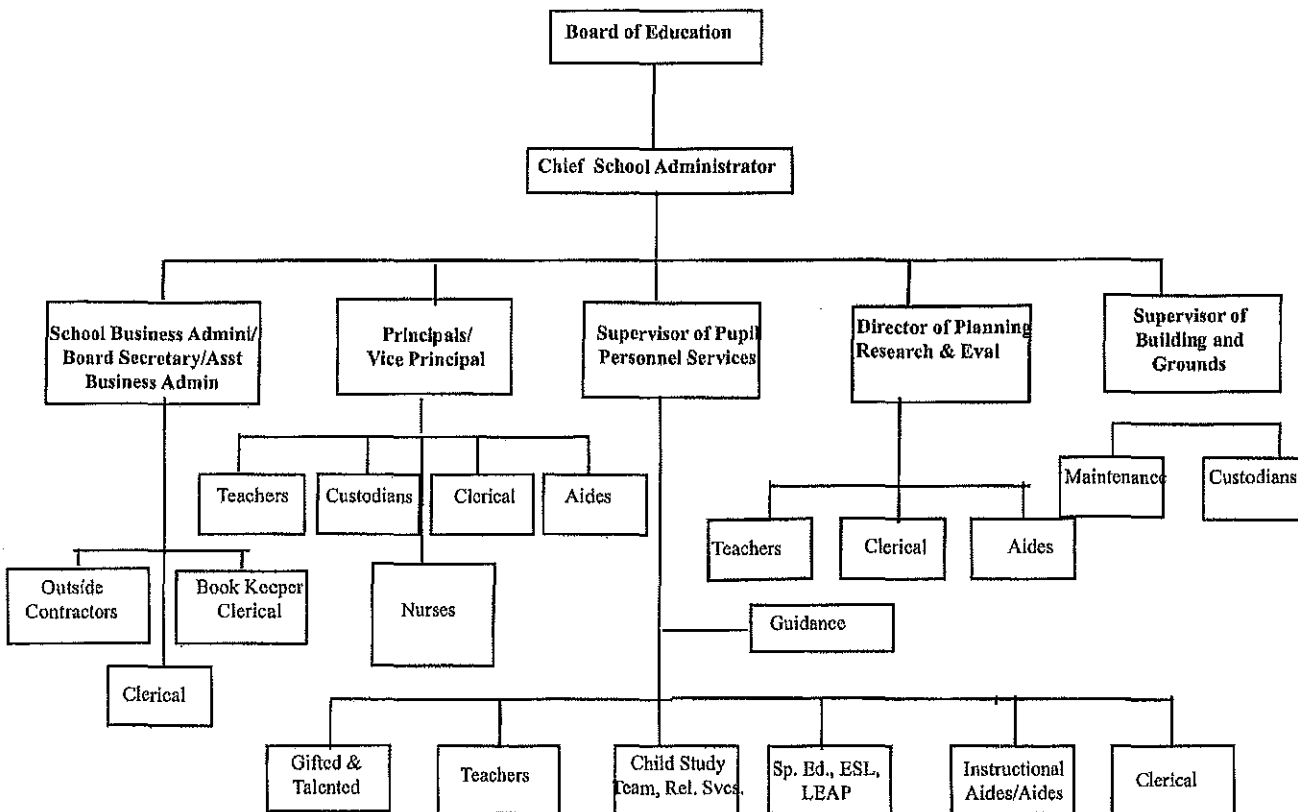
Vincent Varcadipane
School Business Administrator/
Board Secretary

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, 2018

Members of the Board of Education

Term Expires

Michele Ruocco – President	2019
Marcello Guarneri – Vice President	2021
Julie Alesandrelli	2021
Heather Antonucci	2020
Gary Bierach	2019
Rosemarie Carr	2019
Jennifer DeCeglie	2020
Kenneth Kerwin	2021
Sanders Reynoso	2020

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, 2018

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
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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, 2018 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, 2018, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Totowa Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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, pension information and other postemployment benefits 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.

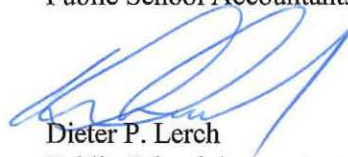
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2019 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
January 25, 2019

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, 2018**

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, 2018. 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 (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 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 \$4,891,217 (net position).
- The District's total net position increased through current year operations by \$1,996,285.
- Total district-wide revenues were \$23,738,644. General revenues accounted for \$15,856,465 or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,882,179 or 33% of total revenues.
- The school district had \$21,279,119 in expenses for governmental activities; only \$7,391,170 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$15,854,595 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 \$5,895,187. Of this amount, \$6,124 is restricted for capital reserve. After deducting statutory reserves, \$233,986 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, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:
Required financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Food Service 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, 2018

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, 2018

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 2018 and 2017.

Net Position. The district's combined net position were \$4,891,217 and \$2,894,932, on June 30, 2018 and 2017, respectively. (See Table A-1).

Totowa Board of Education
Totowa, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2018

Table A-1
Statement of Net Position
as of June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 5,998,663	\$ 4,163,763	\$ 205,646	\$ 176,935	\$ 6,204,309	\$ 4,340,698
Capital Assets	<u>7,499,456</u>	<u>7,819,326</u>	<u>-</u>	<u>-</u>	<u>7,499,456</u>	<u>7,819,326</u>
Total Assets	<u>13,498,119</u>	<u>11,983,089</u>	<u>205,646</u>	<u>176,935</u>	<u>13,703,765</u>	<u>12,160,024</u>
Deferred Outflows of Resources	<u>1,924,932</u>	<u>1,953,693</u>	<u>-</u>	<u>-</u>	<u>1,924,932</u>	<u>1,953,693</u>
Total Assets and Deferred Outflows	<u>15,423,051</u>	<u>13,936,782</u>	<u>205,646</u>	<u>176,935</u>	<u>15,628,697</u>	<u>14,113,717</u>
Long-Term Liabilities	8,900,431	10,270,993			8,900,431	10,270,993
Other Liabilities	<u>142,926</u>	<u>160,533</u>	<u>35,584</u>	<u>36,602</u>	<u>178,510</u>	<u>197,135</u>
Total Liabilities	<u>9,043,357</u>	<u>10,431,526</u>	<u>35,584</u>	<u>36,602</u>	<u>9,078,941</u>	<u>10,468,128</u>
Deferred Inflows of Resources	<u>1,657,911</u>	<u>750,119</u>	<u>628</u>	<u>538</u>	<u>1,658,539</u>	<u>750,657</u>
Total Liabilities and Deferred Inflows	<u>10,701,268</u>	<u>11,181,645</u>	<u>36,212</u>	<u>37,140</u>	<u>10,737,480</u>	<u>11,218,785</u>
Net Position						
Net Investment in Capital Assets	4,801,155	4,485,777			4,801,155	4,485,777
Restricted	6,124	5,767			6,124	5,767
Unrestricted	<u>(85,496)</u>	<u>(1,736,407)</u>	<u>169,434</u>	<u>139,795</u>	<u>83,938</u>	<u>(1,596,612)</u>
Total Net Position	<u>\$ 4,721,783</u>	<u>\$ 2,755,137</u>	<u>\$ 169,434</u>	<u>\$ 139,795</u>	<u>\$ 4,891,217</u>	<u>\$ 2,894,932</u>

Table A-2 on the following page shows changes in net position for fiscal years 2018 and 2017.

Totowa Board of Education
Totowa, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2018

Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 442,202	\$ 297,706	\$ 325,192	\$ 314,176	\$ 767,394	\$ 611,882
Grants and Contributions	6,948,968	6,326,172	165,817	162,906	7,114,785	6,489,078
General Revenues						
Property Taxes	15,698,418	15,272,328			15,698,418	15,272,328
State Aid - Unrestricted	27,776	30,485			27,776	30,485
Interest	68,427	17,787	1,870	445	70,297	18,232
Miscellaneous	59,974	134,210	-	-	59,974	134,210
Total Revenues	<u>23,245,765</u>	<u>22,078,688</u>	<u>492,879</u>	<u>477,527</u>	<u>23,738,644</u>	<u>22,556,215</u>
Expenses						
Instruction						
Regular	10,708,770	10,335,689			10,708,770	10,335,689
Special Education	2,048,870	2,500,203			2,048,870	2,500,203
Other Instruction	162,033	217,306			162,033	217,306
School Sponsored Activities & Athletics	773	-			773	-
Support Services						
Student and Instruction Related Services	3,336,817	3,417,267			3,336,817	3,417,267
General Administrative Services	616,877	605,195			616,877	605,195
School Administrative Services	1,065,105	1,001,594			1,065,105	1,001,594
Plant Operations and Maintenance	2,138,460	2,007,867			2,138,460	2,007,867
Administrative Information Technology	16,767	12,713	-	-	16,767	12,713
Pupil Transportation	496,463	526,669			496,463	526,669
Central Services	606,982	539,097			606,982	539,097
Food Services			463,240	453,086	463,240	453,086
Interest on Long-Term Debt	81,202	90,617	-	-	81,202	90,617
Total Expenses	<u>21,279,119</u>	<u>21,254,217</u>	<u>463,240</u>	<u>453,086</u>	<u>21,742,359</u>	<u>21,707,303</u>
Change in Net Position	<u>\$ 1,966,646</u>	<u>\$ 824,471</u>	<u>\$ 29,639</u>	<u>\$ 24,441</u>	<u>\$ 1,996,285</u>	<u>\$ 848,912</u>

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2018

Governmental Activities. The District's total revenues were \$23,245,765. General revenues, which included property taxes, tuition, unrestricted state aid, investment earnings, and miscellaneous revenue, amounted to \$15,854,595 or 68% of total revenues. Charges for services, grants and contributions amounted to \$7,391,170 or 32%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$12,920,446 or 61% and student support services and debt service totaled \$8,358,673 or 39% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities
For Fiscal Year 2018

