

**TOTOWA BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Totowa, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
  
**of the**  
  
**Totowa Board of Education**  
  
**Totowa, New Jersey**  
  
**For The Fiscal Year Ended June 30, 2019**

**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

November 12, 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, 2019, 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 programs for students with disabilities. The District completed the 2018-2019 fiscal year with an enrollment of 975 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) |
|-------------|--------------------------|---------------------|
| 14/15       | 1018                     | 1083                |
| 15/16       | 1082                     | 1099                |
| 16/17       | 1050                     | 1064                |
| 17/18       | 1028                     | 1040                |
| 18/19       | 977                      | 975                 |

### 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. Annual enrollment has decreased over the last few years. 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 2018-2019 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 2018. Starting in the fall of 2018, The Foundation sponsored enrichment programs for the students. The program allowed students to select from a wide variety of classes, ranging from "Yoga 4 Kids" to "The Trolls Experience". During the winter months of 2019, similar Enrichment programs were offered after school to the students in both Memorial School and Washington Park School. Art related classes at Memorial School had large enrollments throughout the year. The Foundation anticipates being able to continue to offer Enrichment classes all year round.

Extracurricular programming continued during the 2018-2019 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>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 |
| <i>Willy Wonka Jr.</i>        | - 2018-2019 |

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 and 21<sup>st</sup> Century Learning room renovations. The PTO also sponsors 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.

Partnership with the Totowa Public Library: 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. The Totowa Public Library also runs a program for students during recess in the winter months which include reading books and crafts to go along with the stories read.

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.

Partnership with Municipal Alliance: The administration and Board of Education have continued their partnership with the Municipal Alliance during the 2018-2019 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 2018-2019 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 2018, the first half of the Memorial School Tunnel restoration project was completed. This included concrete restoration, a new roof, and paver system above the tunnel and boiler room. During the summer of 2019 two projects at Memorial School were started. The second half of the Memorial School Tunnel restoration project was started, which included the end tunnel demolition and restoration. The other project started was a new chimney flu lining for the boiler system.

#### **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*

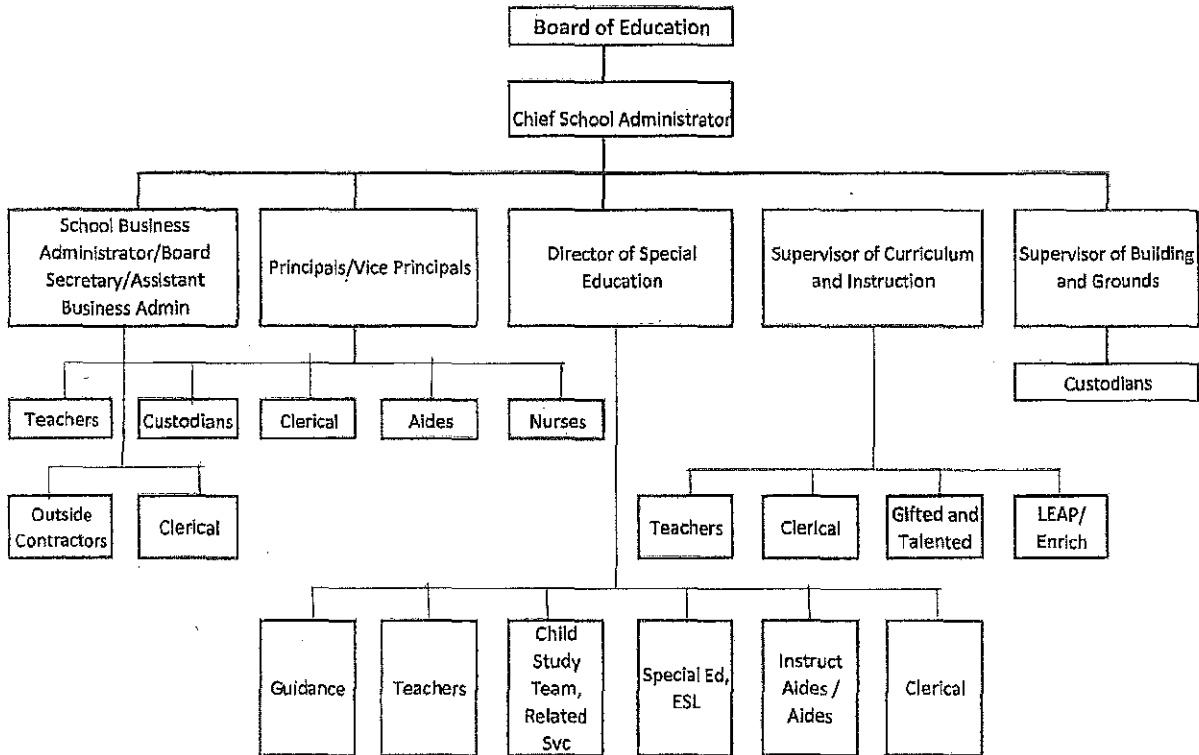
Patricia Capitelli  
Chief School Administrator

*@*

Vincent Varcadipane  
School Business Administrator/  
Board Secretary

ADMINISTRATION  
1110/Page 1 of 1  
Organizational Chart

## 1110 ORGANIZATIONAL CHART



Adopted: 08 December 1993  
Revised: 16 October 2002  
Revised: 08 September 2004  
Revised: 13 July 2016  
Revised: 21 August 2019



Totowa Board of Education  
Roster of Officials  
June 30, 2019

**Members of the Board of Education**

**Term Expires**

|                                    |      |
|------------------------------------|------|
| Marcello Guarneri – President      | 2021 |
| Heather Antonucci – Vice President | 2020 |
| Julie Alesandrelli                 | 2021 |
| Gary Bierach                       | 2022 |
| Rosemarie Carr                     | 2022 |
| Jennifer DeCeglie                  | 2020 |
| Kenneth Kerwin                     | 2021 |
| Sanders Reynoso                    | 2020 |
| Brian Tangora                      | 2022 |

**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, 2019

**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, 2019 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 November 12, 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  
November 12, 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, 2019**

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, 2019. 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 (2018-2019) and the prior year (2017-2018) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2018-2019 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 \$7,234,168 (net position).
- The District's total net position increased through current year operations by \$2,342,951.
- Total district-wide revenues were \$22,655,687. General revenues accounted for \$16,325,214 or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,330,473 or 28% of total revenues.
- The school district had \$19,777,776 in expenses for governmental activities; only \$5,849,222 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$16,321,999 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 \$7,636,562. Of this amount, \$6,738 is restricted for capital reserve. After deducting statutory reserves, \$265,066 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, 2019

### 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<br><br>Statement of Activities  | Balance Sheet<br><br>Statement of Revenues, Expenditures and Changes in Fund Balances  | Food Service<br><br>Statement of Net Position<br><br>Statement of Revenues, Expenses, and Changes in Fund Net Position<br><br>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, 2019

### 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, 2019**

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 2019 and 2018.

**Net Position.** The district's combined net position were \$7,234,168 and \$4,891,217, on June 30, 2019 and 2018, respectively. (See Table A-1).



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

**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2019**

Table A-1  
Statement of Net Position  
as of June 30, 2019 and 2018

|   | Governmental Activities |                     | Business-Type Activities |                   | Total               |                     |
|---|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
|   | 2019                    | 2018                | 2019                     | 2018              | 2019                | 2018                |
| <b>Assets</b>                                 |                         |                     |                          |                   |                     |                     |
| Current Assets                                | \$ 7,757,912            | \$ 5,998,663        | \$ 143,475               | \$ 205,646        | \$ 7,901,387        | \$ 6,204,309        |
| Capital Assets                                | 7,480,121               | 7,499,456           | -                        | -                 | 7,480,121           | 7,499,456           |
| <b>Total Assets</b>                           | <b>15,238,033</b>       | <b>13,498,119</b>   | <b>143,475</b>           | <b>205,646</b>    | <b>15,381,508</b>   | <b>13,703,765</b>   |
| <b>Deferred Outflows of Resources</b>         | <b>1,446,291</b>        | <b>1,924,932</b>    | <b>-</b>                 | <b>-</b>          | <b>1,446,291</b>    | <b>1,924,932</b>    |
| <b>Total Assets and Deferred Outflows</b>     | <b>16,684,324</b>       | <b>15,423,051</b>   | <b>143,475</b>           | <b>205,646</b>    | <b>16,827,799</b>   | <b>15,628,697</b>   |
| <b>Liabilities</b>                            |                         |                     |                          |                   |                     |                     |
| Long-Term Liabilities                         | 7,471,642               | 8,900,431           |                          |                   | 7,471,642           | 8,900,431           |
| Other Liabilities                             | 151,575                 | 142,926             | 23,923                   | 35,584            | 175,498             | 178,510             |
| <b>Total Liabilities</b>                      | <b>7,623,217</b>        | <b>9,043,357</b>    | <b>23,923</b>            | <b>35,584</b>     | <b>7,647,140</b>    | <b>9,078,941</b>    |
| <b>Deferred Inflows of Resources</b>          | <b>1,945,879</b>        | <b>1,657,911</b>    | <b>612</b>               | <b>628</b>        | <b>1,946,491</b>    | <b>1,658,539</b>    |
| <b>Total Liabilities and Deferred Inflows</b> | <b>9,569,096</b>        | <b>10,701,268</b>   | <b>24,535</b>            | <b>36,212</b>     | <b>9,593,631</b>    | <b>10,737,480</b>   |
| <b>Net Position</b>                           |                         |                     |                          |                   |                     |                     |
| Net Investment in Capital Assets              | 5,423,655               | 4,801,155           |                          |                   | 5,423,655           | 4,801,155           |
| Restricted                                    | 6,738                   | 6,124               |                          |                   | 6,738               | 6,124               |
| Unrestricted                                  | 1,684,835               | (85,496)            | 118,940                  | 169,434           | 1,803,775           | 83,938              |
| <b>Total Net Position</b>                     | <b>\$ 7,115,228</b>     | <b>\$ 4,721,783</b> | <b>\$ 118,940</b>        | <b>\$ 169,434</b> | <b>\$ 7,234,168</b> | <b>\$ 4,891,217</b> |

Table A-2 on the following page shows changes in net position for fiscal years 2019 and 2018.

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2019**

**Table A-2  
Change in Net Position  
For The Fiscal Years Ended June 30, 2019 and 2018**

|  | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                  | <u>Total</u>        |                     |
|--|--------------------------------|---------------------|---------------------------------|------------------|---------------------|---------------------|
|  | <u>2019</u>                    | <u>2018</u>         | <u>2019</u>                     | <u>2018</u>      | <u>2019</u>         | <u>2018</u>         |
| <b>Revenues</b>                          |                                |                     |                                 |                  |                     |                     |
| Program Revenues                         |                                |                     |                                 |                  |                     |                     |
| Charges for Services                     | \$ 319,356                     | \$ 442,202          | \$ 326,347                      | \$ 325,192       | \$ 645,703          | \$ 767,394          |
| Grants and Contributions                 | 5,529,866                      | 6,948,968           | 154,904                         | 165,817          | 5,684,770           | 7,114,785           |
| General Revenues                         |                                |                     |                                 |                  |                     |                     |
| Property Taxes                           | 16,136,458                     | 15,698,418          |                                 |                  | 16,136,458          | 15,698,418          |
| State Aid - Unrestricted                 | 4,549                          | 27,776              |                                 |                  | 4,549               | 27,776              |
| Interest                                 | 146,987                        | 68,427              | 3,215                           | 1,870            | 150,202             | 70,297              |
| Miscellaneous                            | 34,005                         | 59,974              | -                               | -                | 34,005              | 59,974              |
| <b>Total Revenues</b>                    | <u>22,171,221</u>              | <u>23,245,765</u>   | <u>484,466</u>                  | <u>492,879</u>   | <u>22,655,687</u>   | <u>23,738,644</u>   |
| <b>Expenses</b>                          |                                |                     |                                 |                  |                     |                     |
| Instruction                              |                                |                     |                                 |                  |                     |                     |
| Regular                                  | 9,149,053                      | 10,708,770          |                                 |                  | 9,149,053           | 10,708,770          |
| Special Education                        | 1,979,547                      | 2,048,870           |                                 |                  | 1,979,547           | 2,048,870           |
| Other Instruction                        | 691,041                        | 162,033             |                                 |                  | 691,041             | 162,033             |
| School Sponsored Activities & Athletics  |                                | 773                 |                                 |                  | -                   | 773                 |
| Support Services                         |                                |                     |                                 |                  |                     |                     |
| Student and Instruction Related Services | 3,053,476                      | 3,336,817           |                                 |                  | 3,053,476           | 3,336,817           |
| General Administrative Services          | 578,068                        | 616,877             |                                 |                  | 578,068             | 616,877             |
| School Administrative Services           | 1,150,795                      | 1,065,105           |                                 |                  | 1,150,795           | 1,065,105           |
| Plant Operations and Maintenance         | 2,033,351                      | 2,138,460           |                                 |                  | 2,033,351           | 2,138,460           |
| Pupil Transportation                     | 480,467                        | 496,463             |                                 |                  | 480,467             | 496,463             |
| Central Services                         | 592,734                        | 623,749             |                                 |                  | 592,734             | 623,749             |
| Food Services                            |                                |                     | 534,960                         | 463,240          | 534,960             | 463,240             |
| Interest on Long-Term Debt               | 69,244                         | 81,202              | -                               | -                | 69,244              | 81,202              |
| <b>Total Expenses</b>                    | <u>19,777,776</u>              | <u>21,279,119</u>   | <u>534,960</u>                  | <u>463,240</u>   | <u>20,312,736</u>   | <u>21,742,359</u>   |
| <b>Change in Net Position</b>            | <u>\$ 2,393,445</u>            | <u>\$ 1,966,646</u> | <u>\$ (50,494)</u>              | <u>\$ 29,639</u> | <u>\$ 2,342,951</u> | <u>\$ 1,996,285</u> |

# Totowa Board of Education Totowa, New Jersey

## Management's Discussion and Analysis (continued) Year Ended June 30, 2019

**Governmental Activities.** The District's total revenues were \$22,171,221. General revenues, which included property taxes, tuition, unrestricted state aid, investment earnings, and miscellaneous revenue, amounted to \$16,321,999 or 75% of total revenues. Charges for services, grants and contributions amounted to \$5,849,222 or 25%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$11,819,641 or 60% and student support services and debt service totaled \$7,958,135 or 40% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities  
For Fiscal Year 2019

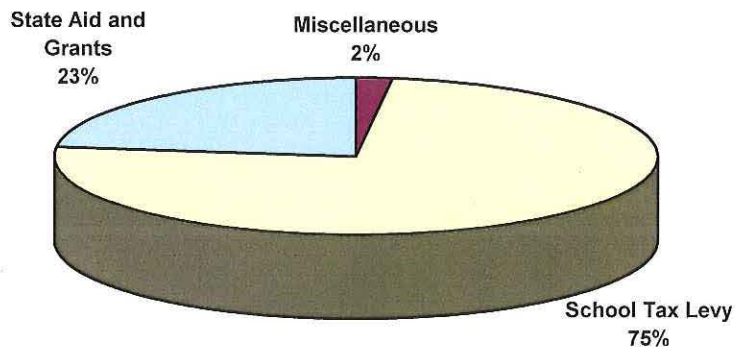
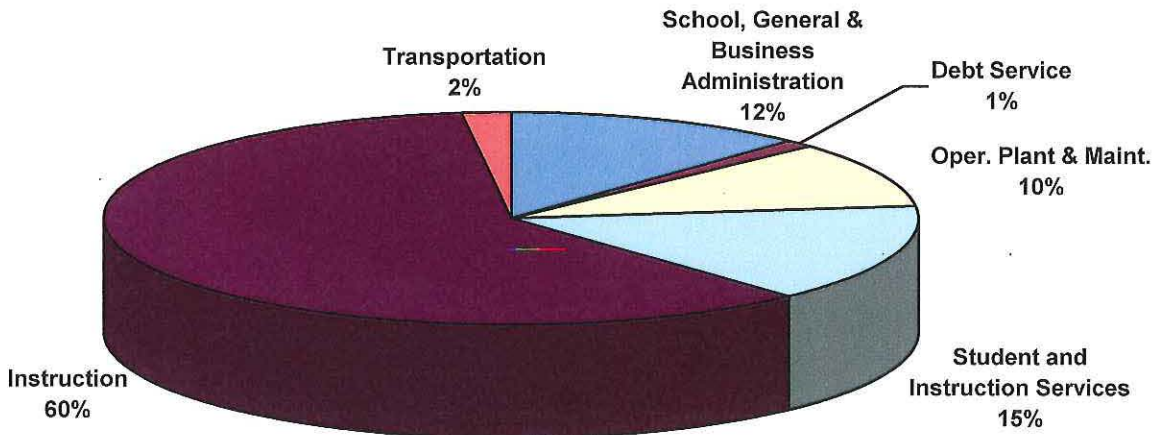


Figure A-3 Expenses by Function – Governmental Activities  
For Fiscal Year 2019



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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2019**

**Table A-3  
Total and Net Cost of Governmental Activities  
For the Fiscal Years Ended June 30, 2019 and 2018**

| <u>Functions/Programs</u>                | <u>Total Cost of Services</u> |                          | <u>Net Cost of Services</u> |                          |
|--|-------------------------------|--------------------------|-----------------------------|--------------------------|
|  | <u>2019</u>                   | <u>2018</u>              | <u>2019</u>                 | <u>2018</u>              |
| Governmental Activities                  |                               |                          |                             |                          |
| Instruction                              |                               |                          |                             |                          |
| Regular                                  | \$ 9,149,053                  | \$ 10,708,770            | \$ 6,128,221                | \$ 6,259,005             |
| Special Education                        | 1,979,547                     | 2,048,870                | 823,622                     | 869,120                  |
| Other Instruction                        | 691,041                       | 162,033                  | 480,177                     | 99,812                   |
| School Sponsored Activities & Athletics  |                               | 773                      |                             | 708                      |
| Support Services                         |                               |                          |                             |                          |
| Student and Instruction Related Services | 3,053,476                     | 3,336,817                | 2,185,684                   | 2,206,922                |
| General Administrative Services          | 578,068                       | 616,877                  | 563,548                     | 584,634                  |
| School Administrative Services           | 1,150,795                     | 1,065,105                | 905,662                     | 782,879                  |
| Plant Operations and Maintenance         | 2,033,351                     | 2,138,460                | 1,880,101                   | 1,971,370                |
| Pupil Transportation                     | 480,467                       | 496,463                  | 321,176                     | 457,918                  |
| Central Services                         | 592,734                       | 606,982                  | 571,119                     | 559,021                  |
| Interest on Long-Term Debt               | 69,244                        | 81,202                   | 69,244                      | 81,202                   |
| <br>Total                                | <br><u>\$ 19,777,776</u>      | <br><u>\$ 21,262,352</u> | <br><u>\$ 13,928,554</u>    | <br><u>\$ 13,872,591</u> |

**Business-Type Activities**

The cost of Business-Type Activities for the fiscal year ended June 30, 2019 was \$534,960. 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, 2019**

**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 \$7,636,562. At June 30, 2018, the fund balance was \$5,895,187, for an increase of \$1,741,375.