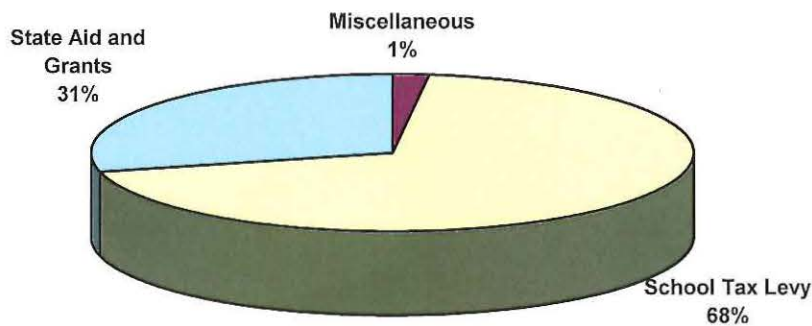
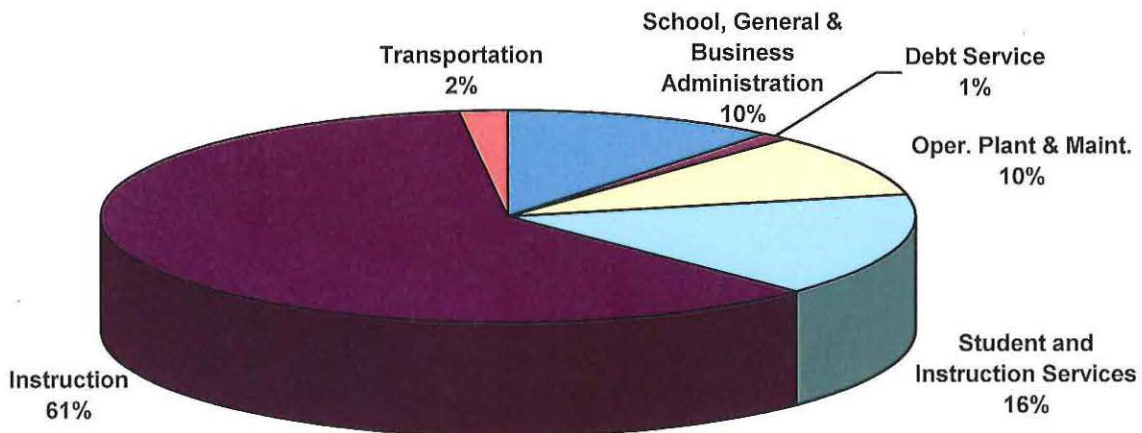


Figure A-3 Expenses by Function – Governmental Activities
For Fiscal Year 2018



Totowa Board of Education
Totowa, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2018

Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Governmental Activities				
Instruction				
Regular	\$ 10,708,770	\$ 10,335,689	\$ 6,259,005	\$ 6,243,062
Special Education	2,048,870	2,500,203	869,120	1,491,095
Other Instruction	162,033	217,306	99,812	134,324
School Sponsored Activities & Athletics	773		708	
Support Services				
Student and Instruction Related Services	3,336,817	3,417,267	2,206,922	2,296,105
General Administrative Services	616,877	605,195	584,634	605,195
School Administrative Services	1,065,105	1,001,594	782,879	750,571
Plant Operations and Maintenance	2,138,460	2,007,867	1,971,370	1,967,984
Administrative Information Technology	16,767	12,713	15,358	12,713
Pupil Transportation	496,463	526,669	457,918	499,576
Central Services	606,982	539,097	559,021	539,097
Interest on Long-Term Debt	81,202	90,617	81,202	90,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 21,279,119</u>	<u>\$ 21,254,217</u>	<u>\$ 13,887,949</u>	<u>\$ 14,630,339</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2018 was \$463,240. 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, 2018

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 \$5,895,187. At June 30, 2017, the fund balance was \$4,049,430, for an increase of \$1,845,757.

Revenues for the District's governmental funds were \$19,665,131, while total expenditures were \$17,819,374.

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>2018</u>	<u>2017</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 14,975,218	\$ 14,546,578	\$ 428,640	3%
Tuition	442,202	297,706	144,496	49%
Investment Earnings	68,357	17,711	50,646	286%
Miscellaneous	59,974	134,210	(74,236)	-55%
Intergovernmental				
Federal Sources	26,670	21,291	5,379	25%
State Sources	<u>2,694,242</u>	<u>2,540,668</u>	<u>153,574</u>	6%
 Total Revenues	 <u>\$ 18,266,663</u>	 <u>\$ 17,558,164</u>	 <u>\$ 708,499</u>	 4.04%

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2018**

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	For the Fiscal Years		Amount of	Percent
	<u>Ended June 30,</u>		Increase	Increase
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Instruction	\$ 9,565,484	\$ 9,849,786	\$ (284,302)	-3%
Support Services	6,845,373	6,836,074	9,299	0%
Capital Outlay	<u>10,119</u>	<u>73,500</u>	<u>(63,381)</u>	-86%
 Total Expenditures	 <u>\$ 16,420,976</u>	 <u>\$ 16,759,360</u>	 <u>\$ (338,384)</u>	 -2.0%

Total General Fund expenditures decreased by \$338,884 or 2.0%, 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 \$675,198 for the year ended June 30, 2018. Federal sources accounted for 70% of the total revenue for the year, while state sources accounted for 30%.

Expenditures of the Special Revenue Fund were \$675,198. Instructional expenditures were \$458,178 or 68%.

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, 2018**

Capital Assets. At the end of the fiscal years ended June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Land	\$ 137,405	\$ 130,267
Buildings	11,959,358	11,955,661
Improvements Other Than Buildings	244,588	244,588
Machinery and Equipment	<u>1,822,599</u>	<u>1,840,697</u>
 Total	 14,163,950	 14,171,213
 Less: Accumulated Depreciation	 <u>(6,664,494)</u>	 <u>(6,351,887)</u>
 Total	 <u>\$ 7,499,456</u>	 <u>\$ 7,819,326</u>

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

Debt Administration. As of June 30, 2018 the school district had outstanding long-term liabilities in the amount of \$8,790,447.

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Serial Bonds Payable	\$ 2,630,000	\$ 3,230,000
Net Pension Liability	5,516,147	6,293,075
Compensated Absences Payable	<u>644,300</u>	<u>581,174</u>
 Total	 <u>\$ 8,790,447</u>	 <u>\$ 10,104,249</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, 2018**

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, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,936,998	\$ 163,523	\$ 6,100,521
Receivables, net			
Receivables from Other Governments	74,748	10,696	85,444
Internal Balances	(28,416)	28,416	
Other Receivables	15,333		15,333
Inventory		3,011	3,011
Capital Assets, Not Being Depreciated	137,405		137,405
Capital Assets, Being Depreciated	7,362,051	-	7,362,051
	<u>13,498,119</u>	<u>205,646</u>	<u>13,703,765</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	1,883,249		1,883,249
Deferred Amount on Refunding	41,683	-	41,683
	<u>1,924,932</u>	<u>-</u>	<u>1,924,932</u>
Total Assets and Deferred Outflows of Resources	<u>15,423,051</u>	<u>205,646</u>	<u>15,628,697</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	67,995	35,584	103,579
Payable to Other Governments	35,481		35,481
Accrued Interest Payable	39,450		39,450
Noncurrent Liabilities			
Due Within One Year	675,000		675,000
Due Beyond One Year	8,225,431	-	8,225,431
	<u>9,043,357</u>	<u>35,584</u>	<u>9,078,941</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	1,657,911		1,657,911
Deferred Commodities Revenue	-	628	628
	<u>1,657,911</u>	<u>628</u>	<u>1,658,539</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,701,268</u>	<u>36,212</u>	<u>10,737,480</u>
NET POSITION			
Net Investment in Capital Assets	4,801,155		4,801,155
Restricted for			
Capital Projects	6,124		6,124
Unrestricted	(85,496)	169,434	83,938
	<u>\$ 4,721,783</u>	<u>\$ 169,434</u>	<u>\$ 4,891,217</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, 2018

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	\$ 10,708,770	\$ 442,202	\$ 4,007,563		\$ (6,259,005)		\$ (6,259,005)
Special Education	2,048,870		1,179,750		(869,120)		(869,120)
Other Instruction	162,033		62,221		(99,812)		(99,812)
School Sponsored Activities & Athletics	773		65		(708)		(708)
Support Services							
Student and Instruction Related Services	3,336,817		1,129,895		(2,206,922)		(2,206,922)
General Administrative Services	616,877		32,243		(584,634)		(584,634)
School Administrative Services	1,065,105		282,226		(782,879)		(782,879)
Central Services	606,982		47,961		(559,021)		(559,021)
Plant Operations and Maintenance	2,138,460		167,090		(1,971,370)		(1,971,370)
Administrative Information Technology	16,767		1,409		(15,358)		(15,358)
Pupil Transportation	496,463		38,545		(457,918)		(457,918)
Interest on Debt	81,202	-	-	-	(81,202)	-	(81,202)
Total Governmental Activities	21,279,119	442,202	6,948,968	-	(13,887,949)	-	(13,887,949)
Business-Type Activities							
Food Service	463,240	325,192	165,817	-	-	\$ 27,769	27,769
Total Business-Type Activities	463,240	325,192	165,817	-	-	27,769	27,769
Total Primary Government	\$ 21,742,359	\$ 767,394	\$ 7,114,785	\$ -	(13,887,949)	27,769	(13,860,180)
General Revenues							
Property Taxes, Levied for General Purposes					14,975,218		14,975,218
Taxes Levied for Debt Service					723,200		723,200
State Aid - Unrestricted					27,776		27,776
Investment Earnings					68,427	1,870	70,297
Miscellaneous Income					59,974	-	59,974
Total General Revenues					15,854,595	1,870	15,856,465
Change in Net Position					1,966,646	29,639	1,996,285
Net Position, Beginning of Year					2,755,137	139,795	2,894,932
Net Position, End of Year					\$ 4,721,783	\$ 169,434	\$ 4,891,217

FUND FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<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	\$ 5,868,342	\$ 68,656			\$ 5,936,998
Receivables, Net					
Due from Other Funds	8,364				8,364
Receivables from Other Governments	64,797	9,951			74,748
Other Accounts Receivable	4,834	2,135	-	-	6,969
	<u>5,946,337</u>	<u>80,742</u>	<u>-</u>	<u>-</u>	<u>6,027,079</u>
Total Assets	<u>\$ 5,946,337</u>	<u>\$ 80,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,027,079</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 22,734	\$ 45,261			\$ 67,995
Due to Other Funds	28,416				28,416
Payable to State Government	-	35,481	-	-	35,481
	<u>51,150</u>	<u>80,742</u>	<u>-</u>	<u>-</u>	<u>131,892</u>
Total Liabilities	<u>51,150</u>	<u>80,742</u>	<u>-</u>	<u>-</u>	<u>131,892</u>
Fund Balances					
Restricted					
Capital Reserve	6,124				6,124
Excess Surplus	3,295,549				3,295,549
Excess Surplus - Designated for Subsequent Year's Budget	2,008,739				2,008,739
Assigned					
Year End Encumbrances	206,285				206,285
Designated in Subsequent Year's Budget	144,504				144,504
Unassigned	233,986	-	-	-	233,986
	<u>5,895,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,895,187</u>
Total Fund Balances	<u>5,895,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,895,187</u>
Total Liabilities and Fund Balances	<u>\$ 5,946,337</u>	<u>\$ 80,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,027,079</u>

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

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

Total Fund Balances - Governmental Funds (Exhibit B-1) \$ 5,895,187

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,163,950 and the accumulated depreciation is \$6,664,494. 7,499,456

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	\$	(1,657,911)	
Deferred Outflows of Resources			
Net Pension Liability		1,883,249	
Debt Refunding		41,683	
			267,021

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (39,450)

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	(2,739,984)	
Net Pension Liability	(5,516,147)	
Compensated Absences	(644,300)	
		(8,900,431)

Net Position of Governmental Activities (Exhibit A-1) \$ 4,721,783

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, 2018**

	<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	\$ 14,975,218			\$ 723,200	\$ 15,698,418
Tuition	442,202				442,202
Investment Earnings	68,357		\$ 70		68,427
Miscellaneous	59,974	-	-	-	59,974
Total - Local Sources	<u>15,545,751</u>	<u>-</u>	<u>70</u>	<u>723,200</u>	<u>16,269,021</u>
State Sources	2,694,242	\$ 201,733			2,895,975
Federal Sources	26,670	473,465	-	-	500,135
Total Revenues	<u>18,266,663</u>	<u>675,198</u>	<u>70</u>	<u>723,200</u>	<u>19,665,131</u>
EXPENDITURES					
Current					
Regular Instruction	7,892,078	225,050			8,117,128
Special Education Instruction	1,549,428	233,128			1,782,556
Other Instruction	123,298				123,298
School-Sponsored Activities and Athletics	680				680
Support Services and Undistributed Costs					
Student and Instruction Related Services	2,488,509	201,945			2,690,454
General Administrative Services	540,515				540,515
School Administrative Services	850,713				850,713
Administrative Info. Technology	14,739				14,739
Central Services	529,392				529,392
Plant Operations and Maintenance	1,929,228	15,075			1,944,303
Pupil Transportation	492,277				492,277
Debt Service					
Principal				600,000	600,000
Interest and Other Charges				123,200	123,200
Capital Outlay	10,119	-	-	-	10,119
Total Expenditures	<u>16,420,976</u>	<u>675,198</u>	<u>-</u>	<u>723,200</u>	<u>17,819,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,845,687</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>1,845,757</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	70				70
Transfers Out	-	-	(70)	-	(70)
Total Other Financing Sources and Uses	<u>70</u>	<u>-</u>	<u>(70)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,845,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,845,757</u>
Fund Balance, Beginning of Year	4,049,430	-	-	-	4,049,430
Fund Balance, End of Year	<u>\$ 5,895,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,895,187</u>

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

**TOTOWA BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 1,845,757

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	\$ 10,119	
Depreciation Expense	<u>(329,989)</u>	
		(319,870)

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	56,760	
Amortization of Deferred Amount on Refunding	(21,512)	
Net Pension Liability	(138,113)	
Compensated Absences	<u>(63,126)</u>	
		(165,991)

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	600,000
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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>6,750</u>
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Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 1,966,646</u>
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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 NET POSITION
 AS OF JUNE 30, 2018**

	Enterprise Fund - <u>Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 163,523
Intergovernmental Receivable	
State	368
Federal	10,328
Inventory	3,011
Due From Other Funds	<u>28,416</u>
Total Current Assets	<u>205,646</u>
LIABILITIES	
Accounts Payable	<u>35,584</u>
Total Liabilities	<u>35,584</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>628</u>
Total Deferred Inflows of Resources	<u>628</u>
Total Liabilities and Deferred Inflows of Resources	<u>36,212</u>
NET POSITION	
Unrestricted	<u>169,434</u>
Total Net Position	<u>\$ 169,434</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 REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Enterprise Fund - Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable	\$ 166,376
Daily Sales - Non-Reimbursable	154,041
Other Sales	<u>4,775</u>
 Total Operating Revenues	 <u>325,192</u>
OPERATING EXPENSES	
Cost of Sales - Reimbursable	159,332
Cost of Sales - Non-Reimbursable	40,095
Salaries & Wages	160,583
Insurance	16,143
Supplies	18,049
Professional Service	4,737
Management Fee	40,325
Miscellaneous	<u>23,976</u>
 Total Operating Expenses	 <u>463,240</u>
 Operating Loss	 <u>(138,048)</u>
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	127,586
National Breakfast Program	8,292
Food Distribution Program	25,387
State Sources	
State School Lunch Program	4,552
Interest and Investment Revenue	<u>1,870</u>
 Total Nonoperating Revenues	 <u>167,687</u>
 Change in Net Position	 29,639
Net Position, Beginning of Year	<u>139,795</u>
Net Position, End of Year	<u>\$ 169,434</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, 2018**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 325,192
Cash Payments to Employees for Salaries and Wages	(160,583)
Cash Payments to Suppliers for Goods and Services	<u>(278,574)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(113,965)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>140,722</u>
Net Cash Provided by Noncapital Financing Activities	<u>140,722</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>1,870</u>
Net Cash Provided by Investing Activities	<u>1,870</u>
Net Increase in Cash and Cash Equivalents	28,627
Cash and Cash Equivalents, Beginning of Year	<u>134,896</u>
Cash and Cash Equivalents, End of Year	<u>\$ 163,523</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$ <u>(138,048)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Food Distribution Program	25,387
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(376)
Increase/(Decrease) in Deferred Inflows of Resources	90
Increase/(Decrease) in Accounts Payable	<u>(1,018)</u>
Total Adjustments	<u>24,083</u>
Net Cash Used for Operating Activities	<u>\$ (113,965)</u>
Non-cash Investing, Capital and Financing Activities:	
Value Received- Food Distribution Program	<u>\$ 25,477</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, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 30,529	\$ 261,950
Total Assets	<u>30,529</u>	<u>\$ 261,950</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 153,491
Due to Student Groups		88,342
Payroll Deductions and Withholdings		11,498
Reserve for Flex Spending		255
Due to Other Funds		8,364
Due to State Government	<u>92</u>	<u>-</u>
Total Liabilities	<u>92</u>	<u>\$ 261,950</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 30,437</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, 2018**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 15,314
Investment Earnings	
Interest	<u>391</u>
Total Additions	<u>15,705</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>15,934</u>
Total Deductions	<u>15,934</u>
Change in Net Position	(229)
Net Position, Beginning of Year	<u>30,666</u>
Net Position, End of Year	<u>\$ 30,437</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, 2018**

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 2018, the District adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 85, *Omnibus 2017*. 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*. 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- 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. 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.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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, 2018

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, 2018

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 types:

The *fiduciary trust funds* are used to account for resources legally held in trust for the state unemployment insurance claims. All resources of the funds, 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.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 inventory at year-end is reported as deferred inflows of resources.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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.

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 amount 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.

TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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)

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 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; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

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 inventory 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.

TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 of 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 with the unamortized 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.

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.

TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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* (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

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, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that was appropriated in the 2018/2019 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.

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

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018/2019 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.

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amount are used only after the other resources have been used.

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, and additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2016-2017 and 2017-2018 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating 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 the enterprise fund 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, 2018**

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 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$249,055. The increase was funded by grant awards.

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. Excess Expenditures Over Appropriations

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

	<u>Final Budget</u>		<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund				
Undistributed Expenditures - Instruction				
Tuition to CSSD and Regional Day Schools	\$ 10,275	\$	159,425	\$ 149,150

The above variance was the result of an audit adjustment and was offset with other available resources.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 5,767
Increased by:	
Interest Earnings	<u>357</u>
Balance, June 30, 2018	<u>\$ 6,124</u>

The June 30, 2018 LRFP has not been updated, therefore, the balance of local support costs of uncompleted capital projects is unavailable. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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, 2018 is \$5,304,288. Of this amount, \$2,008,739 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$3,295,549 will be appropriated in the 2019/2020 original budget certified for taxes.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 and NCUSIF.

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, 2018, the book value of the Board's deposits were \$6,393,000 and bank and brokerage firm balances of the Board's deposits amounted to \$6,852,823. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>6,852,823</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, 2018 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; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS

B. Receivables

Receivables as of June 30, 2018 for the district's individual major funds in the aggregate, 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		\$ 9,951	\$ 10,328	\$ 20,279
State	\$ 64,797		368	65,165
Other Receivables	<u>4,834</u>	<u>2,135</u>	<u>-</u>	<u>6,969</u>
Gross Receivables	69,631	12,086	10,696	92,413
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 69,631</u>	<u>\$ 12,086</u>	<u>\$ 10,696</u>	<u>\$ 92,413</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,267			\$ 130,267
Construction in Progress	<u>-</u>	<u>\$ 7,138</u>	<u>-</u>	<u>7,138</u>
Total Capital Assets, Not Being Depreciated	<u>130,267</u>	<u>7,138</u>	<u>-</u>	<u>137,405</u>
Capital Assets, Being Depreciated:				
Buildings	11,955,661		\$ 3,697	11,959,358
Improvements Other Than Buildings	244,588			244,588
Machinery and Equipment	<u>1,840,697</u>	<u>2,981</u>	<u>(21,079)</u>	<u>1,822,599</u>
Total Capital Assets Being Depreciated	<u>14,040,946</u>	<u>2,981</u>	<u>(17,382)</u>	<u>14,026,545</u>
Less Accumulated Depreciation for:				
Buildings	(4,659,381)	(263,824)	(3,697)	(4,926,902)
Improvements Other Than Buildings	(133,027)	(10,228)		(143,255)
Machinery and Equipment	<u>(1,559,479)</u>	<u>(55,937)</u>	<u>21,079</u>	<u>(1,594,337)</u>
Total Accumulated Depreciation	<u>(6,351,887)</u>	<u>(329,989)</u>	<u>17,382</u>	<u>(6,664,494)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,689,059</u>	<u>(327,008)</u>	<u>-</u>	<u>7,362,051</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,819,326</u>	<u>\$ (319,870)</u>	<u>\$ -</u>	<u>\$ 7,499,456</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	\$	234,932
Special		<u>3,365</u>
Total Instruction		<u>238,297</u>
Support Services		
Student Services - Students		26,611
General Administration		29,934
School Administration		13,359
Operation and Maintenance of Plant		13,259
Business and Other Support Services		<u>8,529</u>
Total Support Services		<u>91,692</u>
Total Governmental Funds		<u>329,989</u>
Total Depreciation Expense - Governmental Activities	\$	<u>329,989</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Agency Fund	\$ 8,364
Food Service Fund	General Fund	<u>28,416</u>
Total		<u>\$ 36,780</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, 2018**

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	\$ 70	\$ 70
	<u>\$ 70</u>	<u>\$ 70</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, 2018 are comprised of the following issues:

\$5,460,000, 2013 Refunding Bonds, due in annual installments of \$615,000 to \$705,000 through February 15, 2022, interest at 4.00%	<u>\$2,630,000</u>
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The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 2,630,000</u>	<u>\$ 268,800</u>	<u>\$ 2,898,800</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 65,002,021
Less: Net Debt	<u>2,630,000</u>
Remaining Borrowing Power	<u>\$ 62,372,021</u>

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance, July 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2018</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 3,230,000		\$ (600,000)	\$ 2,630,000	\$ 615,000
Add: Unamortized Premiums	<u>166,744</u>	-	<u>(56,760)</u>	<u>109,984</u>	-
Total Bonds Payable	3,396,744	-	(656,760)	2,739,984	615,000
Net Pension Liability	6,293,075	\$ 361,175	(1,138,103)	5,516,147	
Compensated Absences	<u>581,174</u>	<u>63,126</u>	-	<u>644,300</u>	<u>60,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 10,270,993</u>	<u>\$ 424,301</u>	<u>\$ (1,794,863)</u>	<u>\$ 8,900,431</u>	<u>\$ 675,000</u>

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

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the Northeast Bergen County School Board Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

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 is on file with the School's Business Administrator.