Revenues for the District's governmental funds were \$20,535,962, while total expenditures were \$18,794,587.

**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**

|                     | <b>For the Fiscal Years</b> |                      | <b>Amount of</b>         | <b>Percent</b>           |
|---------------------|-----------------------------|----------------------|--------------------------|--------------------------|
|                     | <b>Ended June 30,</b>       |                      |                          |                          |
|                     | <b><u>2019</u></b>          | <b><u>2018</u></b>   | <b><u>Increase</u></b>   | <b><u>Increase</u></b>   |
|                     |                             |                      | <b><u>(Decrease)</u></b> | <b><u>(Decrease)</u></b> |
| Local Sources:      |                             |                      |                          |                          |
| Property Taxes      | \$ 15,416,258               | \$ 14,975,218        | \$ 441,040               | 3%                       |
| Tuition             | 319,356                     | 442,202              | (122,846)                | -28%                     |
| Investment Earnings | 146,987                     | 68,357               | 78,630                   | 115%                     |
| Miscellaneous       | 34,004                      | 59,974               | (25,970)                 | -43%                     |
| Intergovernmental   |                             |                      |                          |                          |
| Federal Sources     | 35,319                      | 26,670               | 8,649                    | 32%                      |
| State Sources       | 3,168,647                   | 2,694,242            | 474,405                  | 18%                      |
|                     | <u>\$ 19,120,571</u>        | <u>\$ 18,266,663</u> | <u>\$ 853,908</u>        | 4.67%                    |
| Total Revenues      |                             |                      |                          |                          |

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2019**

The following schedule presents a summary of General Fund expenditures.

**General Fund Expenditures**

|                        | <b>For the Fiscal Years</b> |                          | <b>Amount of<br/>Increase<br/>(Decrease)</b> | <b>Percent<br/>Increase<br/>(Decrease)</b> |
|------------------------|-----------------------------|--------------------------|--|--|
|                        | <b>Ended June 30,</b>       |                          |  |  |
|                        | <b><u>2019</u></b>          | <b><u>2018</u></b>       |  |  |
| Instruction            | \$ 9,972,861                | \$ 9,565,484             | \$ 407,377                                   | 4%   |
| Support Services       | 7,111,607                   | 6,845,373                | 266,234                                      | 4%   |
| Capital Outlay         | <u>294,728</u>              | <u>10,119</u>            | <u>284,609</u>                               | 2813%                                      |
| <br>Total Expenditures | <br><u>\$ 17,379,196</u>    | <br><u>\$ 16,420,976</u> | <br><u>\$ 958,220</u>                        | <br>5.8%                                   |

Total General Fund expenditures increased by \$958,220 or 5.8%, 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 \$695,191 for the year ended June 30, 2019. 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 \$695,191. Instructional expenditures were \$466,617 or 67%.

**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, 2019**

**Capital Assets.** At the end of the fiscal years ended June 30, 2019 and 2018, 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<br>Activities |                         |
|------------------------------------|----------------------------|-------------------------|
|                                    | <u>2019</u>                | <u>2018</u>             |
| Land                               | \$ 130,267                 | \$ 130,267              |
| Construction in Progress           | 292,525                    | 7,138                   |
| Buildings                          | 11,885,858                 | 11,959,358              |
| Improvements Other Than Buildings  | 236,503                    | 244,588                 |
| Machinery and Equipment            | <u>1,803,645</u>           | <u>1,822,599</u>        |
| <br>Total                          | <br>14,348,798             | <br>14,163,950          |
| <br>Less: Accumulated Depreciation | <br><u>(6,868,677)</u>     | <br><u>(6,664,494)</u>  |
| <br>Total                          | <br><u>\$ 7,480,121</u>    | <br><u>\$ 7,499,456</u> |

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

**Debt Administration.** As of June 30, 2019 the school district had outstanding long-term liabilities in the amount of \$7,471,642.

**Long-Term Liabilities**

**Table A-5  
Long-Term Debt  
Outstanding Long-Term Liabilities  
As of June 30, 2019 and 2018**

|                              | <u>2019</u>             | <u>2018</u>             |
|------------------------------|-------------------------|-------------------------|
| Serial Bonds Payable, Net    | \$ 2,081,939            | \$ 2,739,984            |
| Net Pension Liability        | 4,770,366               | 5,516,147               |
| Compensated Absences Payable | <u>619,337</u>          | <u>644,300</u>          |
| <br>Total                    | <br><u>\$ 7,471,642</u> | <br><u>\$ 8,900,431</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, 2019**

**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, 2019**

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>  |                                    |                                     |                     |
| Cash and Cash Equivalents                              | \$ 7,670,874                       | \$ 87,835                           | \$ 7,758,709        |
| Receivables, net                                       |                                    |                                     |                     |
| Receivables from Other Governments                     | 69,577                             | 24,422                              | 93,999              |
| Internal Balances                                      | (28,416)                           | 28,416                              |                     |
| Other Receivables                                      | 45,877                             |                                     | 45,877              |
| Inventory  |                                    | 2,802                               | 2,802               |
| Capital Assets, Not Being Depreciated                  | 422,792                            |                                     | 422,792             |
| Capital Assets, Being Depreciated                      | <u>7,057,329</u>                   | <u>-</u>                            | <u>7,057,329</u>    |
| Total Assets   | <u>15,238,033</u>                  | <u>143,475</u>                      | <u>15,381,508</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                                    |                                     |                     |
| Deferred Amount on Net Pension Liability               | 1,420,922                          |                                     | 1,420,922           |
| Deferred Amount on Refunding                           | <u>25,369</u>                      | <u>-</u>                            | <u>25,369</u>       |
| Total Deferred Outflows of Resources                   | <u>1,446,291</u>                   | <u>-</u>                            | <u>1,446,291</u>    |
| Total Assets and Deferred Outflows<br>of Resources     | <u>16,684,324</u>                  | <u>143,475</u>                      | <u>16,827,799</u>   |
| <b>LIABILITIES</b>                                     |                                    |                                     |                     |
| Accounts Payable and Other Current Liabilities         | 84,334                             | 23,923                              | 108,257             |
| Payable to Other Governments                           | 37,016                             |                                     | 37,016              |
| Accrued Interest Payable                               | 30,225                             |                                     | 30,225              |
| Noncurrent Liabilities                                 |                                    |                                     |                     |
| Due Within One Year                                    | 705,000                            |                                     | 705,000             |
| Due Beyond One Year                                    | <u>6,766,642</u>                   | <u>-</u>                            | <u>6,766,642</u>    |
| Total Liabilities                                      | <u>7,623,217</u>                   | <u>23,923</u>                       | <u>7,647,140</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                                    |                                     |                     |
| Deferred Amount on Net Pension Liability               | 1,945,879                          |                                     | 1,945,879           |
| Deferred Commodities Revenue                           | <u>-</u>                           | <u>612</u>                          | <u>612</u>          |
| Total Deferred Inflows of Resources                    | <u>1,945,879</u>                   | <u>612</u>                          | <u>1,946,491</u>    |
| Total Liabilities and Deferred Inflows<br>of Resources | <u>9,569,096</u>                   | <u>24,535</u>                       | <u>9,593,631</u>    |
| <b>NET POSITION</b>                                    |                                    |                                     |                     |
| Net Investment in Capital Assets                       | 5,423,551                          |                                     | 5,423,551           |
| Restricted for   |                                    |                                     |                     |
| Capital Projects                                       | 6,738                              |                                     | 6,738               |
| Unrestricted   | <u>1,684,939</u>                   | <u>118,940</u>                      | <u>1,803,879</u>    |
| Total Net Position                                     | <u>\$ 7,115,228</u>                | <u>\$ 118,940</u>                   | <u>\$ 7,234,168</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, 2019**

| 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               |
| <b>Governmental Activities</b>              |                      |                      |                                    |                                  |   |                          |                     |
| Instruction                                 |                      |                      |                                    |                                  |   |                          |                     |
| Regular                                     | \$ 9,149,053         | \$ 319,356           | \$ 2,701,476                       |                                  | \$ (6,128,221)                                    |                          | \$ (6,128,221)      |
| Special Education                           | 1,979,547            |                      | 1,155,925                          |                                  | (823,622)   |                          | (823,622)           |
| Other Instruction                           | 691,041              |                      | 210,864                            |                                  | (480,177)   |                          | (480,177)           |
| School Sponsored Activities & Athletics     |                      |                      |                                    |                                  | -   |                          | -                   |
| Support Services                            |                      |                      |                                    |                                  |   |                          |                     |
| Student and Instruction Related Services    | 3,053,476            |                      | 867,792                            |                                  | (2,185,684)                                       |                          | (2,185,684)         |
| General Administrative Services             | 578,068              |                      | 14,520                             |                                  | (563,548)   |                          | (563,548)           |
| School Administrative Services              | 1,150,795            |                      | 245,133                            |                                  | (905,662)   |                          | (905,662)           |
| Central Services                            | 592,734              |                      | 21,615                             |                                  | (571,119)   |                          | (571,119)           |
| Plant Operations and Maintenance            | 2,033,351            |                      | 153,250                            |                                  | (1,880,101)                                       |                          | (1,880,101)         |
| Pupil Transportation                        | 480,467              |                      | 159,291                            |                                  | (321,176)   |                          | (321,176)           |
| Interest on Debt                            | 69,244               | -                    | -                                  | -                                | (69,244)  | -                        | (69,244)            |
| <b>Total Governmental Activities</b>        | <b>19,777,776</b>    | <b>319,356</b>       | <b>5,529,866</b>                   | <b>-</b>                         | <b>(13,928,554)</b>                               | <b>-</b>                 | <b>(13,928,554)</b> |
| <b>Business-Type Activities</b>             |                      |                      |                                    |                                  |   |                          |                     |
| Food Service                                | 534,960              | 326,347              | 154,904                            | -                                | -   | \$ (53,709)              | (53,709)            |
| <b>Total Business-Type Activities</b>       | <b>534,960</b>       | <b>326,347</b>       | <b>154,904</b>                     | <b>-</b>                         | <b>-</b>  | <b>(53,709)</b>          | <b>(53,709)</b>     |
| <b>Total Primary Government</b>             | <b>\$ 20,312,736</b> | <b>\$ 645,703</b>    | <b>\$ 5,684,770</b>                | <b>\$ -</b>                      | <b>(13,928,554)</b>                               | <b>(53,709)</b>          | <b>(13,982,263)</b> |
| <b>General Revenues</b>                     |                      |                      |                                    |                                  |   |                          |                     |
| Property Taxes, Levied for General Purposes |                      |                      |                                    |                                  | 15,416,258  |                          | 15,416,258          |
| Taxes Levied for Debt Service               |                      |                      |                                    |                                  | 720,200   |                          | 720,200             |
| State Aid - Unrestricted                    |                      |                      |                                    |                                  | 4,550   |                          | 4,550               |
| Investment Earnings                         |                      |                      |                                    |                                  | 146,987   | 3,215                    | 150,202             |
| Miscellaneous Income                        |                      |                      |                                    |                                  | 34,004  | -                        | 34,004              |
| <b>Total General Revenues</b>               |                      |                      |                                    |                                  | <b>16,321,999</b>                                 | <b>3,215</b>             | <b>16,325,214</b>   |
| Change in Net Position                      |                      |                      |                                    |                                  | 2,393,445   | (50,494)                 | 2,342,951           |
| Net Position, Beginning of Year             |                      |                      |                                    |                                  | 4,721,783   | 169,434                  | 4,891,217           |
| Net Position, End of Year                   |                      |                      |                                    |                                  | <b>\$ 7,115,228</b>                               | <b>\$ 118,940</b>        | <b>\$ 7,234,168</b> |

17

**FUND FINANCIAL STATEMENTS**

**TOTOWA BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2019**

|   | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------------------|----------------------------------|---|
| <b>ASSETS</b>   |                         |                                     |                                  |   |
| Cash and Cash Equivalents                                   | \$ 7,570,122            | \$ 100,752                          |                                  | \$ 7,670,874                            |
| Receivables, Net  |                         |                                     |                                  |   |
| Due from Other Funds  | 14,036                  |                                     |                                  | 14,036                                  |
| Receivables from Other Governments                          | 62,923                  | 6,654                               |                                  | 69,577                                  |
| Other Accounts Receivable                                   | 30,567                  | 1,274                               | -                                | 31,841                                  |
|   | <u>7,677,648</u>        | <u>108,680</u>                      | <u>-</u>                         | <u>7,786,328</u>                        |
| Total Assets  | <u>\$ 7,677,648</u>     | <u>\$ 108,680</u>                   | <u>\$ -</u>                      | <u>\$ 7,786,328</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                        |                         |                                     |                                  |   |
| Liabilities   |                         |                                     |                                  |   |
| Accounts Payable  | \$ 12,670               | \$ 71,664                           |                                  | \$ 84,334                               |
| Due to Other Funds  | 28,416                  |                                     |                                  | 28,416                                  |
| Payable to State Government                                 | -                       | 37,016                              | -                                | 37,016                                  |
|   | <u>41,086</u>           | <u>108,680</u>                      | <u>-</u>                         | <u>149,766</u>                          |
| Total Liabilities   | <u>41,086</u>           | <u>108,680</u>                      | <u>-</u>                         | <u>149,766</u>                          |
| Fund Balances   |                         |                                     |                                  |   |
| Restricted  |                         |                                     |                                  |   |
| Capital Reserve   | 6,738                   |                                     |                                  | 6,738                                   |
| Excess Surplus  | 3,822,169               |                                     |                                  | 3,822,169                               |
| Excess Surplus - Designated for<br>Subsequent Year's Budget | 3,295,549               |                                     |                                  | 3,295,549                               |
| Assigned  |                         |                                     |                                  |   |
| Year End Encumbrances                                       | 159,156                 |                                     |                                  | 159,156                                 |
| Designated in Subsequent Year's Budget                      | 87,884                  |                                     |                                  | 87,884                                  |
| Unassigned  | 265,066                 | -                                   | -                                | 265,066                                 |
|   | <u>7,636,562</u>        | <u>-</u>                            | <u>-</u>                         | <u>7,636,562</u>                        |
| Total Fund Balances   | <u>7,636,562</u>        | <u>-</u>                            | <u>-</u>                         | <u>7,636,562</u>                        |
| Total Liabilities and Fund Balances                         | <u>\$ 7,677,648</u>     | <u>\$ 108,680</u>                   | <u>\$ -</u>                      | <u>\$ 7,786,328</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, 2019**

|  |    |           |
|--|----|-----------|
| Total Fund Balances - Governmental Funds (Exhibit B-1) | \$ | 7,636,562 |
|--|----|-----------|

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 \$14,348,798 and the accumulated depreciation is \$6,868,677.