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

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>District</u> <u>Contribution</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	None	\$ 15,314	\$ 15,934	\$ 30,437
2017	None	16,063	8,084	30,666
2016	None	15,769	61,497	22,583

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

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, 2018, 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.

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, 2018, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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.. PERS is a cost sharing multiple employer defined benefit pension plan.

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

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

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

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. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represent the membership tiers for TPAF:

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

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 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.

Actuarial Methods and Assumptions

In the July 1, 2016 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 7.00 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 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, 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>
2018	\$ 219,522	\$ 961,727	\$ 22,654
2017	188,765	789,619	17,852
2016	196,336	539,055	17,962

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$3,540 and \$1,239, respectively for PERS and the State contributed \$1,788 and \$1,883 respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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 Statement No. 85, *Omnibus 2017* (GASB No. 85). 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 \$444,637 during the fiscal year ended June 30, 2018 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. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

To facilitate the separate actual valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$5,516,147 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportionate share was 0.02370 percent, which was an increase of 0.00246 percent from its proportionate share measured as of June 30, 2016 of 0.02124 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$357,635 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 129,886	
Changes of Assumptions	1,111,314	\$ 1,107,239
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	37,561	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>604,488</u>	<u>550,672</u>
Total	<u>\$ 1,883,249</u>	<u>\$ 1,657,911</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, 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 June 30,	Total
2018	\$ 279,581
2019	279,581
2020	300,187
2021	459,924
2022	(1,093,935)
Thereafter	<u>-</u>
	<u>\$ 225,338</u>

Actuarial Assumptions

The District's total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
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, 2016 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, 2018**

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2040

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>6,759,394</u>	\$ <u>5,516,147</u>	\$ <u>4,489,739</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS 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 report may be accessed via the New Jersey, 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, 2018**

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)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity 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, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,278,909 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. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$47,331,817. 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, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was 0.0702 percent, which was an increase of 0.0029 percent from its proportionate share measured as of June 30, 2016 of 0.0673 percent.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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, 2018**

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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:

Fiscal Year	Measurement Date	Discount Rate
2018	June 30, 2017	4.25%
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, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 4.25%, 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 (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 56,524,767</u>	<u>\$ 47,331,817</u>	<u>\$ 39,824,587</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 report 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 plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	\$223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>\$366,078</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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, 2016, 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.

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, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 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 \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

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, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$621,159, \$657,933 and \$641,865, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,884,611. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$31,297,595. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was 0.05835 percent, which was a decrease of 0.00037 percent from its proportionate share measured as of June 30, 2016 of 0.05871 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ <u>33,955,663</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,320,216
Interest on the Total OPEB Liability	997,819
Changes of Assumptions	(4,134,865)
Gross Benefit Payments	(873,399)
Contributions from the Member	<u>32,161</u>
Net Changes	\$ (2,658,068)
Balance, June 30, 2017 Measurement Date	\$ <u>31,297,595</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>37,152,503</u>	\$ <u>31,297,595</u>	\$ <u>26,653,426</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>25,739,246</u>	\$ <u>31,297,595</u>	\$ <u>38,679,017</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 14,975,218		\$ 14,975,218	\$ 14,975,218	
Tuition	175,000		175,000	442,202	\$ 267,202
Interest	7,914		7,914	68,000	60,086
Interest Earned - Capital Reserve	86		86	357	271
Miscellaneous	-	-	-	59,974	59,974
Total Local Sources	15,158,218	-	15,158,218	15,545,751	387,533
State Sources					
Special Education Aid	387,460		387,460	433,789	46,329
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				148,261	148,261
Professional Learning Community Aid	10,360		10,360	10,360	
Host District Support Aid	256		256	256	
Non Public Transportation Reimbursements				21,170	21,170
Lead Testing for Schools Aid				2,505	2,505
On-behalf TPAF Pension Payments (Non-Budget) - Pension				938,941	938,941
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				22,786	22,786
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				621,159	621,159
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,788	1,788
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	444,637	444,637
Total State Sources	463,900	-	463,900	2,711,476	2,247,576
Federal Sources					
Medicaid Reimbursements	13,523	-	13,523	26,670	13,147
Total Federal Sources	13,523	-	13,523	26,670	13,147
Total Revenues	15,635,641	-	15,635,641	18,283,897	2,648,256
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	344,242		344,242	309,865	34,377
Kindergarten	331,309		331,309	299,442	31,867
Grades 1-5	2,069,374	\$ 55,750	2,125,124	2,015,814	109,310
Grades 6-8	2,305,079	(55,750)	2,249,329	2,054,114	195,215
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	30,000		30,000	17,174	12,826
Purchased Professional - Educational Services	65,000		65,000	26,194	38,806
Purchased Technical Services	140,000		140,000	116,828	23,172
Other Purchased Services	82,000		82,000	71,893	10,107
General Supplies	166,000		166,000	72,632	93,368
Textbooks	16,500		16,500	2,867	13,633
Other Objects	2,000	-	2,000	-	2,000
Total Regular Programs - Instruction	5,551,504	-	5,551,504	4,986,823	564,681
Special Education Instruction					
Learning and Language Disabilities					
Salaries of Teachers	110,962	-	110,962	74,743	36,219
Other Salaries for Instruction	146,560	36,640	183,200	31,290	151,910
Total Learning and Language Disabilities	257,522	36,640	294,162	106,033	188,129

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 194,515		\$ 194,515	\$ 121,446	\$ 73,069
Other Salaries for Instruction	36,640	\$ 213,742	250,382	186,277	64,105
Total Multiple Disabilities	231,155	213,742	444,897	307,723	137,174
Resource Room/Resource Center					
Salaries of Teachers	199,841		199,841	88,291	111,550
Other Salaries for Instruction	54,960	50,624	105,584	105,584	-
Total Resource Room/Resource Center	254,801	50,624	305,425	193,875	111,550
Preschool Disabilities-Part-Time					
Salaries of Teachers	69,239	-	69,239	69,239	-
Total Preschool Disability-Part-Time	69,239	-	69,239	69,239	-
Preschool Disabilities-Full-Time					
Salaries of Teachers	34,620		34,620	-	34,620
Other Salaries for Instruction	421,360	(301,006)	120,354	99,494	20,860
Total Preschool Disability Full Time	455,980	(301,006)	154,974	99,494	55,480
Total Special Education Instruction	1,268,697	-	1,268,697	776,364	492,333
Basic Skills/Remedial - Instruction					
Salaries of Teachers	262,914	-	262,914	77,021	185,893
Total Basic Skills/Remedial - Instruction	262,914	-	262,914	77,021	185,893
School Sponsored Co/Extra Curricular Activities					
Salaries	2,000		2,000	465	1,535
Other Objects	5,000	-	5,000	-	5,000
Total School Sponsored Co/Extra Curricular Activities	7,000	-	7,000	465	6,535
Total Instruction	7,090,115	-	7,090,115	5,840,673	1,249,442
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Regular		17,000	17,000	16,720	280
Tuition to Other LEAs Within the State - Special	255,040	(10,275)	244,765	87,713	157,052
Tuition to CSSD and Regional Day Schools	-	10,275	10,275	159,425	(149,150)
Tuition to Priv. Sch. for the Disabled Within State	557,258	(85,805)	471,453	100,829	370,624
Total Undistributed Expenditures - Instruction	812,298	(68,805)	743,493	364,687	378,806

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 166,863		\$ 166,863	\$ 163,038	\$ 3,825
Purchased Professional and Technical Svcs.	118,700		118,700	62,440	56,260
Supplies and Materials	5,000	-	5,000	2,645	2,355
Total Health Services	290,563	-	290,563	228,123	62,440
Speech, OT, PT and Related Services					
Salaries	461,181	\$ (2,560)	458,621	424,755	33,866
Purchased Professional Educational Services	112,000	2,560	114,560	70,245	44,315
Total Speech, OT, PT and Related Services	573,181	-	573,181	495,000	78,181
Guidance					
Salaries of Other Professional Staff	94,325		94,325	70,493	23,832
Purchased Professional - Educational Services	61,200		61,200	33,800	27,400
Other Purchased Prof. and Tech. Services	15,000		15,000	8,365	6,635
Supplies and Materials	13,500		13,500	2,512	10,988
Other Objects	400	-	400	329	71
Total Guidance	184,425	-	184,425	115,499	68,926
Child Study Teams					
Salaries of Other Professional Staff	304,006		304,006	285,100	18,906
Salaries of Secretarial and Clerical Assistants	50,461		50,461	50,461	
Other Salaries	65,000	(190)	64,810	59,010	5,800
Other Purchased Professional and Tech. Services	11,000	455	11,455	5,655	5,800
Supplies and Materials	3,000	(605)	2,395	1,182	1,213
Other Objects	1,300	340	1,640	1,640	-
Total Child Study Teams	434,767	-	434,767	403,048	31,719
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	120,000	(22,645)	97,355	75,000	22,355
Salaries of Secretarial & Clerical Assistants	72,661	(3,028)	69,633	46,943	22,690
Other Salaries	48,787	-	48,787	48,787	-
Total Improvement of Instructional Services	241,448	(25,673)	215,775	170,730	45,045

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	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	\$ 325,843		\$ 325,843	\$ 229,612	\$ 96,231
Supplies and Materials	13,240	-	13,240	12,537	703
Total Educational Media Serv./School Library	339,083	-	339,083	242,149	96,934
Instructional Staff Training Services					
Other Purchased Services	10,000	\$ 3,173	13,173	13,173	-
Total Instructional Staff Training Services	10,000	3,173	13,173	13,173	-
Support Services General Administration					
Salaries	230,691		230,691	230,691	
Legal Services	75,000	(1,995)	73,005	35,668	37,337
Audit Fees	26,000	(2,027)	23,973	22,838	1,135
Other Purchased Professional Services	15,000	3,395	18,395	18,395	
Communications/Telephone	37,000	6,233	43,233	43,233	
Miscellaneous Purchased Services	36,300	(3,205)	33,095	30,440	2,655
BOE In-House Training/Meeting Supplies	3,000	894	3,894	3,894	
Miscellaneous Expenditures	7,000	(2,865)	4,135	3,095	1,040
BOE Membership Dues and Fees	7,650	(430)	7,220	7,203	17
Total Support Services General Administration	437,641	-	437,641	395,457	42,184
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	335,525	22,500	358,025	310,985	47,040
Salaries of Secretarial and Clerical Assistants	221,777		221,777	221,777	
Purchased Professional and Technical Svcs.	10,000		10,000	9,450	550
Supplies and Materials	5,000		5,000	1,030	3,970
Other Objects	20,000	-	20,000	18,488	1,512
Total Support Services School Administration	592,302	22,500	614,802	561,730	53,072
Central Services					
Salaries	344,560		344,560	343,152	1,408
Purchased Professional Services	23,040		23,040	20,846	2,194
Misc. Purchased Services	5,500	(1,440)	4,060	750	3,310
Supplies and Materials	7,000		7,000	4,879	2,121
Miscellaneous Expenditures	1,200	-	1,200	1,165	35
Total Central Services	381,300	(1,440)	379,860	370,792	9,068

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Admin. Info. Tech.					
Salaries	\$ 8,640	\$ 1,440	\$ 10,080	\$ 10,080	
Other Objects	2,200	-	2,200	-	\$ 2,200
Total Admin. Info. Tech	10,840	1,440	12,280	10,080	2,200
Required Maintenance For School Facilities					
Salaries	89,296	874	90,170	90,170	
Cleaning, Repair and Maintenance Services	127,500	(54)	127,446	67,469	59,977
General Supplies	70,000	238	70,238	68,464	1,774
Other Objects	13,000	(1,379)	11,621	4,012	7,609
Total Required Maint. For School Facilities	299,796	(321)	299,475	230,115	69,360
Custodial Services					
Salaries	902,887		902,887	781,580	121,307
Cleaning, Repair and Maintenance Services	50,654	126	50,780	36,948	13,832
Other Purchased Property Services	20,000		20,000	20,000	
Insurance	75,000		75,000	72,843	2,157
General Supplies	32,000	195	32,195	6,316	25,879
Energy (Natural Gas)	100,000		100,000	76,049	23,951
Energy (Electricity)	170,000		170,000	130,638	39,362
Other Objects	5,300	-	5,300	4,712	588
Total Custodial Services	1,355,841	321	1,356,162	1,129,086	227,076
Security Services					
Salaries	50,000		50,000	27,100	22,900
Purchased Professional & Technical Services	140,000	-	140,000	127,490	12,510
Total Security Services	190,000	-	190,000	154,590	35,410
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	20,400	402	20,802	20,802	
Contracted Services - Aid in Lieu Payments - Nonpublic	60,000	21,005	81,005	81,005	
Contracted Services (Between Home and School) - Vendors	196,976	11,900	208,876	204,609	4,267
Contracted Services (Other than Between Home and School) - Vendors	9,563		9,563	5,740	3,823
Contracted Services - (Spl. Ed. Students) - Joint Agreements	197,000	-	197,000	170,507	26,493
Total Student Transportation Services	483,939	33,307	517,246	482,663	34,583

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 225,420		\$ 225,420	\$ 221,351	\$ 4,069
TPAF Contributions - BRIP	30,000		30,000	6,051	23,949
Other Retirement Contributions - PERS	244,000	\$ (11,900)	232,100	223,062	9,038
Other Retirement Contributions - DCRP	25,000		25,000	22,654	2,346
Unemployment Compensation	10,200		10,200		10,200
Workmen's Compensation	91,000	24,177	115,177	115,177	
Health Benefits	2,789,671	(45,584)	2,744,087	2,430,267	313,820
Tuition Reimbursement	10,000		10,000	6,641	3,359
Other Employee Benefits	60,000	-	60,000	24,500	35,500
Total Unallocated Benefits - Employee Benefits	3,485,291	(33,307)	3,451,984	3,049,703	402,281
On-behalf TPAF Pension Payments (Non-Budget) - Pension				938,941	(938,941)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				22,786	(22,786)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				621,159	(621,159)
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,788	(1,788)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	444,637	(444,637)
Total On-Behalf Payments	-	-	-	2,029,311	(2,029,311)
Total Undistributed Expenditures	10,122,715	(68,805)	10,053,910	10,445,936	(392,026)
Total Expenditures - Current Expenditures	17,212,830	(68,805)	17,144,025	16,286,609	857,416
CAPITAL OUTLAY					
Equipment					
School Administration	3,700		3,700	214	3,486
Required Maintenance for School Facilities	4,000	-	4,000	2,767	1,233
Total Equipment	7,700	-	7,700	2,981	4,719
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services	5,000		5,000		5,000
Construction Services	100,000		100,000	7,138	92,862
Other Objects (Debt Service Assessment)	38,436	-	38,436	38,436	-
Total Facilities Acquisition and Construction Services	143,436	-	143,436	45,574	97,862
Total Capital Outlay	151,136	-	151,136	48,555	102,581
Transfer to Charter School	19,456	68,805	88,261	85,812	2,449
Total Expenditures	17,383,422	-	17,383,422	16,420,976	962,446
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,747,781)	-	(1,747,781)	1,862,921	3,610,702
Other Financing Sources (Uses) Operating Transfer In	-	-	-	70	70
Total Other Financing Sources	-	-	-	70	70

Continued

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ (1,747,781)		\$ (1,747,781)	\$ 1,862,991	\$ 3,610,772
Fund Balance, Beginning of Year	<u>4,255,474</u>	<u>-</u>	<u>4,255,474</u>	<u>4,255,474</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,507,693</u>	<u>\$ -</u>	<u>\$ 2,507,693</u>	<u>\$ 6,118,465</u>	<u>\$ 3,610,772</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 6,124
Excess Surplus	3,295,549
Excess Surplus - Designated in Subsequent Year's Budget	2,008,739
Assigned	
Year End Encumbrances	206,285
Designated in Subsequent Year's Budget	144,504
Unassigned	<u>457,264</u>
	6,118,465
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(223,278)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 5,895,187</u>

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 340,148	\$ 166,662	\$ 506,810	\$ 201,733	\$ (305,077)
Federal	<u>155,683</u>	<u>82,393</u>	<u>238,076</u>	<u>473,465</u>	<u>235,389</u>
Total Revenues	<u>495,831</u>	<u>249,055</u>	<u>744,886</u>	<u>675,198</u>	<u>(69,688)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	113,589	48,053	161,642	161,642	-
Tuition	226,559	6,569	233,128	233,128	-
General Supplies	4,410	2,953	7,363	7,256	107
Textbooks	<u>9,776</u>	<u>1,125</u>	<u>10,901</u>	<u>10,893</u>	<u>8</u>
Total Instruction	<u>354,334</u>	<u>58,700</u>	<u>413,034</u>	<u>412,919</u>	<u>115</u>
Support Services					
Salaries		351	351		351
Personal Services-Employee Benefits		45,259	45,259	45,259	
Purchased Prof./Ed. Services	117,641	127,943	245,584	183,941	61,643
Other Purchased Services	-	5,224	5,224	3,250	1,974
Miscellaneous Purchased Services	15,336	4,161	19,497	14,754	4,743
Supplies and Materials	<u>8,520</u>	<u>7,417</u>	<u>15,937</u>	<u>15,075</u>	<u>862</u>
Total Support Services	<u>141,497</u>	<u>190,355</u>	<u>331,852</u>	<u>262,279</u>	<u>69,573</u>
Total Expenditures	<u>495,831</u>	<u>249,055</u>	<u>744,886</u>	<u>675,198</u>	<u>69,688</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, 2018**

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) \$ 18,283,897	(C-2) \$ 675,198
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	206,044	
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(223,278)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 18,266,663</u>	<u>\$ 675,198</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 16,420,976	(C-2) \$ 675,198
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary 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 budgetary 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>\$ 16,420,976</u>	<u>\$ 675,198</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION AND OTHER POST-EMPLOYMENT BENEFITS 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 Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02370%	0.02124%	0.02283%	0.02100%	0.02581%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,516,147	\$ 6,293,075	\$ 5,126,424	\$ 3,931,843	\$ 4,933,157
District's Covered-Employee Payroll	\$ 1,680,287	\$ 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	328.29%	388.47%	343.01%	263.86%	296.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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 Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 219,522	\$ 188,765	\$ 196,336	\$ 180,156	\$ 194,487
Contributions in Relation to the Contractually Required Contribution	<u>219,522</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,680,287	\$ 1,619,960	\$ 1,494,545	\$ 1,490,126	\$ 1,665,683
Contributions as a Percentage of Covered-Employee Payroll	13.05%	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 Five Fiscal Years*

	<u>2018</u>	<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%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 47,331,817</u>	<u>\$ 52,964,633</u>	<u>\$ 42,074,874</u>	<u>\$ 35,984,913</u>	<u>\$ 34,572,836</u>
Total	<u>\$ 47,331,817</u>	<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	\$ 6,583,720	\$ 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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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, 2018

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.

**TOTOWA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,320,216
Interest on Total OPEB Liability	997,819
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Changes of Assumptions	(4,134,865)
Gross Benefit Payments	(873,399)
Contribution from the Member	32,161
Net Change in Total OPEB Liability	(2,658,068)
Total OPEB Liability - Beginning	<u>33,955,663</u>
Total OPEB Liability - Ending	<u>\$31,297,595</u>
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	<u>31,297,595</u>
Total OPEB Liability - Ending	<u>\$31,297,595</u>
District's Covered-Employee Payroll	<u>\$ 8,264,007</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*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. 75. 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 CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability 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, 2018

	ESSA			IDEA Part B		Chapter 192		Chapter 193			Nonpublic Nursing	Nonpublic Textbook	Nonpublic Security	Nonpublic Technology	Total
	Title I	Title II-A	Title III	Basic	Preschool	Comp. Education	ESL	Corrective Speech	Exam. & Classification	Supplemental Instruction					
REVENUES															
Intergovernmental															
Federal	\$ 175,711	\$ 31,261	\$ 6,429	\$ 251,744	\$ 8,320										\$ 473,465
State	-	-	-	-	-	\$ 99,032	\$ 2,439	\$ 10,267	\$ 18,941	\$ 23,076	\$ 14,754	\$ 10,893	\$ 15,075	\$ 7,256	201,733
Total Revenues	\$ 175,711	\$ 31,261	\$ 6,429	\$ 251,744	\$ 8,320	\$ 99,032	\$ 2,439	\$ 10,267	\$ 18,941	\$ 23,076	\$ 14,754	\$ 10,893	\$ 15,075	\$ 7,256	\$ 675,198
EXPENDITURES															
Instruction															
Salaries of Teachers	\$ 134,736	\$ 21,883	\$ 5,023	\$ 224,808	\$ 8,320										\$ 161,642
Tuition	-	-	-	-	-									\$ 7,256	233,128
General Supplies	-	-	-	-	-									-	7,256
Textbooks	-	-	-	-	-							\$ 10,893			10,893
Total Instruction	134,736	21,883	5,023	224,808	8,320	-	-	-	-	-	-	10,893	-	7,256	412,919
Support Services															
Personal Services - Employee Benefits	37,725	6,128	1,406												45,259
Purchased Prof./Ed. Services		3,250		26,936		\$ 99,032	\$ 2,439	\$ 10,267	\$ 18,941	\$ 23,076					183,941
Other Purchased Services	3,250														3,250
Miscellaneous Purchased Services											\$ 14,754				14,754
Supplies and Materials													\$ 15,075		15,075
Total Support Services	40,975	9,378	1,406	26,936	-	99,032	2,439	10,267	18,941	23,076	14,754	-	15,075	-	262,279
Total Expenditures	\$ 175,711	\$ 31,261	\$ 6,429	\$ 251,744	\$ 8,320	\$ 99,032	\$ 2,439	\$ 10,267	\$ 18,941	\$ 23,076	\$ 14,754	\$ 10,893	\$ 15,075	\$ 7,256	\$ 675,198