7,480,121

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          | \$ | (1,945,879)   |
| Deferred Outflows of Resources |    |               |
| Net Pension Liability          |    | 1,420,922     |
| Debt Refunding                 |    | <u>25,369</u> |
|                                |    | (499,588)     |

|   |  |          |
|---|--|----------|
| The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: |  | (30,225) |
|---|--|----------|

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 | (2,081,939)      |                    |
| Net Pension Liability     | (4,770,366)      |                    |
| Compensated Absences      | <u>(619,337)</u> |                    |
|                           |                  | <u>(7,471,642)</u> |

|   |    |                  |
|---|----|------------------|
| Net Position of Governmental Activities (Exhibit A-1) | \$ | <u>7,115,228</u> |
|---|----|------------------|

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, 2019**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|----------------------------------|---|
| <b>REVENUES</b>                                      |                         |                                     |                                  |   |
| Local Sources  |                         |                                     |                                  |   |
| Local Tax Levy                                       | \$ 15,416,258           |                                     | \$ 720,200                       | \$ 16,136,458                           |
| Tuition  | 319,356                 |                                     |                                  | 319,356                                 |
| Investment Earnings                                  | 146,987                 |                                     |                                  | 146,987                                 |
| Miscellaneous  | 34,004                  | -                                   | -                                | 34,004                                  |
| Total - Local Sources                                | <u>15,916,605</u>       | <u>-</u>                            | <u>720,200</u>                   | <u>16,636,805</u>                       |
| State Sources  | 3,168,647               | \$ 211,423                          |                                  | 3,380,070                               |
| Federal Sources                                      | 35,319                  | 483,768                             | -                                | 519,087                                 |
| Total Revenues                                       | <u>19,120,571</u>       | <u>695,191</u>                      | <u>720,200</u>                   | <u>20,535,962</u>                       |
| <b>EXPENDITURES</b>                                  |                         |                                     |                                  |   |
| Current  |                         |                                     |                                  |   |
| Regular Instruction                                  | 7,745,816               | \$ 224,321                          |                                  | 7,970,137                               |
| Special Education Instruction                        | 1,617,230               | 242,296                             |                                  | 1,859,526                               |
| Other Instruction                                    | 609,815                 |                                     |                                  | 609,815                                 |
| School-Sponsored Activities and Athletics            | -                       |                                     |                                  | -                                       |
| Support Services and Undistributed Costs             |                         |                                     |                                  |   |
| Student and Instruction Related Services             | 2,557,256               | 201,184                             |                                  | 2,758,440                               |
| General Administrative Services                      | 535,283                 |                                     |                                  | 535,283                                 |
| School Administrative Services                       | 1,035,423               |                                     |                                  | 1,035,423                               |
| Central Services                                     | 563,336                 |                                     |                                  | 563,336                                 |
| Plant Operations and Maintenance                     | 1,940,920               | 27,390                              |                                  | 1,968,310                               |
| Pupil Transportation                                 | 479,389                 |                                     |                                  | 479,389                                 |
| Debt Service   |                         |                                     |                                  |   |
| Principal  |                         |                                     | 615,000                          | 615,000                                 |
| Interest and Other Charges                           |                         |                                     | 105,200                          | 105,200                                 |
| Capital Outlay                                       | 294,728                 | -                                   | -                                | 294,728                                 |
| Total Expenditures                                   | <u>17,379,196</u>       | <u>695,191</u>                      | <u>720,200</u>                   | <u>18,794,587</u>                       |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>1,741,375</u>        | <u>-</u>                            | <u>-</u>                         | <u>1,741,375</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |                                     |                                  |   |
| Transfers In   |                         |                                     |                                  | -                                       |
| Transfers Out  | -                       | -                                   | -                                | -                                       |
| Total Other Financing Sources and Uses               | <u>-</u>                | <u>-</u>                            | <u>-</u>                         | <u>-</u>                                |
| Net Change in Fund Balances                          | 1,741,375               | -                                   | -                                | 1,741,375                               |
| Fund Balance, Beginning of Year                      | 5,895,187               | -                                   | -                                | 5,895,187                               |
| Fund Balance, End of Year                            | <u>\$ 7,636,562</u>     | <u>\$ -</u>                         | <u>\$ -</u>                      | <u>\$ 7,636,562</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, 2019**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 1,741,375

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       | \$ 294,728       |          |
| Depreciation Expense | <u>(314,063)</u> |          |
|                      |                  | (19,335) |

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       | 43,045        |        |
| Amortization of Deferred Amount on Refunding | (16,314)      |        |
| Net Pension Liability                        | (4,514)       |        |
| Compensated Absences                         | <u>24,963</u> |        |
|  |               | 47,180 |

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 |  | 615,000 |
|----------------|--|---------|

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>9,225</u> |
|------------------------------|--|--------------|

|   |  |                     |
|---|--|---------------------|
| Change in Net Position of Governmental Activities (Exhibit A-2) |  | <u>\$ 2,393,445</u> |
|---|--|---------------------|



**TOTOWA BOARD OF EDUCATION  
 PROPRIETARY FUND  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2019**

|   | <b>Enterprise Fund -<br/>Food Service</b> |
|---|---|
| <b>ASSETS</b>                                       |   |
| Current Assets                                      |   |
| Cash and Cash Equivalents                           | \$ 87,835                                 |
| Intergovernmental Receivable                        |   |
| State   | 817                                       |
| Federal   | 23,605                                    |
| Inventory   | 2,802                                     |
| Due From Other Funds                                | <u>28,416</u>                             |
| Total Current Assets                                | <u>143,475</u>                            |
| <b>LIABILITIES</b>                                  |   |
| Accounts Payable                                    | <u>23,923</u>                             |
| Total Liabilities                                   | <u>23,923</u>                             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |   |
| Deferred Commodities Revenue                        | <u>612</u>                                |
| Total Deferred Inflows of Resources                 | <u>612</u>                                |
| Total Liabilities and Deferred Inflows of Resources | <u>24,535</u>                             |
| <b>NET POSITION</b>                                 |   |
| Unrestricted  | <u>118,940</u>                            |
| Total Net Position                                  | <u>\$ 118,940</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, 2019**

|                                     | <b>Enterprise Fund -<br/>Food Service</b> |
|-------------------------------------|---|
| <b>OPERATING REVENUES</b>           |   |
| Charges for Services                |   |
| Daily Sales - Reimbursable          | \$ 147,034                                |
| Daily Sales - Non-Reimbursable      | 173,751                                   |
| Other Sales                         | <u>5,562</u>                              |
| <br>Total Operating Revenues        | <br><u>326,347</u>                        |
| <b>OPERATING EXPENSES</b>           |   |
| Cost of Sales - Reimbursable        | 117,557                                   |
| Cost of Sales - Non-Reimbursable    | 73,737                                    |
| Salaries & Wages                    | 239,840                                   |
| Insurance                           | 16,457                                    |
| Supplies                            | 12,831                                    |
| Professional Service                | 4,405                                     |
| Management Fee                      | 41,495                                    |
| Utilities                           | 8,318                                     |
| Miscellaneous                       | <u>20,320</u>                             |
| <br>Total Operating Expenses        | <br><u>534,960</u>                        |
| <br>Operating Loss                  | <br><u>(208,613)</u>                      |
| <b>NONOPERATING REVENUES</b>        |   |
| Federal Sources                     |   |
| National School Lunch Program       | 116,402                                   |
| National Breakfast Program          | 8,076                                     |
| Food Distribution Program           | 26,257                                    |
| State Sources                       |   |
| State School Lunch Program          | 4,169                                     |
| Interest and Investment Revenue     | <u>3,215</u>                              |
| <br>Total Nonoperating Revenues     | <br><u>158,119</u>                        |
| <br>Change in Net Position          | <br>(50,494)                              |
| <br>Net Position, Beginning of Year | <br><u>169,434</u>                        |
| <br>Net Position, End of Year       | <br><u>\$ 118,940</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, 2019**

|   | <b>Enterprise Fund -<br/>Food Service</b> |
|---|---|
| <b>Cash Flows from Operating Activities</b>   |   |
| Cash Received from Customers  | \$ 326,347                                |
| Cash Payments to Employees for Salaries and Wages                                     | (239,840)                                 |
| Cash Payments to Suppliers for Goods and Services                                     | <u>(280,331)</u>                          |
| Net Cash Provided by (Used for) Operating Activities                                  | <u>(193,824)</u>                          |
| <b>Cash Flows from Noncapital Financing Activities</b>                                |   |
| Cash Received from State and Federal Subsidy Reimbursements                           | <u>114,921</u>                            |
| Net Cash Provided by Noncapital Financing Activities                                  | <u>114,921</u>                            |
| <b>Cash Flows from Investing Activities</b>   |   |
| Interest on Investments   | <u>3,215</u>                              |
| Net Cash Provided by Investing Activities   | <u>3,215</u>                              |
| Net Increase in Cash and Cash Equivalents   | (75,688)                                  |
| Cash and Cash Equivalents, Beginning of Year  | <u>163,523</u>                            |
| Cash and Cash Equivalents, End of Year  | <u>\$ 87,835</u>                          |
| <b>Reconciliation of Operating Loss to Net Cash<br/>Used for Operating Activities</b> |   |
| Operating Loss  | \$ <u>(208,613)</u>                       |
| Adjustments to Reconcile Operating Loss to<br>Net Cash Used for Operating Activities  |   |
| Food Distribution Program   | 26,257                                    |
| Change in Assets and Liabilities  |   |
| (Increase)/Decrease in Inventory  | 209                                       |
| Increase/(Decrease) in Deferred Inflows of Resources                                  | (16)                                      |
| Increase/(Decrease) in Accounts Payable   | <u>(11,661)</u>                           |
| Total Adjustments   | <u>14,789</u>                             |
| Net Cash (Used for) Operating Activities  | <u>\$ (193,824)</u>                       |
| Non-cash Investing, Capital and Financing Activities:                                 |   |
| Value Received- Food Distribution Program   | <u>\$ 26,240</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, 2019**

|   | <u>Unemployment<br/>Compensation Trust</u> | <u>Agency Fund</u> |
|---|--|--------------------|
| <b>ASSETS</b>   |  |                    |
| Cash and Cash Equivalents                                   | \$ 46,309                                  | \$ 312,280         |
| Total Assets  | <u>46,309</u>                              | <u>\$ 312,280</u>  |
| <b>LIABILITIES</b>  |  |                    |
| Accrued Salaries and Wages                                  |  | \$ 176,296         |
| Due to Student Groups                                       |  | 109,956            |
| Payroll Deductions and Withholdings                         |  | 11,612             |
| Reserve for Flex Spending                                   |  | 380                |
| Due to Other Funds  |  | 14,036             |
| Due to State Government                                     | <u>388</u>                                 | <u>-</u>           |
| Total Liabilities   | <u>388</u>                                 | <u>\$ 312,280</u>  |
| <b>NET POSITION</b>   |  |                    |
| Held in Trust for Unemployment Claims<br>and Other Purposes | <u>\$ 45,921</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, 2019**

|                                       | <u>Unemployment<br/>Compensation Trust</u> |
|---------------------------------------|--|
| <b>ADDITIONS</b>                      |  |
| Contributions                         |  |
| Employees                             | \$ 15,439                                  |
| Investment Earnings                   |  |
| Interest                              | <u>809</u>                                 |
| Total Additions                       | <u>16,248</u>                              |
| <br><b>DEDUCTIONS</b>                 |  |
| Unemployment Claims and Contributions | <u>764</u>                                 |
| Total Deductions                      | <u>764</u>                                 |
| Change in Net Position                | 15,484                                     |
| Net Position, Beginning of Year       | <u>30,437</u>                              |
| Net Position, End of Year             | <u>\$ 45,921</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, 2019**

**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 2019, the District adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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.

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.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- 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.

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.



**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**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 *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.

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.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

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

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

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.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Inventories**

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method 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.

**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                      | 20-50        |
| Building Improvements          | 20           |
| Heavy Equipment                | 10-20        |
| Office Equipment and Furniture | 7-10         |
| Computer Equipment             | 5            |

**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 future periods 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, 2019**

**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 future periods 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. 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, and proprietary fund types in the fund 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, 2019

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.

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

TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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)

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 original budget certified for taxes.

*Excess Surplus – Designated for Subsequent Year's Budget* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that was appropriated in the 2019/2020 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 Budget* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 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. The District has no committed fund balances at year end.

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, 2019**

**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 1<sup>st</sup> 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 2017-2018 and 2018-2019 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, 2019**

**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 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$192,658. 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. Capital Reserve**

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

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



**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2019 is as follows:

|                        |                 |
|------------------------|-----------------|
| Balance, July 1, 2018  | \$ 6,124        |
| Increased by:          |                 |
| Interest Earnings      | <u>614</u>      |
| Balance, June 30, 2019 | <u>\$ 6,738</u> |

The June 30, 2019 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.

**C. 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, 2019 is \$7,117,718. Of this amount, \$3,295,549 was designated and appropriated in the 2019/2020 original budget certified for taxes and the remaining amount of \$3,822,169 will be appropriated in the 2020/2021 original budget certified for taxes.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC 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, 2019, the book value of the Board's deposits were \$8,117,297 and bank and brokerage firm balances of the Board’s deposits amounted to \$8,505,986. 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>\$ 8,505,986</u> |
|---------|---------------------|

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

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, 2019 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, 2019, the Board had no outstanding investments.

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

**B. Receivables**

Receivables as of June 30, 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<br/>Revenue</u> | <u>Food<br/>Service</u> | <u>Total</u>      |
|---------------------------------------|------------------|----------------------------|-------------------------|-------------------|
| Receivables:                          |                  |                            |                         |                   |
| Intergovernmental                     |                  |                            |                         |                   |
| Federal                               |                  | \$ 6,654                   | \$ 23,605               | \$ 30,259         |
| State                                 | \$ 62,923        |                            | 817                     | 63,740            |
| Other Receivables                     | <u>30,567</u>    | <u>1,273</u>               | <u>-</u>                | <u>31,840</u>     |
| Gross Receivables                     | 93,490           | 7,927                      | 24,422                  | 125,839           |
| Less: Allowance for<br>Uncollectibles | <u>-</u>         | <u>-</u>                   | <u>-</u>                | <u>-</u>          |
| Net Total Receivables                 | <u>\$ 93,490</u> | <u>\$ 7,927</u>            | <u>\$ 24,422</u>        | <u>\$ 125,839</u> |

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

|  | Balance,<br>July 1, 2018 | Increases          | Decreases        | Balance,<br>June 30, 2019 |
|--|--------------------------|--------------------|------------------|---------------------------|
| <b>Governmental Activities:</b>              |                          |                    |                  |                           |
| Capital Assets, Not Being Depreciated:       |                          |                    |                  |                           |
| Land   | \$ 130,267               |                    |                  | \$ 130,267                |
| Construction in Progress                     | 7,138                    | \$ 292,525         | (7,138)          | 292,525                   |
| Total Capital Assets, Not Being Depreciated  | <u>137,405</u>           | <u>292,525</u>     | <u>(7,138)</u>   | <u>422,792</u>            |
| Capital Assets, Being Depreciated:           |                          |                    |                  |                           |
| Buildings                                    | 11,959,358               |                    | \$ (73,500)      | 11,885,858                |
| Improvements Other Than Buildings            | 244,588                  |                    | (8,085)          | 236,503                   |
| Machinery and Equipment                      | 1,822,599                | 2,203              | (21,157)         | 1,803,645                 |
| Total Capital Assets Being Depreciated       | <u>14,026,545</u>        | <u>2,203</u>       | <u>(102,742)</u> | <u>13,926,006</u>         |
| Less Accumulated Depreciation for:           |                          |                    |                  |                           |
| Buildings                                    | (4,926,902)              | (267,151)          | 73,500           | (5,120,553)               |
| Improvements Other Than Buildings            | (143,255)                | (9,925)            | 8,085            | (145,095)                 |
| Machinery and Equipment                      | (1,594,337)              | (36,987)           | 28,295           | (1,603,029)               |
| Total Accumulated Depreciation               | <u>(6,664,494)</u>       | <u>(314,063)</u>   | <u>109,880</u>   | <u>(6,868,677)</u>        |
| Total Capital Assets, Being Depreciated, Net | <u>7,362,051</u>         | <u>(311,860)</u>   | <u>7,138</u>     | <u>7,057,329</u>          |
| Governmental Activities Capital Assets, Net  | <u>\$ 7,499,456</u>      | <u>\$ (19,335)</u> | <u>\$ -</u>      | <u>\$ 7,480,121</u>       |

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

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

|  |                   |
|--|-------------------|
| <b>Governmental Activities:</b>                      |                   |
| Instruction  |                   |
| Regular  | \$ 223,594        |
| Special  | <u>3,202</u>      |
| Total Instruction                                    | <u>226,796</u>    |
| Support Services                                     |                   |
| Student Services - Students                          | 25,327            |
| General Administration                               | 28,489            |
| School Administration                                | 12,715            |
| Operation and Maintenance of Plant                   | 12,619            |
| Business and Other Support Services                  | <u>8,117</u>      |
| Total Support Services                               | <u>87,267</u>     |
| Total Governmental Funds                             | <u>314,063</u>    |
| Total Depreciation Expense - Governmental Activities | <u>\$ 314,063</u> |

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2019, is as follows:

**Due To/From Other Funds**

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General Fund           | Payroll Agency Fund | \$ 14,036        |
| Food Service Fund      | General Fund        | <u>28,416</u>    |
| Total                  |                     | <u>\$ 42,452</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, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**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, 2019 are comprised of the following issues:

|  |                    |
|--|--------------------|
| \$5,460,000, 2013 Refunding Bonds, due in annual installments of \$645,000 to \$705,000 through February 15, 2022, interest at 4.00% | <u>\$2,015,000</u> |
|--|--------------------|

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

**Governmental Activities:**

| Fiscal Year<br>Ending<br>June 30, | <u>Serial Bonds</u> |                   | <u>Total</u>        |
|-----------------------------------|---------------------|-------------------|---------------------|
|                                   | <u>Principal</u>    | <u>Interest</u>   |                     |
| 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>\$ 2,015,000</u> | <u>\$ 163,600</u> | <u>\$ 2,178,600</u> |

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

|   |                      |
|---|----------------------|
| 3% of Equalized Valuation Basis (Municipal) | \$ 64,027,858        |
| Less: Net Debt                              | <u>2,015,000</u>     |
| Remaining Borrowing Power                   | <u>\$ 62,012,858</u> |

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

|  | Balance,<br>July 1,<br><u>2018</u> | <u>Additions</u> | <u>Reductions</u>  | Balance,<br>June 30,<br><u>2019</u> | Due<br>Within<br><u>One Year</u> |
|--|------------------------------------|------------------|--------------------|-------------------------------------|----------------------------------|
| <b>Governmental Activities:</b>                    |                                    |                  |                    |                                     |                                  |
| Bonds Payable                                      | \$ 2,630,000                       |                  | \$ (615,000)       | \$ 2,015,000                        | \$ 645,000                       |
| Add: Unamortized Premiums                          | 109,984                            | -                | (43,045)           | 66,939                              | -                                |
| Total Bonds Payable                                | 2,739,984                          | -                | (658,045)          | 2,081,939                           | 645,000                          |
| Net Pension Liability                              | 5,516,147                          | \$ 246,647       | (992,428)          | 4,770,366                           |                                  |
| Compensated Absences                               | 644,300                            | -                | (24,963)           | 619,337                             | 60,000                           |
| <br>Governmental Activity<br>Long-Term Liabilities | <br>\$ 8,900,431                   | <br>\$ 246,647   | <br>\$ (1,675,436) | <br>\$ 7,471,642                    | <br>\$ 705,000                   |

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

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

The District is a member of the New Jersey Schools Insurance Group (NJSIG). 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.