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**TOTOWA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

Revenues and Other Financing Sources

Revenues	
Interest	\$ <u>70</u>
 Total Revenues and Other Financing Sources	 <u>70</u>

Expenditures and Other Financing Uses

Transfer Out - General Fund	<u>70</u>
 Total Expenditures and Other Financing Uses	 <u>70</u>

Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-
 Fund Balance- Beginning of Year	 <u>-</u>
 Fund Balance- End of Year	 <u>\$ -</u>

ENTERPRISE FUND

**TOTOWA BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

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, 2018**

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, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 88,342	\$ 173,608	\$ 261,950
Total Assets	<u>\$ 88,342</u>	<u>\$ 173,608</u>	<u>\$ 261,950</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 153,491	\$ 153,491
Payroll Deductions and Withholdings Payable		11,498	11,498
Due to Other Funds		8,364	8,364
Reserve for Flex Spending		255	255
Due to Student Groups	<u>\$ 88,342</u>	<u>-</u>	<u>88,342</u>
Total Liabilities	<u>\$ 88,342</u>	<u>\$ 173,608</u>	<u>\$ 261,950</u>

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

	<u>Balance, July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2018</u>
Due to Student Groups				
Elementary Schools				
Washington Park	\$ 60,045	\$ 139,453	\$ 123,631	\$ 75,867
Memorial	<u>11,594</u>	<u>3,270</u>	<u>2,389</u>	<u>12,475</u>
 Total All Schools	 <u>\$ 71,639</u>	 <u>\$ 142,723</u>	 <u>\$ 126,020</u>	 <u>\$ 88,342</u>

**TOTOWA BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2018</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 11,854	\$ 4,582,510	\$ 4,582,866	\$ 11,498
Accrued Salaries and Wages - Regular	1,532	5,440,543	5,440,543	1,532
Accrued Salaries and Wages - Summer Pay	172,235	151,959	172,235	151,959
Reserve for Flex Spending	280	325	350	255
Due to Other Funds	<u>5,269</u>	<u>3,095</u>	<u>-</u>	<u>8,364</u>
 Total	 <u>\$ 191,170</u>	 <u>\$ 10,178,432</u>	 <u>\$ 10,195,994</u>	 <u>\$ 173,608</u>

LONG-TERM DEBT

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	1/25/2013	\$ 5,460,000	2/15/2019	\$ 615,000	4.000%				
			2/15/2020	645,000	4.000%				
			2/15/2021	665,000	4.000%				
			2/15/2022	705,000	4.000%	<u>\$ 3,230,000</u>		<u>\$ 600,000</u>	<u>\$ 2,630,000</u>
						<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 2,630,000</u>
							Paid by Budget	<u>\$ 600,000</u>	

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 723,200	-	\$ 723,200	\$ 723,200	-
Total Revenues	<u>723,200</u>	<u>-</u>	<u>723,200</u>	<u>723,200</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	600,000		600,000	600,000	
Interest	<u>123,200</u>	<u>-</u>	<u>123,200</u>	<u>123,200</u>	<u>-</u>
Total Expenditures	<u>723,200</u>	<u>-</u>	<u>723,200</u>	<u>723,200</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									
	2009 (Restated)	2010	2011	2012	2013	2014 (Restated)	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 4,801,155
Restricted	302,768	117,070	97,306	154,563	32,236	21,979	5,687	5,767	5,767	6,124
Unrestricted	2,029,661	2,065,023	2,005,795	2,328,848	3,044,331	(2,077,189)	(2,502,811)	(2,242,805)	(1,736,407)	(85,496)
Total Governmental Activities Net Position	\$ 4,622,466	\$ 4,873,608	\$ 4,963,651	\$ 5,379,968	\$ 6,079,240	\$ 1,285,446	\$ 1,295,959	\$ 1,930,666	\$ 2,755,137	\$ 4,721,783
Business-Type Activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736	\$ 103,054	\$ 115,227	\$ 110,636	\$ 115,354	\$ 139,795	\$ 169,434
Total Business-Type Activities Net Position	\$ 40,650	\$ 68,261	\$ 90,516	\$ 98,736	\$ 103,054	\$ 115,227	\$ 110,636	\$ 115,354	\$ 139,795	\$ 169,434
District-Wide										
Net Investment in Capital Assets	\$ 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	\$ 4,801,155
Restricted	302,768	117,070	97,306	154,563	32,236	21,979	5,687	5,767	5,767	6,124
Unrestricted	2,070,311	2,133,284	2,096,311	2,427,584	3,147,385	(1,961,962)	(2,392,175)	(2,127,451)	(1,596,612)	83,938
Total District Net Position	\$ 4,663,116	\$ 4,941,869	\$ 5,054,167	\$ 5,478,704	\$ 6,182,294	\$ 1,400,673	\$ 1,406,595	\$ 2,046,020	\$ 2,894,932	\$ 4,891,217

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 10,708,770
Special Education	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	2,048,870
Other Instruction	665,212	465,383	593,159	573,051	370,870	262,489	309,226	514,346	217,306	162,033
School Sponsored Activities And Athletics	18,158	8,238	5,217	4,780	3,071	2,025	-	-	-	773
Support Services:										
Student & Instruction Related Services	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	3,336,817
General Administration	543,284	667,796	573,380	705,178	801,427	757,434	564,468	565,830	605,195	616,877
School Administrative Services	605,756	534,856	639,407	745,495	727,904	837,684	930,742	943,181	1,001,594	1,065,105
Other Support Services	334,823	368,456	404,065	455,910	478,021	442,115	459,313	518,059	539,097	606,982
Plant Operations And Maintenance	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	2,138,460
Administrative Info. Tech.	-	-	-	-	-	-	-	-	12,713	16,767
Pupil Transportation	518,655	409,175	372,654	405,861	381,361	406,677	471,983	514,332	526,669	496,463
Interest On Long-Term Debt	342,566	317,817	297,576	276,942	131,817	117,250	108,632	99,770	90,617	81,202
Total Governmental Activities Expenses	14,162,922	14,957,192	14,698,324	15,260,369	15,539,029	16,210,391	18,596,285	19,370,899	21,254,217	21,279,119
Business-Type Activities:										
Food Service	65,869	269,279	302,041	332,751	354,840	408,029	410,104	430,241	453,086	463,240
Total Business-Type Activities Expense	65,869	269,279	302,041	332,751	354,840	408,029	410,104	430,241	453,086	463,240
Total District Expenses	\$ 14,228,791	\$ 15,226,471	\$ 15,000,365	\$ 15,593,120	\$ 15,893,869	\$ 16,618,420	\$ 19,006,389	\$ 19,801,140	\$ 21,707,303	\$ 21,742,359
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 93,721	\$ 173,659	\$ 159,033	\$ 320,503	\$ 367,690	\$ 245,546	\$ 249,491	\$ 289,742	\$ 297,706	\$ 442,202
Operating Grants And Contributions	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	6,948,968
Capital Grants And Contributions	117,890	125,355	13,997	44,062	-	55,400	-	-	-	-
Total Governmental Activities Program Revenues	2,185,942	2,525,095	1,678,619	2,440,814	2,752,743	2,674,293	4,538,549	5,246,572	6,623,878	7,391,170
Business-Type Activities:										
Charges For Services:										
Food Service	\$ 40,236	\$ 229,515	\$ 245,793	\$ 252,665	\$ 253,558	\$ 277,756	\$ 260,744	\$ 283,479	\$ 314,176	\$ 325,192
Operating Grants And Contributions	35,646	67,174	78,342	88,143	105,446	142,198	144,512	151,226	162,906	165,817
Total Business Type Activities Program Revenues	75,882	296,689	324,135	340,808	359,004	419,954	405,256	434,705	477,082	491,009
Total District Program Revenues	\$ 2,261,824	\$ 2,821,784	\$ 2,002,754	\$ 2,781,622	\$ 3,111,747	\$ 3,094,247	\$ 4,943,805	\$ 5,681,277	\$ 7,100,960	\$ 7,882,179

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

	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (13,887,949)
Business-Type Activities	10,013	27,410	22,094	8,057	4,164	11,925	(4,848)	4,464	23,996	27,769
Total District-Wide Net Expense	<u>\$ (11,966,967)</u>	<u>\$ (12,404,687)</u>	<u>\$ (12,997,611)</u>	<u>\$ (12,811,498)</u>	<u>\$ (12,782,122)</u>	<u>\$ (13,524,173)</u>	<u>\$ (14,062,584)</u>	<u>\$ (14,119,863)</u>	<u>\$ (14,606,343)</u>	<u>\$ (13,860,180)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 14,975,218
Taxes Levied For Debt Service	797,538	761,399	777,816	777,410	657,058	728,724	707,837	722,700	725,750	723,200
Investment Earnings	75,357	27,089	16,826	16,044	12,381	15,145	10,994	9,879	17,787	68,427
Federal and State Aid - Unrestricted	38,413						20,320	19,382	30,485	27,776
State Aid Restricted for Debt Service										
Miscellaneous Income	2,572	1,087	20,695	2,725	25,014	20,343	13,232	10,703	134,210	59,974
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>12,361,237</u>	<u>12,683,239</u>	<u>13,109,748</u>	<u>13,336,478</u>	<u>13,485,558</u>	<u>13,811,139</u>	<u>14,060,249</u>	<u>14,759,034</u>	<u>15,454,810</u>	<u>15,854,595</u>
Business-Type Activities:										
Investment Earnings	146	201	161	163	154	248	257	254	445	1,870
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>146</u>	<u>201</u>	<u>161</u>	<u>163</u>	<u>154</u>	<u>248</u>	<u>257</u>	<u>254</u>	<u>445</u>	<u>1,870</u>
Total District-Wide	<u>\$ 12,361,383</u>	<u>\$ 12,683,440</u>	<u>\$ 13,109,909</u>	<u>\$ 13,336,641</u>	<u>\$ 13,485,712</u>	<u>\$ 13,811,387</u>	<u>\$ 14,060,506</u>	<u>\$ 14,759,288</u>	<u>\$ 15,455,255</u>	<u>\$ 15,856,465</u>
Change in Net Position										
Governmental Activities	\$ 384,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471	\$ 1,966,646
Business-Type Activities	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441	29,639
	<u>394,416</u>	<u>278,753</u>	<u>112,298</u>	<u>525,143</u>	<u>703,590</u>	<u>287,214</u>	<u>(2,078)</u>	<u>639,425</u>	<u>848,912</u>	<u>1,996,285</u>
Transfer Out	<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Net Position										
Governmental Activities	\$ 329,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471	\$ 1,966,646
Business-Type Activities	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441	29,639
Total District	<u>\$ 339,416</u>	<u>\$ 278,753</u>	<u>\$ 112,298</u>	<u>\$ 525,143</u>	<u>\$ 703,590</u>	<u>\$ 287,214</u>	<u>\$ (2,078)</u>	<u>\$ 639,425</u>	<u>\$ 848,912</u>	<u>\$ 1,996,285</u>