NJSIG 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.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

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

| Fiscal Year<br>Ended<br><u>June 30,</u> | <u>District<br/>Contribution</u> | <u>Employee<br/>Contributions</u> | <u>Amount<br/>Reimbursed</u> | <u>Ending<br/>Balance</u> |
|---|----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2019                                    | None                             | \$ 15,439                         | \$ 765                       | \$ 45,921                 |
| 2018                                    | None                             | 15,314                            | 15,934                       | 30,437                    |
| 2017                                    | None                             | 16,063                            | 8,084                        | 30,666                    |

**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, 2019, 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, 2019, the District had no estimated arbitrage earnings due to the IRS.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**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 Board employees who are eligible for pension coverage:

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

| <b>Tier</b> | <b>Definition</b>  |
|-------------|--|
| 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 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, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).



**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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                              |

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**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](http://www.state.nj.us/treasury/pensions).

**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. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at [www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

**Actuarial Methods and Assumptions**

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 members 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 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer 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. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 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<br>Year Ended<br><u>June 30,</u> | <u>PERS</u> | On-Behalf<br><u>TPAF</u> | <u>DCRP</u> |
|---|-------------|--------------------------|-------------|
| 2019                                    | \$ 240,990  | \$ 1,278,207             | \$ 18,831   |
| 2018                                    | 219,522     | 961,727                  | 22,654      |
| 2017                                    | 188,765     | 789,619                  | 17,852      |

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Employer and Employee Pension Contributions (Contributions)**

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$1,143, \$3,540 and \$1,239, respectively for PERS and the State contributed \$1,491, \$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 \$463,374 during the fiscal year ended June 30, 2019 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. 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 measurement period July 1, 2017 through June 30, 2018. 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 (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial 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, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$4,770,366 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 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 the District's share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District's proportionate share was 0.02423 percent, which was an increase of 0.00053 percent from its proportionate share measured as of June 30, 2017 of 0.02370 percent.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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)**

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$245,503 for PERS. The pension contribution made by the District during the current 2018/2019 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, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. 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, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

|   | <b><u>Deferred<br/>Outflows<br/>of Resources</u></b> | <b><u>Deferred<br/>Inflows<br/>of Resources</u></b> |
|---|--|---|
| Difference Between Expected and Actual Experience   | \$ 90,972  | \$ 24,598   |
| Changes of Assumptions  | 786,077  | 1,525,309   |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                              |  | 44,746  |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>543,873</u>                                       | <u>351,226</u>                                      |
| Total   | <u>\$ 1,420,922</u>                                  | <u>\$ 1,945,879</u>                                 |

At June 30, 2019, 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:

| Year<br>Ending<br>June 30, | <u>Total</u>        |
|----------------------------|---------------------|
| 2020                       | \$ (23,406)         |
| 2021                       | (22,412)            |
| 2022                       | (208,493)           |
| 2023                       | (193,071)           |
| 2024                       | (77,575)            |
| Thereafter                 | <u>-</u>            |
|                            | <u>\$ (524,957)</u> |

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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)**

*Actuarial Assumptions*

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%<br>Based on Age |
| Thereafter                | 2.65-5.15%<br>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, 2017 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, 2019**

**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***

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2018 are summarized in the following table:

| <u>Asset Class</u>              | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|---------------------------------|------------------------------|---|
| Risk Mitigation Strategies      | 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%  |
| 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<br/>Year</u> | <u>Measurement Date</u> | <u>Discount Rate</u> |
|------------------------|-------------------------|----------------------|
| 2019                   | June 30, 2018           | 5.66%                |
| 2018                   | June 30, 2017           | 5.00%                |

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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<br>Payments for which the Following<br>Rates were Applied: |                                     |
| Long-Term Expected Rate of Return  | Through June 30, 2046               |
| Municipal Bond Rate *  | From July 1, 2046<br>and Thereafter |

\* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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 5.66%, 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 (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/><u>4.66%</u></b> | <b>Current<br/>Discount Rate<br/><u>5.66%</u></b> | <b>1%<br/>Increase<br/><u>6.66%</u></b> |
|---|---|---|---|
| District's Proportionate Share of<br>the PERS Net Pension Liability | <u>\$ 5,998,186</u>                     | <u>\$ 4,770,366</u>                               | <u>\$ 3,740,304</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 at June 30, 2018 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](http://www.state.nj.us/treasury/pensions).



**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. 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, 2018, 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, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,364,618 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$40,561,924. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was 0.0638 percent, which was an decrease of 0.0064 percent from its proportionate share measured as of June 30, 2017 of 0.0702 percent.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

|                           | <u>TPAF</u> |
|---------------------------|-------------|
| Inflation Rate            | 2.25%       |
| Salary Increases:         |             |
| 2011-2026                 | 1.55-4.55%  |
| Thereafter                | 2.00-5.45%  |
| Investment Rate of Return | 7.00%       |
| Mortality Rate Table      | RP-2006     |

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, 2017 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, 2019**

**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**

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2018 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Risk Mitigation Strategies        | 5.00%                    | 5.51%   |
| Cash Equivalents                  | 5.50%                    | 1.00%   |
| U.S. Treasuries                   | 3.00%                    | 1.87%   |
| Investment Grade Credit           | 10.00%                   | 3.78%   |
| 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%   |
| U.S. Equity                       | 30.00%                   | 8.19%   |
| Non-U.S. Developed Markets Equity | 11.50%                   | 9.00%   |
| Emerging Markets Equity           | 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, 2019**

**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:

| <b>Fiscal<br/>Year</b> | <b>Measurement Date</b> | <b>Discount Rate</b> |
|------------------------|-------------------------|----------------------|
| 2019                   | June 30, 2018           | 4.86%                |
| 2018                   | June 30, 2017           | 4.25%                |

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, 2040               |
| Municipal Bond Rate *             | From July 1, 2040<br>and Thereafter |

\* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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 4.86%, 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 (3.865 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

|  | <b>1%<br/>Decrease<br/>(3.86%)</b> | <b>Current<br/>Discount Rate<br/>(4.86%)</b> | <b>1%<br/>Increase<br/>(5.86%)</b> |
|--|------------------------------------|--|------------------------------------|
| State's Proportionate Share of<br>the TPAF Net Pension Liability<br>Attributable to the District | <u>\$ 47,943,424</u>               | <u>\$ 40,561,924</u>                         | <u>\$ 34,442,840</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, 2019**

**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](http://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 for the fiscal year ended June 30, 2018. 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 Employees Plan** (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. 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](http://www.state.nj.us/treasury/pensions).

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, 2017:

|   |                    |
|---|--------------------|
| Active Plan Members   | 217,131            |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 145,050            |
| Inactive Plan Members Entitled to but not yet Receiving Benefits    | <u>          -</u> |
| Total   | <u>362,181</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.

**Collective Net OPEB Liability**

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**Actuarial Methods and Assumptions**

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions**

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$579,792, \$621,159 and \$657,933, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan 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.

**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 Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. 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 measurement period July 1, 2017 through June 30, 2018. 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, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,128,639. 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, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$26,555,715. 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, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the District was .06 percent, which was an increase of .00165 percent from its proportionate share measured as of June 30, 2017 of 0.05835 percent.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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**

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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 Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight 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 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven 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, 2017 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, 2018.



**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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)**

**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> |
|--------------------|-------------------------|----------------------|
| 2019               | June 30, 2018           | 3.87%                |
| 2018               | June 30, 2017           | 3.58%                |

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.

**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, 2019 is as follows:

|  | <u>Total OPEB<br/>Liability<br/>(State Share 100%)</u> |
|--|--|
| Balance, June 30, 2017 Measurement Date            | \$ <u>31,297,595</u>                                   |
| Changes Recognized for the Fiscal Year:            |  |
| Service Cost                                       | 1,112,205  |
| Interest on the Total OPEB Liability               | 1,148,107  |
| Differences Between Expected and Actual Experience | (3,269,243)  |
| Changes of Assumptions                             | (3,047,401)  |
| Gross Benefit Payments                             | (710,090)  |
| Contributions from the Member                      | <u>24,542</u>  |
| <b>Net Changes</b>                                 | <b>\$ <u>(4,741,880)</u></b>                           |
| Balance, June 30, 2018 Measurement Date            | \$ <u>26,555,715</u>                                   |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

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, 2018. 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, 2018 was not provided by the pension system.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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**

*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 3.87%, 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

|  | <b>1%<br/>Decrease<br/><u>(2.87%)</u></b> | <b>Current<br/>Discount Rate<br/><u>(3.87%)</u></b> | <b>1%<br/>Increase<br/><u>(4.87%)</u></b> |
|--|---|---|---|
| State's Proportionate Share of<br>the OPEB Liability<br>Attributable to the District | \$ 31,394,261                             | \$ 26,555,715                                       | \$ 22,709,571                             |

*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:

|  | <b>1%<br/>Decrease</b> | <b>Healthcare<br/>Cost Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--|------------------------|--|------------------------|
| Total OPEB Liability (School Retirees) | \$ 21,949,845          | \$ 26,555,715                              | \$ 32,647,154          |

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 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, 2019**

|  | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget   | Actual            | Variance<br>Final To<br>Actual |
|--|--------------------|-------------------------------------|-------------------|-------------------|--------------------------------|
| <b>REVENUES</b>  |                    |                                     |                   |                   |                                |
| Local Sources  |                    |                                     |                   |                   |                                |
| Local Tax Levy   | \$ 15,416,258      |                                     | \$ 15,416,258     | \$ 15,416,258     |                                |
| Tuition  | 175,000            |                                     | 175,000           | 319,356           | \$ 144,356                     |
| Interest   | 50,000             |                                     | 50,000            | 146,373           | 96,373                         |
| Interest Earned - Capital Reserve  | 250                |                                     | 250               | 614               | 364                            |
| Miscellaneous  | -                  | -                                   | -                 | 34,004            | 34,004                         |
| <b>Total Local Sources</b>   | <b>15,641,508</b>  | <b>-</b>                            | <b>15,641,508</b> | <b>15,916,605</b> | <b>275,097</b>                 |
| State Sources  |                    |                                     |                   |                   |                                |
| Special Education Aid  | 433,789            |                                     | 433,789           | 433,789           | -                              |
| Transportation Aid   | 101,495            |                                     | 101,495           | 150,414           | 48,919                         |
| Security Aid   | 29,390             |                                     | 29,390            | 74,363            | 44,973                         |
| Extraordinary Aid  |                    |                                     |                   | 86,180            | 86,180                         |
| Non Public Transportation Reimbursements   |                    |                                     |                   | 17,690            | 17,690                         |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Pension                        |                    |                                     |                   | 1,251,999         | 1,251,999                      |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - NCGI Premium                   |                    |                                     |                   | 26,208            | 26,208                         |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Post Retirement Medical Contr. |                    |                                     |                   | 579,792           | 579,792                        |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Long-Term Disability Ins.      |                    |                                     |                   | 1,491             | 1,491                          |
| On-behalf TPAF Social Security Payments<br>(Non-Budget)                          | -                  | -                                   | -                 | 463,374           | 463,374                        |
| <b>Total State Sources</b>   | <b>564,674</b>     | <b>-</b>                            | <b>564,674</b>    | <b>3,085,300</b>  | <b>2,520,626</b>               |
| Federal Sources  |                    |                                     |                   |                   |                                |
| Medicaid Reimbursements  | 15,704             | -                                   | 15,704            | 35,319            | 19,615                         |
| <b>Total Federal Sources</b>   | <b>15,704</b>      | <b>-</b>                            | <b>15,704</b>     | <b>35,319</b>     | <b>19,615</b>                  |
| <b>Total Revenues</b>  | <b>16,221,886</b>  | <b>-</b>                            | <b>16,221,886</b> | <b>19,037,224</b> | <b>2,815,338</b>               |
| <b>EXPENDITURES</b>  |                    |                                     |                   |                   |                                |
| Instruction - Regular Programs   |                    |                                     |                   |                   |                                |
| Salaries of Teachers   |                    |                                     |                   |                   |                                |
| Preschool  | 370,634            | -                                   | 370,634           | 330,134           | 40,500                         |
| Kindergarten   | 341,128            | (81,954)                            | 259,174           | 225,570           | 33,604                         |
| Grades 1-5   | 2,167,070          | (90,298)                            | 2,076,772         | 1,912,355         | 164,417                        |
| Grades 6-8   | 2,141,206          | 90,298                              | 2,231,504         | 1,866,877         | 364,627                        |
| Regular Programs - Undistributed Instruction                                     |                    |                                     |                   |                   |                                |
| Other Salaries for Instruction   | 30,000             | 8,624                               | 38,624            | 30,694            | 7,930                          |
| Purchased Professional - Educational Services                                    | 80,200             | 53,836                              | 134,036           | 117,515           | 16,521                         |
| Purchased Technical Services   | 147,100            | 79,539                              | 226,639           | 225,899           | 740                            |
| Other Purchased Services   | 87,140             | (15,320)                            | 71,820            | 66,655            | 5,165                          |
| General Supplies   | 191,101            | (106,897)                           | 84,204            | 69,172            | 15,032                         |
| Textbooks  | 18,200             | (16,533)                            | 1,667             | 1,454             | 213                            |
| Other Objects  | 5,000              | (5,000)                             | -                 | -                 | -                              |
| <b>Total Regular Programs - Instruction</b>                                      | <b>5,578,779</b>   | <b>(83,705)</b>                     | <b>5,495,074</b>  | <b>4,846,325</b>  | <b>648,749</b>                 |
| Special Education Instruction  |                    |                                     |                   |                   |                                |
| Learning and Language Disabilities   |                    |                                     |                   |                   |                                |
| Salaries of Teachers   | 145,087            | -                                   | 145,087           | 135,551           | 9,536                          |
| Other Salaries for Instruction   | 164,880            | (61,135)                            | 103,745           | -                 | 103,745                        |
| <b>Total Learning and Language Disabilities</b>                                  | <b>309,967</b>     | <b>(61,135)</b>                     | <b>248,832</b>    | <b>135,551</b>    | <b>113,281</b>                 |

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|   | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final To<br>Actual |
|---|--------------------|-------------------------------------|-----------------|------------|--------------------------------|
| <b>EXPENDITURES</b>                                   |                    |                                     |                 |            |                                |
| <b>CURRENT EXPENDITURES (Continued)</b>               |                    |                                     |                 |            |                                |
| Special Education (Continued)                         |                    |                                     |                 |            |                                |
| Multiple Disabilities                                 |                    |                                     |                 |            |                                |
| Salaries of Teachers                                  | \$ 129,034         |                                     | \$ 129,034      | \$ 125,752 | \$ 3,282                       |
| Other Salaries for Instruction                        | 366,400            | \$ (48,884)                         | 317,516         | 237,542    | 79,974                         |
| Total Multiple Disabilities                           | 495,434            | (48,884)                            | 446,550         | 363,294    | 83,256                         |
| Resource Room/Resource Center                         |                    |                                     |                 |            |                                |
| Salaries of Teachers                                  | 90,855             | 4,714                               | 95,569          | 95,569     | -                              |
| Other Salaries for Instruction                        | 73,280             | 30,147                              | 103,427         | 101,786    | 1,641                          |
| Total Resource Room/Resource Center                   | 164,135            | 34,861                              | 198,996         | 197,355    | 1,641                          |
| Preschool Disabilities-Part-Time                      |                    |                                     |                 |            |                                |
| Salaries of Teachers                                  | 44,358             | (44,358)                            | -               | -          | -                              |
| Total Preschool Disability-Part-Time                  | 44,358             | (44,358)                            | -               | -          | -                              |
| Preschool Disabilities-Full-Time                      |                    |                                     |                 |            |                                |
| Salaries of Teachers                                  | 71,316             | 1,140                               | 72,456          | 72,456     | -                              |
| Other Salaries for Instruction                        | 128,240            | (19,271)                            | 108,969         | 41,080     | 67,889                         |
| Total Preschool Disability Full Time                  | 199,556            | (18,131)                            | 181,425         | 113,536    | 67,889                         |
| Total Special Education Instruction                   | 1,213,450          | (137,647)                           | 1,075,803       | 809,736    | 266,067                        |
| Basic Skills/Remedial - Instruction                   |                    |                                     |                 |            |                                |
| Salaries of Teachers                                  | 319,134            | 107,068                             | 426,202         | 369,279    | 56,923                         |
| Total Basic Skills/Remedial - Instruction             | 319,134            | 107,068                             | 426,202         | 369,279    | 56,923                         |
| School Sponsored Co/Extra Curricular Activities       |                    |                                     |                 |            |                                |
| Salaries  | 2,000              |                                     | 2,000           |            | 2,000                          |
| Other Objects   | 5,000              | -                                   | 5,000           | -          | 5,000                          |
| Total School Sponsored Co/Extra Curricular Activities | 7,000              | -                                   | 7,000           | -          | 7,000                          |
| Instructional Alternative ED Program                  |                    |                                     |                 |            |                                |
| Salaries of Reading Specialists                       | 76,648             | -                                   | 76,648          | -          | 76,648                         |
| Total Instructional Alternative Ed Program            | 76,648             | -                                   | 76,648          | -          | 76,648                         |
| Total Instruction                                     | 7,195,011          | (114,284)                           | 7,080,727       | 6,025,340  | 1,055,387                      |
| Undistributed Expenditures - Instruction              |                    |                                     |                 |            |                                |
| Tuition to Other LEAs Within the State - Regular      | 17,500             | -                                   | 17,500          | 16,847     | 653                            |
| Tuition to Other LEAs Within the State - Special      | 319,430            | -                                   | 319,430         | 159,052    | 160,378                        |
| Tuition to CSSD and Regional Day Schools              | -                  | -                                   | -               | -          | -                              |
| Tuition to Priv. Sch. for the Disabled Within State   | 465,166            | -                                   | 465,166         | 168,381    | 296,785                        |
| Total Undistributed Expenditures -<br>Instruction     | 802,096            | -                                   | 802,096         | 344,280    | 457,816                        |