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

	Fiscal Year Ended									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,703,336	\$ 2,533,451								
Unreserved	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	\$ 5,310,412
Committed			130,000							
Assigned			51,625	187,406	5,963	108,056	111,499	162,500	182,158	350,789
Unassigned	-	-	262,082	258,123	243,680	265,039	302,136	348,245	287,057	233,986
Total General Fund	<u>\$ 2,852,384</u>	<u>\$ 2,772,372</u>	<u>\$ 2,744,628</u>	<u>\$ 3,067,213</u>	<u>\$ 3,492,086</u>	<u>\$ 3,337,533</u>	<u>\$ 2,785,625</u>	<u>\$ 3,250,550</u>	<u>\$ 4,049,430</u>	<u>\$ 5,895,187</u>
All Other Governmental Funds										
Reserved										
Unreserved	\$ 271,209	\$ 74,672								
Restricted	-	-	\$ 105,788	\$ 89,014	\$ 16,770	\$ 16,363	\$ -	\$ -	\$ -	\$ -
Total All Other Governmental Funds	<u>\$ 271,209</u>	<u>\$ 74,672</u>	<u>\$ 105,788</u>	<u>\$ 89,014</u>	<u>\$ 16,770</u>	<u>\$ 16,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	2018
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	\$ 15,698,418
Tuition Charges	96,949	93,721	173,659	159,033	320,503	367,690	245,546	249,491	289,742	297,706	442,202
Interest Earnings	173,835	75,357	27,089	16,826	16,044	12,381	15,145	10,994	9,879	17,787	68,427
Miscellaneous	38,558	2,572	1,087	23,895	4,546	22,122	20,343	13,232	10,703	134,210	59,974
State Sources	2,495,841	1,718,611	1,779,089	1,186,364	1,641,675	2,024,056	1,974,276	2,462,904	2,425,229	2,750,591	2,895,975
Federal Sources	259,425	294,133	572,347	330,022	477,415	360,997	399,071	278,048	520,988	416,130	500,135
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	19,665,131
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	8,117,128
Special Education Instruction	2,260,935	1,376,222	1,876,687	1,598,701	1,477,848	1,896,673	2,070,969	2,299,097	2,050,758	2,284,131	1,782,556
Other Instruction	773,083	665,212	462,474	588,661	572,725	371,277	262,304	267,071	426,454	165,252	123,298
School Sponsored Activities and Athletics	27,478	18,158	8,228	5,217	4,780	3,074	2,025	-	-	-	680
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	2,690,454
General Administration	720,712	493,445	499,993	539,670	671,488	770,520	726,658	530,967	524,863	547,874	540,515
School Administrative Services	502,933	565,288	648,906	620,890	730,146	714,698	823,505	837,253	817,145	808,004	850,713
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	1,944,303
Pupil Transportation	613,911	518,655	409,175	372,654	405,861	381,361	406,677	474,324	513,853	524,751	492,277
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	529,392
Capital Outlay	142,234	59,294	328,778	38,792	86,268	79,089	74,953	190,784	20,775	73,500	10,119
Debt Service:											
Principal	417,147	447,393	629,644	472,913	493,197	508,502	538,822	550,000	565,000	585,000	600,000
Interest and Other Charges	370,047	349,979	328,292	305,069	284,756	222,278	190,309	174,200	157,700	140,750	123,200
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	17,819,374
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	1,845,757
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	70
Transfers Out	(30,282)	(371,629)	(477,329)	(52,575)	(74,101)	(18,636)	(14,131)	(48)	(48)	(76)	(70)
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	\$ 1,845,757
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%	4.06%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended <u>June 30</u>	<u>Tuition</u>	Interest on <u>Deposits</u>	<u>Donation</u>	Insurance <u>Refund</u>	<u>Misc.</u>	<u>Total</u>
2018	\$ 442,202	\$ 68,427	\$ 46,680		\$ 13,294	\$ 570,603
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

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 *
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	2,114,303,882	0.691
2018	41,158,100	1,360,295,200	900,400	2,800	546,783,500	325,748,700	\$ 356,700	2,275,245,400	-	2,275,245,400	2,118,280,793	0.438

Source: County Abstract of Ratables

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>
2018	\$ 2.383	\$ 0.710	\$ 0.438	\$ 0.553	\$ 0.682
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

* Revaluation of Real Property

Source: Tax Duplicate, Borough of Totowa

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

2018			2009		
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	2.37%	Totowa VF, LLC	\$ 75,752,200	2.80%
Fidelity Syn. C/O Slater Companies	46,000,000	2.02%	Fidelity Syndications	69,059,600	2.55%
IPT Totowa C/O MF Poer & Co.	23,271,900	1.02%	Totowa Plaza Rt 46 LLC	39,992,000	1.48%
Abill Realty Corp.	22,365,000	0.98%	Hoffman La Roche, Inc.	35,833,000	1.33%
50 Madison Road LLC	18,928,400	0.83%	Rossmore Assoc/Vons Co.	29,577,000	1.09%
Ratan Totowa LLC	18,355,800	0.81%	930 N. Riverview Assoc. LLC	25,198,700	0.93%
Digital Totowa LLC	16,504,800	0.73%	Abill Realty Corp.	23,000,000	0.85%
HPFVIII 700 Union LLC C/O Ryan	15,862,200	0.70%	Norwell Land Company	23,000,000	0.85%
Taft Associates	15,400,000	0.68%	Taft Associates	21,711,600	0.80%
Totowa Plaza Rte 46 LLC	15,400,000	0.68%	Vital Sigus Inc. C/O T Renters	17,874,200	0.66%
	<u>\$ 246,088,100</u>	<u>10.82%</u>		<u>\$ 360,998,300</u>	<u>13.35%</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	
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%	
2018	15,698,418	15,698,418	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		Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases	Total District		
2009	\$ 7,819,000			\$ 41,078		\$ 7,860,078	10,661	\$ 737
2010	7,197,000			33,434		7,230,434	10,814	669
2011	6,732,000			25,521		6,757,521	10,887	621
2012	5,960,000			17,324		5,977,324	10,903	548
2013	5,460,000			8,822		5,468,822	10,861	504
2014	4,930,000			-		4,930,000	10,797	457
2015	4,380,000			-		4,380,000	10,808	405
2016	3,815,000			-		3,815,000	10,810	353
2017	3,230,000			-		3,230,000	10,817	299
2018	2,630,000			-		2,630,000	10,817 *	243

Source: District records

* - Estimate

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2009	\$ 7,819,000		\$ 7,819,000	0.29%	\$ 733
2010	7,197,000		7,197,000	0.27%	666
2011	6,732,000		6,732,000	0.28%	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%	457
2015	4,380,000		4,380,000	0.19%	405
2016	3,815,000		3,815,000	0.17%	353
2017	3,230,000		3,230,000	0.14%	299
2018	2,630,000		2,630,000	0.12%	243

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, 2017
(Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Borough of Totowa School District	\$ 3,230,000	\$ 3,230,000	
Regional School District	1,811,547	1,811,547	
Borough of Totowa	2,000,482	-	\$ 2,000,482
	\$ 7,042,029	\$ 5,041,547	2,000,482
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			16,076,722
Passaic County Utilities Authority (B)			2,302,503
Passaic Valley Sewerage Commission (B)			2,266,386
			20,645,611
Total Direct and Overlapping Debt			\$ 22,646,093

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2017 equalized value by the total 2017 equalized value for Passaic County.

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

Sources:

- (1) Borough of Totowa 2017 Annual Debt Statement
- (2) PCUA 2017 Audit
- (3) PVSC 2017 Audit

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis
	2017 \$ 2,138,796,195
	2016 2,135,602,923
	2015 <u>2,225,802,992</u>
	<u>\$ 6,500,202,110</u>
Average equalized valuation of taxable property	\$ 2,166,734,037
Debt limit (3 % of average equalization value)	65,002,021
Total Net Debt Applicable to Limit	<u>2,630,000</u>
Legal debt margin	<u>\$ 62,372,021</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	\$ 65,002,021
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>	<u>2,630,000</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>	<u>\$ 62,372,021</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%	4.05%

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 NJSA 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>
2017	5.2%	N/A	10,817
2016	5.3%	\$ 47,547	10,810
2015	5.9%	46,840	10,808
2014	6.8	45,053	10,797
2013	8.2	43,120	10,861
2012	7.3	42,804	10,903
2011	7.5	42,086	10,887
2010	7.6	40,439	10,814
2009	7.4	39,603	10,661
2008	3.8	40,216	10,557

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>2018</u>		<u>2009</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>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>	<u>2018</u>
Instruction										
Regular	68	71	68	69	65	68	67	68	69	68
Special Education	23	17	18	19	20	13	13	17	16	8
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	12	12	12	13	13	17	11	13	14	15
General Administration	2	2	7	9	9	2	2	2	2	2
School Administrative Services	7	7	7	9	9	9	13	8	7	8
Other Administrative Services										
Central Services	3	3	3	4	4	4	4	4	4	4
Administrative Information Technology										
Plant Operations And Maintenance	13	13	13	13	13	15	17	17	17	18
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>123</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			Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School					
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%
2018	1,040	17,086,055	16,429	7.68%	76	1:12	1:12	N/A	1,015	967	-2.68%	95.27%

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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
<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	363	389	372	351	350	395	414	404	373	387
<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	680	584	655	539	660	662	669	688	684	647
Number of Schools at June 30, 2018										
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>2018</u>	<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>
School Facilities	Project #										
Memorial School	N/A	116,820	127,120	125,183	\$ 117,348	\$ 89,731	\$ 92,804	\$ 109,743	\$ 115,799	\$ 140,587	\$ 147,564
Washington Park School	N/A	<u>113,295</u>	<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>
Grand Total		<u>\$ 230,115</u>	<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>

Source: School District Financial Statements

TOTOWA BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2018
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
<u>Property</u>		
Blanket Real and Personal Property	\$ 500,000,000.00	\$ 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	\$ 250,000.00	\$ 1,000.00
Treasurer of School Monies		
<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
JEFFREY C. BLISS, CPA, RMA, PSA
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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
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**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, 2018 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 January 25, 2019.