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget | Actual         | Variance<br>Final To<br>Actual |
|--|--------------------|-------------------------------------|-----------------|----------------|--------------------------------|
| <b>EXPENDITURES</b>                                |                    |                                     |                 |                |                                |
| <b>CURRENT EXPENDITURES (Continued)</b>            |                    |                                     |                 |                |                                |
| Undistributed Expenditures (Continued)             |                    |                                     |                 |                |                                |
| Health Services                                    |                    |                                     |                 |                |                                |
| Salaries   | \$ 170,999         |                                     | \$ 170,999      | \$ 167,161     | \$ 3,838                       |
| Purchased Professional and Technical Svcs.         | 121,074            |                                     | 121,074         | 56,767         | 64,307                         |
| Supplies and Materials                             | 6,000              | -                                   | 6,000           | 2,767          | 3,233                          |
| <b>Total Health Services</b>                       | <b>298,073</b>     | <b>-</b>                            | <b>298,073</b>  | <b>226,695</b> | <b>71,378</b>                  |
| Speech, OT, PT and Related Services                |                    |                                     |                 |                |                                |
| Salaries   | 328,984            | \$ 130,073                          | 459,057         | 457,391        | 1,666                          |
| Purchased Professional Educational Services        | 42,840             | (17,540)                            | 25,300          | 4,275          | 21,025                         |
| <b>Total Speech, OT, PT and Related Services</b>   | <b>371,824</b>     | <b>112,533</b>                      | <b>484,357</b>  | <b>461,666</b> | <b>22,691</b>                  |
| Guidance   |                    |                                     |                 |                |                                |
| Salaries of Other Professional Staff               | 97,098             |                                     | 97,098          | 95,003         | 2,095                          |
| Purchased Professional - Educational Services      | 62,424             |                                     | 62,424          | 30,257         | 32,167                         |
| Other Purchased Prof. and Tech. Services           | 15,300             |                                     | 15,300          | 6,291          | 9,009                          |
| Supplies and Materials                             | 14,750             |                                     | 14,750          | 2,122          | 12,628                         |
| Other Objects                                      | 408                | -                                   | 408             | 129            | 279                            |
| <b>Total Guidance</b>                              | <b>189,980</b>     | <b>-</b>                            | <b>189,980</b>  | <b>133,802</b> | <b>56,178</b>                  |
| Child Study Teams                                  |                    |                                     |                 |                |                                |
| Salaries of Other Professional Staff               | 312,666            | -                                   | 312,666         | 298,488        | 14,178                         |
| Salaries of Secretarial and Clerical Assistants    | 53,916             | -                                   | 53,916          | 52,164         | 1,752                          |
| Other Salaries                                     | 80,000             | -                                   | 80,000          | 57,578         | 22,422                         |
| Other Purchased Professional and Tech. Services    | 11,220             | -                                   | 11,220          | 1,375          | 9,845                          |
| Supplies and Materials                             | 3,050              | (644)                               | 2,406           | 916            | 1,490                          |
| Other Objects                                      | 2,000              | 644                                 | 2,644           | 2,644          | -                              |
| <b>Total Child Study Teams</b>                     | <b>462,852</b>     | <b>-</b>                            | <b>462,852</b>  | <b>413,165</b> | <b>49,687</b>                  |
| Improvement of Instructional Services              |                    |                                     |                 |                |                                |
| Salaries of Supervisor of Instruction              |                    | -                                   |                 |                | -                              |
| Salaries of Secretarial & Clerical Assistants      | 75,000             | (8,881)                             | 66,119          | 34,307         | 31,812                         |
| Other Salaries                                     | 49,663             | 8,881                               | 58,544          | 49,662         | 8,882                          |
| <b>Total Improvement of Instructional Services</b> | <b>124,663</b>     | <b>-</b>                            | <b>124,663</b>  | <b>83,969</b>  | <b>40,694</b>                  |

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|   | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final To<br>Actual |
|---|--------------------|-------------------------------------|-----------------|------------|--------------------------------|
| <b>EXPENDITURES</b>                                 |                    |                                     |                 |            |                                |
| <b>CURRENT EXPENDITURES (Continued)</b>             |                    |                                     |                 |            |                                |
| Undistributed Expenditures (Continued)              |                    |                                     |                 |            |                                |
| Educational Media Services/School Library           |                    |                                     |                 |            |                                |
| Salaries  | \$ 284,145         |                                     | \$ 284,145      | \$ 278,756 | \$ 5,389                       |
| Supplies and Materials                              | 13,505             | -                                   | 13,505          | 393        | 13,112                         |
| Total Educational Media Serv./School Library        | 297,650            | -                                   | 297,650         | 279,149    | 18,501                         |
| Instructional Staff Training Services               |                    |                                     |                 |            |                                |
| Other Purchased Services                            | 100,000            | \$ -                                | 100,000         | 49,639     | 50,361                         |
| Total Instructional Staff Training Services         | 100,000            | -                                   | 100,000         | 49,639     | 50,361                         |
| Support Services General Administration             |                    |                                     |                 |            |                                |
| Salaries  | 236,062            | 6,900                               | 242,962         | 242,961    | 1                              |
| Legal Services                                      | 76,500             | (6,900)                             | 69,600          | 32,592     | 37,008                         |
| Audit Fees  | 26,520             | -                                   | 26,520          | 25,338     | 1,182                          |
| Other Purchased Professional Services               | 15,000             | 34,174                              | 49,174          | 14,872     | 34,302                         |
| Communications/Telephone                            | 38,000             | 843                                 | 38,843          | 23,770     | 15,073                         |
| Travel Admin/Board                                  | -                  | 169                                 | 169             | 110        | 59                             |
| Miscellaneous Purchased Services                    | 39,886             | (185)                               | 39,701          | 26,229     | 13,472                         |
| BOE In-House Training/Meeting Supplies              | 4,000              | 28                                  | 4,028           | 4,028      | -                              |
| Miscellaneous Expenditures                          | 13,961             | (28)                                | 13,933          | 9,833      | 4,100                          |
| BOE Membership Dues and Fees                        | -                  | -                                   | -               | -          | -                              |
| Total Support Services General Administration       | 449,929            | 35,001                              | 484,930         | 379,733    | 105,197                        |
| Support Services School Administration              |                    |                                     |                 |            |                                |
| Salaries of Principal/Asst. Principals/Program Dir. | 460,718            | -                                   | 460,718         | 405,243    | 55,475                         |
| Salaries of Secretarial and Clerical Assistants     | 228,298            | 1,499                               | 229,797         | 229,797    | -                              |
| Purchased Professional and Technical Svcs.          | 12,000             | (1,499)                             | 10,501          | 9,766      | 735                            |
| Supplies and Materials                              | 5,100              | 50,000                              | 55,100          | 846        | 54,254                         |
| Other Objects                                       | 20,100             | 10,000                              | 30,100          | 15,251     | 14,849                         |
| Total Support Services School Administration        | 726,216            | 60,000                              | 786,216         | 660,903    | 125,313                        |
| Central Services                                    |                    |                                     |                 |            |                                |
| Salaries  | 349,620            | 3,012                               | 352,632         | 352,632    | -                              |
| Purchased Professional Services                     | 22,324             | 14,970                              | 37,294          | 21,252     | 16,042                         |
| Misc. Purchased Services                            | 4,141              | (2,982)                             | 1,159           | 834        | 325                            |
| Supplies and Materials                              | 7,140              | 20,000                              | 27,140          | 4,030      | 23,110                         |
| Miscellaneous Expenditures                          | 1,224              | -                                   | 1,224           | 1,165      | 59                             |
| Total Central Services                              | 384,449            | 35,000                              | 419,449         | 379,913    | 39,536                         |



**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget  | Actual           | Variance<br>Final To<br>Actual |
|--|--------------------|-------------------------------------|------------------|------------------|--------------------------------|
| <b>EXPENDITURES</b>  |                    |                                     |                  |                  |                                |
| <b>CURRENT EXPENDITURES (Continued)</b>  |                    |                                     |                  |                  |                                |
| Undistributed Expenditures (Continued)   |                    |                                     |                  |                  |                                |
| Admin. Info. Tech.   |                    |                                     |                  |                  |                                |
| Salaries   | \$ 9,088           | \$ -                                | \$ 9,088         | \$ 9,072         | \$ 16                          |
| Other Objects  | 2,244              | -                                   | 2,244            | -                | 2,244                          |
| Total Admin. Info. Tech  | <u>11,332</u>      | <u>-</u>                            | <u>11,332</u>    | <u>9,072</u>     | <u>2,260</u>                   |
| Required Maintenance For School Facilities   |                    |                                     |                  |                  |                                |
| Salaries   | 91,974             | -                                   | 91,974           | 91,974           | -                              |
| Cleaning, Repair and Maintenance Services  | 147,040            | (1,901)                             | 145,139          | 83,049           | 62,090                         |
| General Supplies   | 73,150             | 465                                 | 73,615           | 71,098           | 2,517                          |
| Other Objects  | 14,530             | -                                   | 14,530           | 5,090            | 9,440                          |
| Total Required Maint. For School Facilities  | <u>326,694</u>     | <u>(1,436)</u>                      | <u>325,258</u>   | <u>251,211</u>   | <u>74,047</u>                  |
| Custodial Services   |                    |                                     |                  |                  |                                |
| Salaries   | 944,852            | (60,000)                            | 884,852          | 798,996          | 85,856                         |
| Cleaning, Repair and Maintenance Services  | 52,654             | -                                   | 52,654           | 37,435           | 15,219                         |
| Other Purchased Property Services  | 20,400             | -                                   | 20,400           | 16,320           | 4,080                          |
| Insurance  | 76,500             | -                                   | 76,500           | 67,306           | 9,194                          |
| General Supplies   | 37,640             | 1,434                               | 39,074           | 10,103           | 28,971                         |
| Energy (Natural Gas)   | 102,000            | -                                   | 102,000          | 64,663           | 37,337                         |
| Energy (Electricity)   | 173,400            | -                                   | 173,400          | 104,765          | 68,635                         |
| Other Objects  | 10,306             | -                                   | 10,306           | 6,619            | 3,687                          |
| Total Custodial Services   | <u>1,417,752</u>   | <u>(58,566)</u>                     | <u>1,359,186</u> | <u>1,106,207</u> | <u>252,979</u>                 |
| Security Services  |                    |                                     |                  |                  |                                |
| Salaries   | 60,000             | (46,230)                            | 13,770           | -                | 13,770                         |
| Purchased Professional & Technical Services  | 142,800            | 11,230                              | 154,030          | 154,030          | -                              |
| Total Security Services  | <u>202,800</u>     | <u>(35,000)</u>                     | <u>167,800</u>   | <u>154,030</u>   | <u>13,770</u>                  |
| Student Transportation Services  |                    |                                     |                  |                  |                                |
| Salaries for Pupil Transportation (Bet Home & School) - Reg.<br>(Bet Home & School) - Reg. | 32,000             | -                                   | 32,000           | 18,321           | 13,679                         |
| Contracted Services - Aid in Lieu Payments - Nonpublic                                     | 85,000             | (18,656)                            | 66,344           | 60,760           | 5,584                          |
| Contracted Services (Between Home and<br>School) - Vendors                                 | 212,054            | 18,156                              | 230,210          | 230,210          | -                              |
| Contracted Services (Other than Between<br>Home and School - Vendors                       | 9,754              | -                                   | 9,754            | 4,675            | 5,079                          |
| Contracted Services - (Spl. Ed. Students) -<br>Joint Agreements                            | 224,480            | 500                                 | 224,980          | 156,592          | 68,388                         |
| Total Student Transportation Services  | <u>563,288</u>     | <u>-</u>                            | <u>563,288</u>   | <u>470,558</u>   | <u>92,730</u>                  |

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| EXPENDITURES   | Original<br>Budget | Adjustments/<br>Budget<br>Transfers | Final<br>Budget    | Actual            | Variance<br>Final To<br>Actual |
|--|--------------------|-------------------------------------|--------------------|-------------------|--------------------------------|
| <b>CURRENT EXPENDITURES (Continued)</b>  |                    |                                     |                    |                   |                                |
| Unallocated Benefits - Employee Benefits   |                    |                                     |                    |                   |                                |
| Social Security Contributions  | \$ 224,400         | -                                   | \$ 224,400         | \$ 212,283        | \$ 12,117                      |
| TPAF Contributions - ERIP  | 41,400             | -                                   | 41,400             | 7,409             | 33,991                         |
| Other Retirement Contributions - PERS  | 252,421            | -                                   | 252,421            | 242,133           | 10,288                         |
| Other Retirement Contributions - DCRP  | 25,000             | -                                   | 25,000             | 18,831            | 6,169                          |
| Unemployment Compensation  | 10,404             | (481)                               | 9,923              | -                 | 9,923                          |
| Workmen's Compensation   | 126,695            | 60,190                              | 186,885            | 186,885           | -                              |
| Health Benefits  | 3,146,166          | (59,710)                            | 3,086,456          | 2,547,366         | 539,090                        |
| Tuition Reimbursement  | 10,000             | -                                   | 10,000             | 2,880             | 7,120                          |
| Other Employee Benefits  | 60,000             | (35,000)                            | 25,000             | 15,000            | 10,000                         |
| Total Unallocated Benefits - Employee Benefits                                   | <u>3,896,486</u>   | <u>(35,001)</u>                     | <u>3,861,485</u>   | <u>3,232,787</u>  | <u>628,698</u>                 |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Pension                        |                    |                                     |                    | 1,251,999         | (1,251,999)                    |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - NCGI Premium                   |                    |                                     |                    | 26,208            | (26,208)                       |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Post Retirement Medical Contr. |                    |                                     |                    | 579,792           | (579,792)                      |
| On-behalf TPAF Pension Payments<br>(Non-Budget) - Long-Term Disability Ins.      |                    |                                     |                    | 1,491             | (1,491)                        |
| On-behalf TPAF Social Security Payments<br>(Non-Budget)                          | -                  | -                                   | -                  | 463,374           | (463,374)                      |
| Total On-Behalf Payments   | -                  | -                                   | -                  | <u>2,322,864</u>  | <u>(2,322,864)</u>             |
| Total Undistributed Expenditures   | <u>10,626,084</u>  | <u>112,531</u>                      | <u>10,738,615</u>  | <u>10,959,643</u> | <u>(221,028)</u>               |
| Total Expenditures - Current Expenditures  | <u>17,821,095</u>  | <u>(1,753)</u>                      | <u>17,819,342</u>  | <u>16,984,983</u> | <u>834,359</u>                 |
| <b>CAPITAL OUTLAY</b>  |                    |                                     |                    |                   |                                |
| <b>Equipment</b>   |                    |                                     |                    |                   |                                |
| Regular Instruction  |                    | 1,753                               | 1,753              | 1,753             | -                              |
| School Administration  | 7,700              |                                     | 7,700              |                   | 7,700                          |
| Required Maintenance for School Facilities                                       | 9,000              | -                                   | 9,000              | 450               | 8,550                          |
| Total Equipment  | <u>16,700</u>      | <u>1,753</u>                        | <u>18,453</u>      | <u>2,203</u>      | <u>16,250</u>                  |
| <b>Facilities Acquisition and Construction Services</b>                          |                    |                                     |                    |                   |                                |
| Other Purchased Professional and Technical Services                              | 10,000             | -                                   | 10,000             | -                 | 10,000                         |
| Construction Services  | 394,343            | -                                   | 394,343            | 292,525           | 101,818                        |
| Other Objects (Debt Service Assessment)  | 38,436             | -                                   | 38,436             | 38,436            | -                              |
| Total Facilities Acquisition and Construction Services                           | <u>442,779</u>     | <u>-</u>                            | <u>442,779</u>     | <u>330,961</u>    | <u>111,818</u>                 |
| Total Capital Outlay   | <u>459,479</u>     | <u>1,753</u>                        | <u>461,232</u>     | <u>333,164</u>    | <u>128,068</u>                 |
| Transfer to Charter School   | 94,305             | -                                   | 94,305             | 61,049            | 33,256                         |
| Total Expenditures   | <u>18,374,879</u>  | <u>-</u>                            | <u>18,374,879</u>  | <u>17,379,196</u> | <u>995,683</u>                 |
| Excess (Deficiency) of Revenues<br>Over/(Under) Expenditures                     | <u>(2,152,993)</u> | <u>-</u>                            | <u>(2,152,993)</u> | <u>1,658,028</u>  | <u>3,811,021</u>               |
| <b>Other Financing Sources (Uses)</b>  |                    |                                     |                    |                   |                                |
| Operating Transfer In  | -                  | -                                   | -                  | -                 | -                              |
| Total Other Financing Sources  | <u>-</u>           | <u>-</u>                            | <u>-</u>           | <u>-</u>          | <u>-</u>                       |