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.

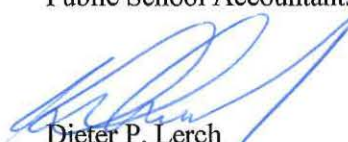
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Totowa Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 25, 2019.

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
 January 25, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, 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, 2018. 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, 2018.

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.

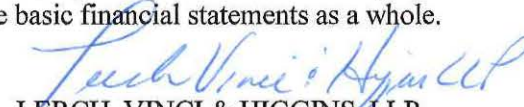
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

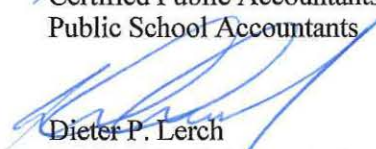
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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, 2018 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 January 25, 2019, 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
January 25, 2019

TOTOWA BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2018			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	181NJ304N1099	N/A	7/1/17-6/30/18	\$ 8,292			\$ 7,616	\$ 8,292		\$ (676)			\$ 676
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	8,808	\$ (594)		594						
Food Distribution Program														
Non-Cash Assistance	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	25,477			25,477	24,849			\$ 628		
Non-Cash Assistance	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	29,360	538			538					
Cash Assistance	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	127,586			117,934	127,586		(9,652)			9,652
Cash Assistance	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	120,767	(10,057)		10,057						
Total U.S. Department of Agriculture						(10,113)	-	161,678	161,265	-	(10,328)	628	-	10,328
U.S. Department of Education														
<i>General Fund</i>														
Special Education Medicaid Reimbursement	93.778	1805NJ5MAP	N/A	7/1/17-6/30/18	26,670	-	-	26,670	26,670	-	-	-	-	-
Total General Fund						-	-	26,670	26,670	-	-	-	-	-
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	H027A170100	IDEA520018	7/1/17-6/30/18	255,266		\$ 21,460	241,793	251,744	\$ (21,460)	(34,933)	24,982		9,951
I.D.E.A. Part B, Basic Regular	84.027	H027A160100	IDEA520017	7/1/16-6/30/17	261,113	(15,642)	(21,460)	15,642		21,460				
I.D.E.A. Part B, Preschool	84.173	H173A170114	IDEA520018	7/1/17-6/30/18	8,320	-	351	8,320	8,320	(351)	(351)	351		
I.D.E.A. Part B, Preschool	84.173	H173A160114	IDEA520017	7/1/16-6/30/17	8,416	-	(351)			351				
Cluster Total - Special Education						(15,642)	-	265,755	260,064	-	(35,284)	25,333	-	9,951
ESSA - Title I	84.010	S010A170030	ESSA520018	7/1/17-6/30/18	167,749		9,936	175,711	175,711	(9,936)	(1,974)	1,974		-
ESSA - Title I	84.010	S010A160030	ESSA520017	7/1/16-6/30/17	130,756	(706)	(9,936)			10,642				
ESSA - Title II-A	84.367	S367A170029	ESSA520018	7/1/17-6/30/18	33,728			31,261	31,261		(2,467)	2,467		-
ESSA - Title III	84.424	S424A170031	ESSA520018	7/1/17-6/30/18	10,000			6,429	6,429		(3,571)	3,571		-
Total Special Revenue Fund						(16,348)	-	479,156	473,465	706	(43,296)	33,345	-	9,951
Total Federal Awards						\$ (26,461)	\$ -	\$ 667,504	\$ 661,400	\$ 706	\$ (33,624)	33,973	\$ -	20,279

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 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2017			Budgetary Expenditures	Adjustment/ Refund of Prior Years' Balances	Balance, June 30, 2018			MEMO	
				(Accounts Receivable)/ Deferred Revenue	Due to Grantor	Cash Received			Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures
State Department of Education													
<i>General Fund</i>													
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 433,789			\$ 370,011	\$ 433,789		\$ (63,778)			*	\$ 433,789
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	387,460	(17,384)		17,384						*	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	29,390			25,069	29,390		(4,321)			*	29,390
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	29,390	(1,318)		1,318						*	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	10,160			8,666	10,160		(1,494)			*	10,160
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	10,160	(456)		456						*	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	10,160			8,666	10,160		(1,494)			*	10,160
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	10,160	(456)		456						*	
Professional Learning Communi	18-495-034-5120-101	7/1/17-6/30/18	10,360			8,837	10,360		(1,523)			*	10,360
Professional Learning Communi	17-495-034-5120-101	7/1/16-6/30/17	10,360	(465)		465						*	
Host District Support Aid	18-495-034-5120-102	7/1/17-6/30/18	256			218	256		(38)			*	256
Host District Support Aid	17-495-034-5120-102	7/1/16-6/30/17	256	(11)		11						*	
Cluster Total - State Aid Public				(20,090)		441,557	494,115		(72,648)			*	494,115
Transportation Aid	18-495-034-5120-015	7/1/17-6/30/18	16,114			13,745	16,114		(2,369)			*	16,114
Transportation Aid	17-495-034-5120-015	7/1/16-6/30/17	16,114	(723)		723						*	
Non Public Transportation Reim	N/A	7/1/17-6/30/18	21,170				21,170		(21,170)			\$	21,170
Non Public Transportation Reim	N/A	7/1/16-6/30/17	11,136	(11,136)		11,136						*	21,170
Cluster Total - Transportation Aid				(11,859)		25,604	37,284		(23,539)			*	37,284
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	148,261				148,261		(148,261)			*	148,261
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	185,231	(185,231)		185,231						*	
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	2,505			2,505	2,505					*	2,505
On-Behalf TPAF - Pension	18-495-034-5094-002	7/1/17-6/30/18	938,941			938,941	938,941					*	938,941
On-Behalf TPAF - NCGI Premi	18-100-034-5094-004	7/1/17-6/30/18	22,786			22,786	22,786					*	22,786
On-Behalf TPAF - Post Ret. Me	18-495-034-5094-001	7/1/17-6/30/18	621,159			621,159	621,159					*	621,159
On-Behalf TPAF - LTDI	18-100-034-5094-004	7/1/17-6/30/18	1,788			1,788	1,788					*	1,788
Reimbursed TPAF Social Secur	18-495-034-5094-003	7/1/17-6/30/18	444,637			401,010	444,637		(43,627)			*	444,637
Reimbursed TPAF Social Secur	17-495-034-5094-003	7/1/16-6/30/17	473,212	(46,496)		46,496						*	
Total General Fund				(263,676)		2,687,077	2,711,476		(288,075)			*	64,797
<i>Special Revenue Fund</i>													
Chapter 192 - Auxiliary Services													
ESL	18-100-034-5120-067	7/1/17-6/30/18	5,420			5,420	2,439				\$ 2,981	*	2,439
ESL	17-100-034-5120-067	7/1/16-6/30/17	8,678		\$ 3,745			3,745				*	
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	107,187			107,187	99,032				8,155	*	99,032
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	147,628		52,404			52,404				*	
Cluster Total - Chapter 192					56,149		112,607	101,471		56,149		11,136	101,471
Chapter 193 - Handicapped Services:													
Examination & Classification	18-100-034-5120-066	7/1/17-6/30/18	30,033			30,033	18,941				11,092	*	18,941
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	43,946		12,973			12,973				*	
Supplemental Instruction	18-100-034-5120-066	7/1/17-6/30/18	30,132			30,132	23,076				7,056	*	23,076
Supplemental Instruction	17-100-034-5120-066	7/1/16-6/30/17	23,541		3,296			3,296				*	
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	11,606			11,606	10,267				1,339	*	10,267
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	12,546		1,531			1,531				*	
Cluster Total - Chapter 193					17,800		71,771	52,284		17,800		19,487	52,284
New Jersey Nonpublic Aid:													
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	10,901			10,901	10,893				8	*	10,893
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	19,497			19,497	14,754				4,743	*	14,754
Technology Aid	18-100-034-5120-373	7/1/17-6/30/18	7,363			7,363	7,256				107	*	7,256
Technology Aid	17-100-034-5120-373	7/1/16-6/30/17	5,512		19			19				*	
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	15,075			15,075	15,075					*	15,075
Total Special Revenue Fund					73,968		237,214	201,733		73,968		35,481	201,733

TOTOWA BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2017			Adjustment/ Refund of Prior Years' Balances	Balance, June 30, 2018			MEMO			
				(Accounts Receivable)/ Deferred Revenue	Due to Grantor	Cash Received		Budgetary Expenditures	Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures	
<i>Enterprise Fund</i>														
National School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	\$ 4,552			\$ 4,184	\$ 4,552		\$ (368)			*	\$ 368	\$ 4,552
National School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	3,906	\$ (337)		337			-			*		-
Total Enterprise Fund				(337)	-	4,521	4,552	-	(368)	-	-	*	368	4,552
State Financial Assistance Subject to Single Audit Determination				(264,013)	\$ 73,968	2,928,812	2,917,761	\$ 73,968	(288,443)	-	\$ 35,481	*	\$ 65,165	2,917,761
On-Behalf TPAF - Pension	18-495-034-5094-002	7/1/17-6/30/18	938,941			(938,941)	(938,941)					*		(938,941)
On-Behalf TPAF - NCGI Premi	18-100-034-5094-004	7/1/17-6/30/18	22,786			(22,786)	(22,786)					*		(22,786)
On-Behalf TPAF - Post Ret. Me	18-495-034-5094-001	7/1/17-6/30/18	621,159			(621,159)	(621,159)					*		(621,159)
On-Behalf TPAF - LTDI	18-100-034-5094-004	7/1/17-6/30/18	1,788			(1,788)	(1,788)					*		(1,788)
Total State Financial Assistance Subject to Major Program Determination				\$ (264,013)	\$ 73,968	\$ 1,344,138	\$ 1,333,087	\$ 73,968	\$ (288,443)	\$ -	\$ 35,481	*	\$ 65,165	\$ 1,333,087

The Notes to the Schedules 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, 2018**

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 \$17,234 for the general fund. There is 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	\$ 26,670	\$ 2,694,242	\$ 2,720,912
Special Revenue Fund	473,465	201,733	675,198
Food Service Fund	<u>161,265</u>	<u>4,552</u>	<u>165,817</u>
Total Financial Assistance	<u>\$ 661,400</u>	<u>\$ 2,900,527</u>	<u>\$ 3,561,927</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, 2018**

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 \$444,637 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, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$961,727, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$621,159 and TPAF Long-Term Disability Insurance in the amount of \$1,788 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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.

TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditor's report issued: Unmodified
- B) Internal control over financial reporting:
 - 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 reported
- C) Noncompliance material to basic financial statements noted? yes X 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, 2018**

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>18-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>18-495-034-5120-102</u>	<u>Host District Support Aid</u>
<u> </u>	<u> </u>

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

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, 2018**

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.