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | <u>Original<br/>Budget</u> | <u>Adjustments/<br/>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Final To<br/>Actual</u> |
|--|----------------------------|--|-------------------------|---------------------|---|
| Excess (Deficiency) of Revenues Over/(Under)<br>Expenditures and Other Financing Sources | \$ (2,152,993)             |  | \$ (2,152,993)          | \$ 1,658,028        | \$ 3,811,021                            |
| Fund Balance, Beginning of Year  | <u>6,118,465</u>           | <u>-</u>                                     | <u>6,118,465</u>        | <u>6,118,465</u>    | <u>-</u>                                |
| Fund Balance, End of Year  | <u>\$ 3,965,472</u>        | <u>\$ -</u>                                  | <u>\$ 3,965,472</u>     | <u>\$ 7,776,493</u> | <u>\$ 3,811,021</u>                     |

**Recapitulation of Fund Balance**

|   |                     |
|---|---------------------|
| Restricted  |                     |
| Capital Reserve   | \$ 6,738            |
| Excess Surplus  | 3,822,169           |
| Excess Surplus - Designated in Subsequent Year's Budget | 3,295,549           |
| Assigned  |                     |
| Year End Encumbrances                                   | 159,156             |
| Designated in Subsequent Year's Budget                  | 87,884              |
| Unassigned  | <u>404,997</u>      |
|   | 7,776,493           |
| Reconciliation to Governmental Funds Statements (GAAP): |                     |
| Less: State Aid Payments Not Recognized on GAAP Basis   | <u>(139,931)</u>    |
| Fund Balance Per Governmental Funds (GAAP)              | <u>\$ 7,636,562</u> |

**TOTOWA BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | <u>Original<br/>Budget</u> | <u>Adjustments/<br/>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Final to Actual</u> |
|--|----------------------------|--|-------------------------|----------------|-------------------------------------|
| <b>REVENUES</b>  |                            |  |                         |                |                                     |
| Intergovernmental  |                            |  |                         |                |                                     |
| State  | \$ 167,317                 | \$ 81,122                                    | \$ 248,439              | \$ 211,423     | \$ (37,016)                         |
| Federal  | 397,503                    | 111,536                                      | 509,039                 | 483,768        | (25,271)                            |
| Total Revenues   | <u>564,820</u>             | <u>192,658</u>                               | <u>757,478</u>          | <u>695,191</u> | <u>(62,287)</u>                     |
| <b>EXPENDITURES</b>  |                            |  |                         |                |                                     |
| Instruction  |                            |  |                         |                |                                     |
| Salaries of Teachers   | 169,184                    | (9,822)                                      | 159,362                 | 159,362        | -                                   |
| Tuition  | 228,319                    | 13,977                                       | 242,296                 | 242,296        | -                                   |
| Other Purchased Services                                     |                            | 1,080  | 1,080                   | -              | 1,080                               |
| General Supplies   |                            | 6,852  | 6,852                   | 6,065          | 787                                 |
| Textbooks  | 14,611                     | (4,892)                                      | 9,719                   | 9,489          | 230                                 |
| Total Instruction  | <u>412,114</u>             | <u>7,195</u>                                 | <u>419,309</u>          | <u>417,212</u> | <u>2,097</u>                        |
| Support Services   |                            |  |                         |                |                                     |
| Salaries   |                            | -  |                         |                | -                                   |
| Personal Services-Employee Benefits                          |                            | 49,405                                       | 49,405                  | 49,405         | -                                   |
| Purchased Prof./Ed. Services                                 | 125,045                    | 111,629                                      | 236,674                 | 180,086        | 56,588                              |
| Other Purchased Services                                     | 15,598                     | (9,262)                                      | 6,336                   | 3,250          | 3,086                               |
| Miscellaneous Purchased Services                             |                            | 17,848                                       | 17,848                  | 17,848         | -                                   |
| Supplies and Materials                                       | 12,063                     | 15,537                                       | 27,600                  | 27,390         | 210                                 |
| Other Objects  | -                          | 306  | 306                     | -              | 306                                 |
| Total Support Services                                       | <u>152,706</u>             | <u>185,463</u>                               | <u>338,169</u>          | <u>277,979</u> | <u>60,190</u>                       |
| Total Expenditures   | <u>564,820</u>             | <u>192,658</u>                               | <u>757,478</u>          | <u>695,191</u> | <u>62,287</u>                       |
| Excess (Deficiency) of Revenues<br>Over/(Under) Expenditures | <u>-</u>                   | <u>-</u>                                     | <u>-</u>                | <u>-</u>       | <u>-</u>                            |
| Fund Balances, Beginning of Year                             | <u>-</u>                   | <u>-</u>                                     | <u>-</u>                | <u>-</u>       | <u>-</u>                            |
| Fund Balances, End of Year                                   | <u>\$ -</u>                | <u>\$ -</u>                                  | <u>\$ -</u>             | <u>\$ -</u>    | <u>\$ -</u>                         |

**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, 2019**

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<br/>Fund</u>    | <u>Special<br/>Revenue<br/>Fund</u> |
|--|----------------------------|-------------------------------------|
| <b>Sources/inflows of resources</b>  |                            |                                     |
| Actual amounts (budgetary basis) "revenue"<br>from the budgetary comparison schedule   | (C-1) \$ 19,037,224        | (C-2) \$ 695,191                    |
| Difference - Budget to GAAP:<br>Grant accounting budgetary basis differs from GAAP in that<br>encumbrances are recognized as expenditures, and the related<br>revenue is recognized - Current Year |                            |                                     |
| State Aid payment not recognized for budgetary purposes,<br>recognized for GAAP statements - Prior Year  | 223,278                    |                                     |
| State Aid payment and extraordinary aid recognized for budgetary purposes, not<br>recognized for GAAP statements - Current Year  | <u>(139,931)</u>           | <u>-</u>                            |
| Total revenues as reported on the Statement of Revenues, Expenditures<br>and Changes in Fund Balances - Governmental Funds.  | (B-2) \$ <u>19,120,571</u> | \$ <u>695,191</u>                   |
| <b>Uses/outflows of resources</b>  |                            |                                     |
| Actual amounts (budgetary basis) "total outflows" from the<br>budgetary comparison schedule  | (C-1) \$ <u>17,379,196</u> | (C-2) \$ <u>695,191</u>             |
| Total expenditures as reported on the Statement of Revenues,<br>Expenditures, and Changes in Fund Balances - Governmental Funds  | (B-2) \$ <u>17,379,196</u> | \$ <u>695,191</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 Six Fiscal Years\*

|   | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's Proportion of the Net Position Liability (Asset)   | 0.02423%     | 0.02370%     | 0.02124%     | 0.02283%     | 0.02100%     | 0.02581%     |
| District's Proportionate Share of the Net Pension Liability (Asset)   | \$ 4,770,366 | \$ 5,516,147 | \$ 6,293,075 | \$ 5,126,424 | \$ 3,931,843 | \$ 4,933,157 |
| District's Covered-Employee Payroll   | \$ 1,707,445 | \$ 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 | 279.39%      | 328.29%      | 388.47%      | 343.01%      | 263.86%      | 296.16%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  | 53.60%       | 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 Six Fiscal Years**

|  | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution                                  | \$ 240,990     | \$ 219,522     | \$ 188,765     | \$ 196,336     | \$ 180,156     | \$ 194,487     |
| Contributions in Relation to the Contractually Required Contribution | <u>240,990</u> | <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>    | <u>\$ -</u>    |
| District's Covered-Employee Payroll                                  | \$ 1,707,445   | \$ 1,680,287   | \$ 1,619,960   | \$ 1,494,545   | \$ 1,490,126   | \$ 1,665,683   |
| Contributions as a Percentage of Covered-Employee Payroll            | 14.10%         | 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 Six Fiscal Years\***

|   | <u>2019</u>          | <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%                   | 0%                   |
| District's Proportionate Share of the Net Pension Liability (Asset)   | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                  |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District                       | <u>\$ 40,561,924</u> | <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> |
| <b>Total</b>  | <u>\$ 40,561,924</u> | <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   | \$ 6,240,719         | \$ 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%                   | 0%                   |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  | 26.49%               | 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, 2019**

**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 4d.

**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 Two Fiscal Years\***

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>Total OPEB Liability</b>  |                      |                      |
| Service Cost   | \$ 1,112,205         | \$ 1,320,216         |
| Interest on Total OPEB Liability   | 1,148,107            | 997,819              |
| Changes of Benefit Terms   |                      |                      |
| Differences Between Expected and Actual Experience   | (3,269,243)          |                      |
| Changes of Assumptions   | (3,047,401)          | (4,134,865)          |
| Gross Benefit Payments   | (710,090)            | (873,399)            |
| Contribution from the Member   | <u>24,542</u>        | <u>32,161</u>        |
| <b>Net Change in Total OPEB Liability</b>  | (4,741,880)          | (2,658,068)          |
| <b>Total OPEB Liability - Beginning</b>  | <u>31,297,595</u>    | <u>33,955,663</u>    |
| <b>Total OPEB Liability - Ending</b>   | <u>\$ 26,555,715</u> | <u>\$ 31,297,595</u> |
| <br>   |                      |                      |
| District's Proportionate Share of OPEB Liability   | \$ -                 | \$ -                 |
| State's Proportionate Share of OPEB Liability  | <u>26,555,715</u>    | <u>31,297,595</u>    |
| Total OPEB Liability - Ending  | <u>\$ 26,555,715</u> | <u>\$ 31,297,595</u> |
| <br>   |                      |                      |
| District's Covered-Employee Payroll  | <u>\$ 7,948,164</u>  | <u>\$ 8,264,007</u>  |
| <br>   |                      |                      |
| District's Proportionate Share of the<br>Total OPEB Liability as a Percentage of its<br>Covered-Employee Payroll | 0%                   | 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, 2019**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

Assumptions used in calculating the OPEB liability are presented in Note 4E.

**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, 2019

|                                       | ESSA       |            |           | IDEA Part B |           | Chapter 192        |        | Chapter 193          |                           |                             | Nonpublic<br>Nursing | Nonpublic<br>Textbook | Nonpublic<br>Security | Nonpublic<br>Technology | Total      |
|---------------------------------------|------------|------------|-----------|-------------|-----------|--------------------|--------|----------------------|---------------------------|-----------------------------|----------------------|-----------------------|-----------------------|-------------------------|------------|
|                                       | Title I    | Title I, A | Title III | Basic       | Preschool | Comp.<br>Education | ESL    | Corrective<br>Speech | Exam. &<br>Classification | Supplemental<br>Instruction |                      |                       |                       |                         |            |
| <b>REVENUES</b>                       |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         |            |
| Intergovernmental                     |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         |            |
| Federal                               | \$ 177,099 | \$ 40,807  | \$ -      | \$ 257,005  | \$ 8,857  |                    |        |                      |                           |                             |                      |                       |                       |                         | \$ 483,768 |
| State                                 | -          | -          | -         | -           | -         | \$ 91,114          | \$ 863 | \$ 8,839             | \$ 29,118                 | \$ 20,697                   | \$ 17,848            | \$ 9,489              | \$ 27,390             | \$ 6,065                | 211,423    |
| Total Revenues                        | \$ 177,099 | \$ 40,807  | \$ -      | \$ 257,005  | \$ 8,857  | \$ 91,114          | \$ 863 | \$ 8,839             | \$ 29,118                 | \$ 20,697                   | \$ 17,848            | \$ 9,489              | \$ 27,390             | \$ 6,065                | \$ 695,191 |
| <b>EXPENDITURES</b>                   |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         |            |
| Instruction                           |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         |            |
| Salaries of Teachers                  | \$ 132,708 | \$ 26,654  |           | \$ 233,439  | \$ 8,857  |                    |        |                      |                           |                             |                      |                       |                       |                         | \$ 159,362 |
| Tuition                               |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         | 242,296    |
| General Supplies                      |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       | \$ 6,065                | 6,065      |
| Textbooks                             |            |            |           |             |           |                    |        |                      |                           |                             |                      | \$ 9,489              |                       |                         | 9,489      |
| Total Instruction                     | 132,708    | 26,654     | -         | 233,439     | 8,857     | -                  | -      | -                    | -                         | -                           | -                    | 9,489                 | -                     | 6,065                   | 417,212    |
| Support Services                      |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         |            |
| Personal Services - Employee Benefits | 41,141     | 8,264      |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         | 49,405     |
| Purchased Prof./Ed. Services          |            | 5,889      |           | 23,566      |           | \$ 91,114          | \$ 863 | \$ 8,839             | \$ 29,118                 | \$ 20,697                   |                      |                       |                       |                         | 180,086    |
| Other Purchased Services              | 3,250      |            |           |             |           |                    |        |                      |                           |                             |                      |                       |                       |                         | 3,250      |
| Miscellaneous Purchased Services      |            |            |           |             |           |                    |        |                      |                           |                             | \$ 17,848            |                       |                       |                         | 17,848     |
| Supplies and Materials                |            |            |           |             |           |                    |        |                      |                           |                             |                      |                       | \$ 27,390             |                         | 27,390     |
| Total Support Services                | 44,391     | 14,153     | -         | 23,566      | -         | 91,114             | 863    | 8,839                | 29,118                    | 20,697                      | 17,848               | -                     | 27,390                | -                       | 277,979    |
| Total Expenditures                    | \$ 177,099 | \$ 40,807  | \$ -      | \$ 257,005  | \$ 8,857  | \$ 91,114          | \$ 863 | \$ 8,839             | \$ 29,118                 | \$ 20,697                   | \$ 17,848            | \$ 9,489              | \$ 27,390             | \$ 6,065                | \$ 695,191 |

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**TOTOWA BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOT APPLICABLE**

**CAPITAL PROJECTS FUND**

**NOT APPLICABLE**

**ENTERPRISE FUND**

**TOTOWA BOARD OF EDUCATION  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

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, 2019**

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, 2019**

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, 2019**

|   | <u>Student<br/>Activity</u> | <u>Payroll</u>    | <u>Total<br/>Agency Funds</u> |
|---|-----------------------------|-------------------|-------------------------------|
| <b>ASSETS</b>                               |                             |                   |                               |
| Cash  | \$ 109,956                  | \$ 202,324        | \$ 312,280                    |
| Total Assets                                | <u>\$ 109,956</u>           | <u>\$ 202,324</u> | <u>\$ 312,280</u>             |
| <b>LIABILITIES</b>                          |                             |                   |                               |
| Accrued Salaries and Wages                  |                             | \$ 176,296        | \$ 176,296                    |
| Payroll Deductions and Withholdings Payable |                             | 11,612            | 11,612                        |
| Due to Other Funds                          |                             | 14,036            | 14,036                        |
| Reserve for Flex Spending                   |                             | 380               | 380                           |
| Due to Student Groups                       | <u>\$ 109,956</u>           | <u>-</u>          | <u>109,956</u>                |
| Total Liabilities                           | <u>\$ 109,956</u>           | <u>\$ 202,324</u> | <u>\$ 312,280</u>             |

**TOTOWA BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

|                       | <u>Balance,</u><br><u>July 1, 2018</u> | <u>Receipts</u>   | <u>Disbursements</u> | <u>Balance,</u><br><u>June 30, 2019</u> |
|-----------------------|--|-------------------|----------------------|---|
| Due to Student Groups |  |                   |                      |   |
| Elementary Schools    |  |                   |                      |   |
| Washington Park       | \$ 75,867                              | \$ 99,255         | \$ 77,480            | \$ 97,642                               |
| Memorial              | 12,475                                 | 3,069             | 3,230                | 12,314                                  |
|                       | <u>          </u>                      | <u>          </u> | <u>          </u>    | <u>          </u>                       |
| Total All Schools     | <u>\$ 88,342</u>                       | <u>\$ 102,324</u> | <u>\$ 80,710</u>     | <u>\$ 109,956</u>                       |

**TOTOWA BOARD OF EDUCATION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|   | <b>Balance,<br/>July 1,<br/><u>2018</u></b> | <b><u>Additions</u></b>  | <b><u>Deletions</u></b>  | <b>Balance,<br/>June 30,<br/><u>2019</u></b> |
|---|---|--------------------------|--------------------------|--|
| <b>LIABILITIES</b>                      |   |                          |                          |  |
| Payroll Deductions and Withholdings     | \$ 11,498                                   | \$ 4,647,981             | \$ 4,647,867             | \$ 11,612                                    |
| Accrued Salaries and Wages - Regular    | 1,532                                       | 5,545,346                | 5,545,346                | 1,532  |
| Accrued Salaries and Wages - Summer Pay | 151,959                                     | 174,764                  | 151,959                  | 174,764                                      |
| Reserve for Flex Spending               | 255   | 300                      | 175                      | 380  |
| Due to Other Funds                      | <u>8,364</u>                                | <u>5,672</u>             | <u>-</u>                 | <u>14,036</u>                                |
| <br>Total                               | <br><u>\$ 173,608</u>                       | <br><u>\$ 10,374,063</u> | <br><u>\$ 10,345,347</u> | <br><u>\$ 202,324</u>                        |



**LONG-TERM DEBT**

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| <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, 2018</u> | <u>Issued</u>  | <u>Retired</u>    | <u>Balance, June 30, 2019</u> |
|-----------------|----------------------|------------------------|--------------------------|---------------|----------------------|------------------------------|----------------|-------------------|-------------------------------|
|                 |                      |                        | <u>Date</u>              | <u>Amount</u> |                      |                              |                |                   |                               |
| Refunding Bonds | 1/25/2013            | \$ 5,460,000           | 2/15/2020                | 645,000       | 4.000%               | \$ 2,630,000                 |                | \$ 615,000        | \$ 2,015,000                  |
|                 |                      |                        | 2/15/2021                | 665,000       | 4.000%               |                              |                |                   |                               |
|                 |                      |                        | 2/15/2022                | 705,000       | 4.000%               |                              |                |                   |                               |
|                 |                      |                        |                          |               |                      | <u>\$ 2,630,000</u>          | <u>\$ -</u>    | <u>\$ 615,000</u> | <u>\$ 2,015,000</u>           |
|                 |                      |                        |                          |               |                      |                              | Paid by Budget | <u>\$ 615,000</u> |                               |

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOT APPLICABLE**

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| <b>REVENUES</b>  |                            |                             |                         |                |                                     |
| Local Sources  |                            |                             |                         |                |                                     |
| Local Tax Levy   | \$ 720,200                 | -                           | \$ 720,200              | \$ 720,200     | -                                   |
| Total Revenues   | <u>720,200</u>             | <u>-</u>                    | <u>720,200</u>          | <u>720,200</u> | <u>-</u>                            |
| <b>EXPENDITURES</b>  |                            |                             |                         |                |                                     |
| Regular Debt Service   |                            |                             |                         |                |                                     |
| Principal  | 615,000                    |                             | 615,000                 | 615,000        |                                     |
| Interest   | <u>105,200</u>             | <u>-</u>                    | <u>105,200</u>          | <u>105,200</u> | <u>-</u>                            |
| Total Expenditures   | <u>720,200</u>             | <u>-</u>                    | <u>720,200</u>          | <u>720,200</u> | <u>-</u>                            |
| Excess (Deficiency) of Revenues<br>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   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2010                | 2011                | 2012                | 2013                | 2014 (Restated)     | 2015                | 2016                | 2017                | 2018                | 2019                |
| <b>Governmental Activities</b>                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net Investment in Capital Assets                   | \$ 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        | \$ 5,423,551        |
| Restricted   | 117,070             | 97,306              | 154,563             | 32,236              | 21,979              | 5,687               | 5,767               | 5,767               | 6,124               | 6,738               |
| Unrestricted                                       | <u>2,065,023</u>    | <u>2,005,795</u>    | <u>2,328,848</u>    | <u>3,044,331</u>    | <u>(2,077,189)</u>  | <u>(2,502,811)</u>  | <u>(2,242,805)</u>  | <u>(1,736,407)</u>  | <u>(85,496)</u>     | <u>1,684,939</u>    |
| <b>Total Governmental Activities Net Position</b>  | <b>\$ 4,873,608</b> | <b>\$ 4,963,651</b> | <b>\$ 5,379,968</b> | <b>\$ 6,079,240</b> | <b>\$ 1,285,446</b> | <b>\$ 1,295,959</b> | <b>\$ 1,930,666</b> | <b>\$ 2,755,137</b> | <b>\$ 4,721,783</b> | <b>\$ 7,115,228</b> |
| <b>Business-Type Activities</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net Investment in Capital Assets                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Restricted   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Unrestricted                                       | \$ 68,261           | \$ 90,516           | \$ 98,736           | \$ 103,054          | \$ 115,227          | \$ 110,636          | \$ 115,354          | \$ 139,795          | \$ 169,434          | \$ 118,940          |
| <b>Total Business-Type Activities Net Position</b> | <b>\$ 68,261</b>    | <b>\$ 90,516</b>    | <b>\$ 98,736</b>    | <b>\$ 103,054</b>   | <b>\$ 115,227</b>   | <b>\$ 110,636</b>   | <b>\$ 115,354</b>   | <b>\$ 139,795</b>   | <b>\$ 169,434</b>   | <b>\$ 118,940</b>   |
| <b>District-Wide</b>                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net Investment in Capital Assets                   | \$ 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        | \$ 5,423,551        |
| Restricted   | 117,070             | 97,306              | 154,563             | 32,236              | 21,979              | 5,687               | 5,767               | 5,767               | 6,124               | 6,738               |
| Unrestricted                                       | <u>2,133,284</u>    | <u>2,096,311</u>    | <u>2,427,584</u>    | <u>3,147,385</u>    | <u>(1,961,962)</u>  | <u>(2,392,175)</u>  | <u>(2,127,451)</u>  | <u>(1,596,612)</u>  | <u>83,938</u>       | <u>1,803,879</u>    |
| <b>Total District Net Position</b>                 | <b>\$ 4,941,869</b> | <b>\$ 5,054,167</b> | <b>\$ 5,478,704</b> | <b>\$ 6,182,294</b> | <b>\$ 1,400,673</b> | <b>\$ 1,406,595</b> | <b>\$ 2,046,020</b> | <b>\$ 2,894,932</b> | <b>\$ 4,891,217</b> | <b>\$ 7,234,168</b> |

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    |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| <b>Expenses</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental Activities                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Instruction  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Regular  | \$ 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        | \$ 9,149,053         |
| Special Education                                      | 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            | 1,979,547            |
| Other Instruction                                      | 465,383              | 593,159              | 573,051              | 370,870              | 262,489              | 309,226              | 514,346              | 217,306              | 162,033              | 691,041              |
| School Sponsored Activities And Athletics              | 8,238                | 5,217                | 4,780                | 3,071                | 2,025                | -                    | -                    | -                    | 773                  | -                    |
| Support Services:                                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Student & Instruction Related Services                 | 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            | 3,053,476            |
| General Administration                                 | 667,796              | 573,380              | 705,178              | 801,427              | 757,434              | 564,468              | 565,830              | 605,195              | 616,877              | 578,068              |
| School Administrative Services                         | 534,856              | 639,407              | 745,495              | 727,904              | 837,684              | 930,742              | 943,181              | 1,001,594            | 1,065,105            | 1,150,795            |
| Other Support Services                                 | 368,456              | 404,065              | 455,910              | 478,021              | 442,115              | 459,313              | 518,059              | 551,810              | 623,749              | 592,734              |
| Plant Operations And Maintenance                       | 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            | 2,033,351            |
| Pupil Transportation                                   | 409,175              | 372,654              | 405,861              | 381,361              | 406,677              | 471,983              | 514,332              | 526,669              | 496,463              | 480,467              |
| Interest On Long-Term Debt                             | 317,817              | 297,576              | 276,942              | 131,817              | 117,250              | 108,632              | 99,770               | 90,617               | 81,202               | 69,244               |
| <b>Total Governmental Activities Expenses</b>          | <b>14,957,192</b>    | <b>14,698,324</b>    | <b>15,260,369</b>    | <b>15,539,029</b>    | <b>16,210,391</b>    | <b>18,596,285</b>    | <b>19,370,899</b>    | <b>21,254,217</b>    | <b>21,279,119</b>    | <b>19,777,776</b>    |
| Business-Type Activities:                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Food Service   | 269,279              | 302,041              | 332,751              | 354,840              | 408,029              | 410,104              | 430,241              | 453,086              | 463,240              | 534,960              |
| <b>Total Business-Type Activities Expense</b>          | <b>269,279</b>       | <b>302,041</b>       | <b>332,751</b>       | <b>354,840</b>       | <b>408,029</b>       | <b>410,104</b>       | <b>430,241</b>       | <b>453,086</b>       | <b>463,240</b>       | <b>534,960</b>       |
| <b>Total District Expenses</b>                         | <b>\$ 15,226,471</b> | <b>\$ 15,000,365</b> | <b>\$ 15,593,120</b> | <b>\$ 15,893,869</b> | <b>\$ 16,618,420</b> | <b>\$ 19,006,389</b> | <b>\$ 19,801,140</b> | <b>\$ 21,707,303</b> | <b>\$ 21,742,359</b> | <b>\$ 20,312,736</b> |
| <b>Program Revenues</b>                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental Activities:                               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges For Services:                                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Instruction (Tuition)                                  | \$ 173,659           | \$ 159,033           | \$ 320,503           | \$ 367,690           | \$ 245,546           | \$ 249,491           | \$ 289,742           | \$ 297,706           | \$ 442,202           | \$ 319,356           |
| Operating Grants And Contributions                     | 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            | 5,529,866            |
| Capital Grants And Contributions                       | 125,355              | 13,997               | 44,062               | -                    | 55,400               | -                    | -                    | -                    | -                    | -                    |
| <b>Total Governmental Activities Program Revenues</b>  | <b>2,525,095</b>     | <b>1,678,619</b>     | <b>2,440,814</b>     | <b>2,752,743</b>     | <b>2,674,293</b>     | <b>4,538,549</b>     | <b>5,246,572</b>     | <b>6,623,878</b>     | <b>7,391,170</b>     | <b>5,849,222</b>     |
| Business-Type Activities:                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges For Services                                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Food Service   | \$ 229,515           | \$ 245,793           | \$ 252,665           | \$ 253,558           | \$ 277,756           | \$ 260,744           | \$ 283,479           | \$ 314,176           | \$ 325,192           | \$ 326,347           |
| Operating Grants And Contributions                     | 67,174               | 78,342               | 88,145               | 105,446              | 142,198              | 144,512              | 151,226              | 162,906              | 165,817              | 154,904              |
| <b>Total Business Type Activities Program Revenues</b> | <b>296,689</b>       | <b>324,135</b>       | <b>340,808</b>       | <b>359,004</b>       | <b>419,954</b>       | <b>405,256</b>       | <b>434,705</b>       | <b>477,082</b>       | <b>491,009</b>       | <b>481,251</b>       |
| <b>Total District Program Revenues</b>                 | <b>\$ 2,821,784</b>  | <b>\$ 2,002,754</b>  | <b>\$ 2,781,622</b>  | <b>\$ 3,111,747</b>  | <b>\$ 3,094,247</b>  | <b>\$ 4,943,805</b>  | <b>\$ 5,681,277</b>  | <b>\$ 7,100,960</b>  | <b>\$ 7,882,179</b>  | <b>\$ 6,330,473</b>  |

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

|   | Fiscal Year Ended      |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2010                   | 2011                   | 2012                   | 2013                   | 2014                   | 2015                   | 2016                   | 2017                   | 2018                   | 2019                   |
| <b>Net (Expense)/Revenue</b>                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities                                   | \$ (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)        | \$ (13,928,554)        |
| Business-Type Activities                                  | 27,410                 | 22,094                 | 8,057                  | 4,164                  | 11,925                 | (4,848)                | 4,464                  | 23,996                 | 27,769                 | (53,709)               |
| <b>Total District-Wide Net Expense</b>                    | <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> | <u>\$ (13,982,263)</u> |
| <b>General Revenues and Other Changes in Net Position</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities:                                  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property Taxes Levied For General Purposes, Net           | \$ 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          | \$ 15,416,258          |
| Taxes Levied For Debt Service                             | 761,399                | 777,816                | 777,410                | 657,058                | 728,724                | 707,837                | 722,700                | 725,750                | 723,200                | 720,200                |
| Investment Earnings                                       | 27,089                 | 16,826                 | 16,044                 | 12,381                 | 15,145                 | 10,994                 | 9,879                  | 17,787                 | 68,427                 | 146,987                |
| Federal and State Aid - Unrestricted                      |                        |                        |                        |                        |                        | 20,320                 | 19,382                 | 30,485                 | 27,776                 | 4,550                  |
| State Aid Restricted for Debt Service                     |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Miscellaneous Income                                      | 1,087                  | 20,695                 | 2,725                  | 25,014                 | 20,343                 | 13,232                 | 10,703                 | 134,210                | 59,974                 | 34,004                 |
| Accrued Interest on Bonds                                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| <b>Total Governmental Activities</b>                      | <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>      | <u>16,321,999</u>      |
| Business-Type Activities:                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Investment Earnings                                       | 201                    | 161                    | 163                    | 154                    | 248                    | 257                    | 254                    | 445                    | 1,870                  | 3,215                  |
| Transfers   | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| <b>Total Business-Type Activities</b>                     | <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>           | <u>3,215</u>           |
| <b>Total District-Wide</b>                                | <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>   | <u>\$ 16,325,214</u>   |
| <b>Change in Net Position</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities                                   | \$ 251,142             | \$ 90,043              | \$ 516,923             | \$ 699,272             | \$ 275,041             | \$ 2,513               | \$ 634,707             | \$ 824,471             | \$ 1,966,646           | \$ 2,393,445           |
| Business-Type Activities                                  | 27,611                 | 22,255                 | 8,220                  | 4,318                  | 12,173                 | (4,591)                | 4,718                  | 24,441                 | 29,639                 | (50,494)               |
|   | <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>       | <u>2,342,951</u>       |
| Transfer Out  | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| <b>Net Change in Net Position</b>                         |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities                                   | \$ 251,142             | \$ 90,043              | \$ 516,923             | \$ 699,272             | \$ 275,041             | \$ 2,513               | \$ 634,707             | \$ 824,471             | \$ 1,966,646           | \$ 2,393,445           |
| Business-Type Activities                                  | 27,611                 | 22,255                 | 8,220                  | 4,318                  | 12,173                 | (4,591)                | 4,718                  | 24,441                 | 29,639                 | (50,494)               |
| <b>Total District</b>                                     | <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>    | <u>\$ 2,342,951</u>    |



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

|   | 2010                | 2011                | 2012                | 2013                | Fiscal Year Ended   |                     | 2016                | 2017                | 2018                | 2019                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   |                     |                     |                     |                     | 2014                | 2015                |                     |                     |                     |                     |
| General Fund                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                                  | \$ 2,533,451        |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Unreserved                                | 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        | \$ 7,124,456        |
| Committed                                 |                     | 130,000             |                     |                     |                     |                     |                     |                     |                     |                     |
| Assigned                                  |                     | 51,625              | 187,406             | 5,963               | 108,056             | 111,499             | 162,500             | 182,158             | 350,789             | 247,040             |
| Unassigned                                | -                   | 262,082             | 258,123             | 243,680             | 265,039             | 302,136             | 348,245             | 287,057             | 233,986             | 265,066             |
| <b>Total General Fund</b>                 | <b>\$ 2,772,372</b> | <b>\$ 2,744,628</b> | <b>\$ 3,067,213</b> | <b>\$ 3,492,086</b> | <b>\$ 3,337,533</b> | <b>\$ 2,785,625</b> | <b>\$ 3,250,550</b> | <b>\$ 4,049,430</b> | <b>\$ 5,895,187</b> | <b>\$ 7,636,562</b> |
| All Other Governmental Funds              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                                  | \$ 74,672           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Unreserved                                |                     | \$ 105,788          | \$ 89,014           | \$ 16,770           | \$ 16,363           | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Restricted                                | -                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Total All Other Governmental Funds</b> | <b>\$ 74,672</b>    | <b>\$ 105,788</b>   | <b>\$ 89,014</b>    | <b>\$ 16,770</b>    | <b>\$ 16,363</b>    | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |

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.

06

**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, |                   |                   |                   |                     |                     |                   |                   |                     |                     |
|---|----------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
|   | 2010                       | 2011              | 2012              | 2013              | 2014                | 2015                | 2016              | 2017              | 2018                | 2019                |
| <b>Revenues</b>                             |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Tax Levy                                    | \$ 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       | \$ 16,136,458       |
| Tuition Charges                             | 173,659                    | 159,033           | 320,503           | 367,690           | 245,546             | 249,491             | 289,742           | 297,706           | 442,202             | 319,356             |
| Interest Earnings                           | 27,089                     | 16,826            | 16,044            | 12,381            | 15,145              | 10,994              | 9,879             | 17,787            | 68,427              | 146,987             |
| Miscellaneous                               | 1,087                      | 23,895            | 4,546             | 22,122            | 20,343              | 13,232              | 10,703            | 134,210           | 59,974              | 34,004              |
| State Sources                               | 1,779,089                  | 1,186,364         | 1,641,075         | 2,024,056         | 1,974,276           | 2,462,904           | 2,425,229         | 2,750,591         | 2,895,975           | 3,380,070           |
| Federal Sources                             | 572,347                    | 330,022           | 477,415           | 360,997           | 399,071             | 278,048             | 520,988           | 416,130           | 500,135             | 519,087             |
| <b>Total Revenue</b>                        | <b>15,208,344</b>          | <b>14,788,367</b> | <b>15,777,292</b> | <b>16,235,409</b> | <b>16,430,032</b>   | <b>17,030,372</b>   | <b>17,975,611</b> | <b>18,888,752</b> | <b>19,665,131</b>   | <b>20,535,962</b>   |
| <b>Expenditures</b>                         |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| <b>Instruction</b>                          |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Regular Instruction                         | 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           | 7,970,137           |
| Special Education Instruction               | 1,876,687                  | 1,598,701         | 1,477,848         | 1,896,073         | 2,070,969           | 2,299,097           | 2,050,758         | 2,284,131         | 1,782,556           | 1,859,526           |
| Other Instruction                           | 462,474                    | 588,661           | 572,725           | 371,277           | 262,304             | 267,071             | 426,454           | 165,252           | 123,298             | 609,815             |
| School Sponsored Activities and Athletics   | 8,228                      | 5,217             | 4,780             | 3,074             | 2,025               | -                   | -                 | -                 | 680                 | -                   |
| <b>Support Services:</b>                    |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Student and Inst. Related Services          | 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           | 2,758,440           |
| General Administration                      | 499,993                    | 539,670           | 671,488           | 770,520           | 726,658             | 530,967             | 524,863           | 547,874           | 540,515             | 535,283             |
| School Administrative Services              | 648,906                    | 620,890           | 730,146           | 714,698           | 823,505             | 837,253             | 817,145           | 808,004           | 850,713             | 1,035,423           |
| Plant Operations And Maintenance            | 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           | 1,968,310           |
| Pupil Transportation                        | 409,175                    | 372,654           | 405,861           | 381,361           | 406,677             | 474,324             | 513,853           | 524,751           | 492,277             | 479,389             |
| Other Support Services                      | 351,702                    | 387,578           | 440,839           | 464,653           | 428,316             | 465,525             | 499,580           | 506,600           | 544,131             | 563,336             |
| Capital Outlay                              | 328,778                    | 38,792            | 86,268            | 79,089            | 74,953              | 190,784             | 20,775            | 73,500            | 10,119              | 294,728             |
| <b>Debt Service:</b>                        |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Principal                                   | 629,644                    | 472,913           | 493,197           | 508,502           | 538,822             | 550,000             | 565,000           | 585,000           | 600,000             | 615,000             |
| Interest and Other Charges                  | 328,292                    | 305,069           | 284,756           | 222,278           | 190,309             | 174,200             | 157,700           | 140,750           | 123,200             | 105,200             |
| Bond Issuance Costs                         | -                          | -                 | 100,606           | -                 | -                   | -                   | -                 | -                 | -                   | -                   |
| <b>Total Expenditures</b>                   | <b>15,484,883</b>          | <b>14,784,995</b> | <b>15,572,087</b> | <b>15,885,672</b> | <b>16,584,992</b>   | <b>17,598,643</b>   | <b>17,510,686</b> | <b>18,089,872</b> | <b>17,819,374</b>   | <b>18,794,587</b>   |
| <b>Excess (Deficiency) of Revenues</b>      |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Over (Under) Expenditures                   | (276,539)                  | 3,372             | 205,205           | 349,737           | (154,960)           | (568,271)           | 464,925           | 798,880           | 1,845,757           | 1,741,375           |
| <b>Other Financing Sources (Uses)</b>       |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| 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                                | 477,329                    | 52,575            | 74,101            | 18,636            | 14,131              | 48                  | 48                | 76                | 70                  | -                   |
| Transfers Out                               | (477,329)                  | (52,575)          | (74,101)          | (18,636)          | (14,131)            | (48)                | (48)              | (76)              | (70)                | -                   |
| <b>Total Other Financing Sources (Uses)</b> | <b>-</b>                   | <b>-</b>          | <b>100,606</b>    | <b>2,892</b>      | <b>-</b>            | <b>-</b>            | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>-</b>            |
| <b>Net Change in Fund Balances</b>          | <b>\$ (276,539)</b>        | <b>\$ 3,372</b>   | <b>\$ 305,811</b> | <b>\$ 352,629</b> | <b>\$ (154,960)</b> | <b>\$ (568,271)</b> | <b>\$ 464,925</b> | <b>\$ 798,880</b> | <b>\$ 1,845,757</b> | <b>\$ 1,741,375</b> |
| <b>Debt Service as a Percentage of</b>      |                            |                   |                   |                   |                     |                     |                   |                   |                     |                     |
| Noncapital Expenditures                     | 6.32%                      | 5.28%             | 5.02%             | 4.62%             | 4.42%               | 4.16%               | 4.13%             | 4.03%             | 4.06%               | 3.89%               |

\* Noncapital expenditures are total expenditures less capital outlay.

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

| <u>Fiscal<br/>Year<br/>Ended<br/>June 30</u> | <u>Tuition</u> | <u>Interest<br/>on<br/>Deposits</u> | <u>Donation</u> | <u>Insurance<br/>Refund</u> | <u>Misc.</u> | <u>Total</u> |
|--|----------------|-------------------------------------|-----------------|-----------------------------|--------------|--------------|
| 2019   | \$ 319,356     | \$ 146,987                          |                 |                             | \$ 34,004    | \$ 500,347   |
| 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      |

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 <sup>a</sup> |
|----------------------------|---------------|------------------|--------------|----------|----------------|----------------|--------------|----------------------|------------------|-----------------------|---|---|
| 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                                     |
| 2019                       | 39,230,900    | 1,367,903,100    | 900,400      | 2,800    | 563,532,600    | 339,352,600    | \$ 2,398,200 | 2,313,320,600        | -                | 2,313,320,600         | 2,153,729,262                             | 0.458                                     |

Source: County Abstract of Ratables

<sup>a</sup> Tax rates are per \$100

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

| <u>Calendar<br/>Year</u> | <u>Total</u> | <u>Local<br/>School<br/>District</u> | <u>Regional<br/>School<br/>District</u> | <u>Municipality</u> | <u>County</u> |
|--------------------------|--------------|--------------------------------------|---|---------------------|---------------|
| 2019                     | \$ 2.388     | \$ 0.715                             | \$ 0.458                                | \$ 0.563            | \$ 0.652      |
| 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         |



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

| Fiscal<br>Year<br>Ended | Taxes Levied for<br>the Fiscal Year | Collected within the Fiscal Year of the |                       | Collections in<br>Subsequent<br>Years |
|-------------------------|-------------------------------------|---|-----------------------|---------------------------------------|
|                         |                                     | Amount                                  | Percentage<br>of Levy |                                       |
| 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%               |                                       |
| 2019                    | 16,136,458                          | 16,136,458                              | 100.00%               |                                       |

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

| Fiscal<br>Year<br>Ended<br>June 30, | Governmental Activities        |                                     |                   |                           | Business-Type<br>Activities | Total District | Population | Per Capita |
|-------------------------------------|--------------------------------|-------------------------------------|-------------------|---------------------------|-----------------------------|----------------|------------|------------|
|                                     | General<br>Obligation<br>Bonds | Certificates<br>of<br>Participation | Capital<br>Leases | Intergovernmental<br>Loan | Capital Leases              |                |            |            |
| 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      | 10,804     | 243        |
| 2019                                | 2,015,000                      |                                     |                   | -                         |                             | 2,015,000      | 10,804 *   | 187        |

Source: District records

\* - Estimate



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

| <u>General Bonded Debt Outstanding</u> |                                |            |  |   |                         |
|--|--------------------------------|------------|--|---|-------------------------|
| Fiscal<br>Year<br>Ended<br>June 30,    | General<br>Obligation<br>Bonds | Deductions | Net General Bonded<br>Debt Outstanding | Percentage of Actual<br>Taxable Value <sup>a</sup> of<br>Property | Per Capita <sup>b</sup> |
| 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%   | 503                     |
| 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                     |
| 2019                                   | 2,015,000                      |            | 2,015,000                              | 0.09%   | 187                     |

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, 2018  
(Unaudited)**

|   | <u>Gross Debt</u>   | <u>Deductions</u>   | <u>Net Debt</u>      |
|---|---------------------|---------------------|----------------------|
| Municipal Debt: (1)                               |                     |                     |                      |
| Borough of Totowa School District                 | \$ 2,630,000        | \$ 2,630,000        |                      |
| Regional School District                          | 1,477,195           | 1,477,195           |                      |
| Borough of Totowa                                 | <u>2,236,119</u>    | <u>510,000</u>      | \$ 1,726,119         |
|   | <u>\$ 6,343,314</u> | <u>\$ 4,617,195</u> | <u>1,726,119</u>     |
|   |                     |                     |                      |
| Overlapping Debt Apportioned to the Municipality: |                     |                     |                      |
| Passaic County: (2) and (3)                       |                     |                     |                      |
| County of Passaic (A)                             |                     |                     | 22,257,851           |
| Passaic County Utilities Authority (B)            |                     |                     | 2,186,235            |
| Passaic Valley Sewerage Commission (B)            |                     |                     | <u>2,025,921</u>     |
|   |                     |                     | <u>26,470,007</u>    |
| Total Direct and Overlapping Debt                 |                     |                     | <u>\$ 28,196,126</u> |

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2018 equalized value by the total 2018 equalized value for Passaic County.

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

Sources:

- (1) Borough of Totowa 2018 Annual Debt Statement
- (2) PCUA 2018 Audit
- (3) PVSC 2018 Audit

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

Legal Debt Margin Calculation for Fiscal Year 2019

|   |                           |
|---|---------------------------|
|   | Equalized valuation basis |
|   | 2018 \$ 2,128,386,717     |
|   | 2017 2,138,796,195        |
|   | 2016 <u>2,135,602,923</u> |
|   | <u>\$ 6,402,785,835</u>   |
| Average equalized valuation of taxable property | \$ 2,134,261,945          |
| Debt limit (3 % of average equalization value)  | 64,027,858                |
| Total Net Debt Applicable to Limit              | <u>2,015,000</u>          |
| Legal debt margin                               | <u>\$ 62,012,858</u>      |

|   | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Limit  | \$ 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        | \$ 64,027,858        |
| Total Net Debt Applicable to Limit                                      | <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>     | <u>2,015,000</u>     |
| Legal Debt Margin   | <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> | <u>\$ 62,012,858</u> |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 9.81%                | 8.95%                | 8.09%                | 7.82%                | 7.59%                | 6.96%                | 5.98%                | 4.96%                | 4.05%                | 3.15%                |

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

a Limit set by NJSIA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

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

| <u>Year Ended<br/>December 31,</u> | <u>Unemployment<br/>Rate</u> | <u>Per Capita<br/>Income</u> | <u>School<br/>District<br/>Population</u> |
|------------------------------------|------------------------------|------------------------------|---|
| 2018                               | 5.0%                         | N/A                          | 10,804                                    |
| 2017                               | 5.2%                         | \$ 48,152                    | 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                                    |

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>2019</u>      |   | <u>2010</u>      |   |
|-----------------|------------------|---|------------------|---|
|                 | <u>Employees</u> | <u>Percentage of<br/>Total Municipal<br/>Employment</u> | <u>Employees</u> | <u>Percentage of<br/>Total Municipal<br/>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>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> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction                              |             |             |             |             |             |             |             |             |             |             |
| Regular                                  | 71          | 68          | 69          | 65          | 68          | 67          | 68          | 69          | 68          | 70          |
| Special Education                        | 17          | 18          | 19          | 20          | 13          | 13          | 17          | 16          | 8           | 6           |
| Other Special Education                  |             |             |             |             |             |             |             |             |             |             |
| Vocational                               |             |             |             |             |             |             |             |             |             |             |
| Other Instruction                        |             |             |             |             |             |             |             |             |             |             |
| Nonpublic School Programs                |             |             |             |             |             |             |             |             |             |             |
| Adult/Continuing Education Programs      |             |             |             |             |             |             |             |             |             |             |
| Support Services:                        |             |             |             |             |             |             |             |             |             |             |
| Student and Instruction Related Services | 12          | 12          | 13          | 13          | 17          | 11          | 13          | 14          | 15          | 15          |
| General Administration                   | 2           | 7           | 9           | 9           | 2           | 2           | 2           | 2           | 2           | 2           |
| School Administrative Services           | 7           | 7           | 9           | 9           | 9           | 13          | 8           | 7           | 8           | 9           |
| Other Administrative Services            |             |             |             |             |             |             |             |             |             |             |
| Central Services                         | 3           | 3           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Administrative Information Technology    |             |             |             |             |             |             |             |             |             |             |
| Plant Operations And Maintenance         | 13          | 13          | 13          | 13          | 15          | 17          | 17          | 17          | 18          | 18          |
| Pupil Transportation                     |             |             |             |             |             |             |             |             |             |             |
| Other Support Services                   |             |             |             |             |             |             |             |             |             |             |
| Special Schools                          |             |             |             |             |             |             |             |             |             |             |
| Food Service                             |             |             |             |             |             |             |             |             |             |             |
| Child Care                               | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| <b>Total</b>                             | <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>  | <u>124</u>  |

Source: District Personnel Records

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

| Fiscal Year | Enrollment <sup>a</sup> | Operating Expenditures <sup>b</sup> | Cost Per Pupil <sup>c</sup> | Percentage Change | Teaching Staff | Pupil/Teacher Ratio |               |                    | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|----------------|---------------------|---------------|--------------------|--------------------------------|--------------------------------|--------------------------------------|-------------------------------|
|             |                         |                                     |                             |                   |                | Elementary          | Middle School | Senior High School |                                |                                |                                      |                               |
| 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                      | 0.43%             | 76             | 1:12                | 1:12          | N/A                | 1,015                          | 967                            | -2.68%                               | 95.27%                        |
| 2019        | 975                     | 17,779,659                          | 18,236                      | 11.00%            | 76             | 1:12                | 1:12          | N/A                | 970                            | 930                            | -4.43%                               | 95.88%                        |

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)

|                                    | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b><u>District Building</u></b>    |        |        |        |        |        |        |        |        |        |        |
| <b><u>Elementary</u></b>           |        |        |        |        |        |        |        |        |        |        |
| Square Feet Capacity (students)    | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 | 62,152 |
| Enrollment                         | 389    | 372    | 351    | 350    | 395    | 414    | 404    | 373    | 387    | 354    |
| <b><u>Middle School</u></b>        |        |        |        |        |        |        |        |        |        |        |
| Square Feet Capacity (students)    | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 | 89,822 |
| Enrollment                         | 584    | 655    | 539    | 660    | 662    | 669    | 688    | 684    | 647    | 621    |
| Number of Schools at June 30, 2019 |        |        |        |        |        |        |        |        |        |        |
| 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>2019</u>       | <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>       |
|------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| School Facilities      | Project # |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Memorial School        | N/A       | 115,331           | 116,820           | 127,120           | 125,183           | \$ 117,348        | \$ 89,731         | \$ 92,804         | \$ 109,743        | \$ 115,799        | \$ 140,587        |
| Washington Park School | N/A       | <u>135,880</u>    | <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>    |
| Grand Total            |           | <u>\$ 251,211</u> | <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> |

Source: School District Financial Statements

**TOTOWA BOARD OF EDUCATION**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2019**  
**(Unaudited)**

|   | <u>Coverage</u>   | <u>Deductible</u> |
|---|-------------------|-------------------|
| <b>New Jersey School Boards Association Insurance Group</b>                   |                   |                   |
| <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<br>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       |
| <u>Public Officials Bond</u>  |                   |                   |
| 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  
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

**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, 2019 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 November 12, 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.

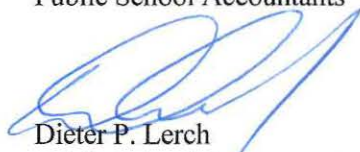
### Compliance and Other Matters

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.

### 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  
November 12, 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  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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ROBERT LERCH, CPA  
CHRIS SOHN, CPA

**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, 2019. 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, 2019.

### **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.

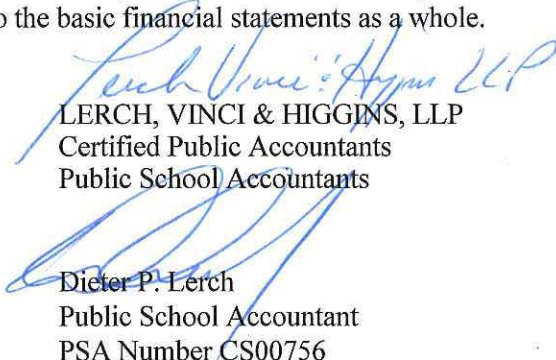
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 Totowa Board of Education as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated November 12, 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  
November 12, 2019



TOTOWA BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Federal/Grantor/Pass-Through Grantor<br>Program Title | Federal<br>CFDA<br>Number | FAIN<br>Number | Grant or<br>State<br>Number | Grant<br>Period | Award<br>Amount | Balance,<br>July 1,<br>2018 | Carryover<br>Amount | Cash<br>Received | Budgetary<br>Expenditures | Adjustment/<br>Repayment | Balance, June 30, 2019 |                     |                   | MEMO<br>GAAP<br>Receivable |
|---|---------------------------|----------------|-----------------------------|-----------------|-----------------|-----------------------------|---------------------|------------------|---------------------------|--------------------------|------------------------|---------------------|-------------------|----------------------------|
|   |                           |                |                             |                 |                 |                             |                     |                  |                           |                          | Accounts<br>Receivable | Unearned<br>Revenue | Due to<br>Grantor |                            |
| <b>U.S. Department of Agriculture</b>                 |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| <b>Passed-Through State Dept. of Education</b>        |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| <i>Enterprise Fund</i>                                |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| School Breakfast Program                              | 10.553                    | 191NJ304N1099  | N/A                         | 7/1/18-6/30/19  | \$ 8,075        |                             |                     | \$ 6,437         | \$ 8,076                  |                          | \$ (1,639)             |                     |                   | \$ 1,639                   |
| School Breakfast Program                              | 10.553                    | 181NJ304N1099  | N/A                         | 7/1/17-6/30/18  | 8,292           | (676)                       |                     | 676              |                           |                          |                        |                     |                   |                            |
| <i>Food Distribution Program</i>                      |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| Non-Cash Assistance                                   | 10.555                    | 191NJ304N1099  | N/A                         | 7/1/18-6/30/19  | 26,240          |                             |                     | 26,240           | 25,628                    |                          | \$ 612                 |                     |                   |                            |
| Non-Cash Assistance                                   | 10.555                    | 181NJ304N1099  | N/A                         | 7/1/17-6/30/18  | 25,477          | 628                         |                     |                  | 628                       |                          |                        |                     |                   |                            |
| Cash Assistance                                       | 10.555                    | 191NJ304N1099  | N/A                         | 7/1/18-6/30/19  | 116,402         |                             |                     | 94,436           | 116,402                   |                          | (21,966)               |                     |                   | 21,966                     |
| Cash Assistance                                       | 10.555                    | 181NJ304N1099  | N/A                         | 7/1/17-6/30/18  | 127,586         | (9,652)                     |                     | 9,652            |                           |                          |                        |                     |                   |                            |
| Total U.S. Department of Agriculture                  |                           |                |                             |                 |                 | (9,700)                     | -                   | 137,441          | 150,734                   | -                        | (23,605)               | 612                 | -                 | 23,605                     |
| <b>U.S. Department of Education</b>                   |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| <i>General Fund</i>                                   |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| Special Education Medicaid Reimbursement              | 93.778                    | 1905NJSMAP     | N/A                         | 7/1/18-6/30/19  | 35,319          | -                           | -                   | 35,319           | 35,319                    | -                        | -                      | -                   | -                 | -                          |
| Total General Fund                                    |                           |                |                             |                 |                 | -                           | -                   | 35,319           | 35,319                    | -                        | -                      | -                   | -                 | -                          |
| <b>U.S. Department of Education</b>                   |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| <b>Passed-Through State Dept. of Education</b>        |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| <i>Special Revenue Fund</i>                           |                           |                |                             |                 |                 |                             |                     |                  |                           |                          |                        |                     |                   |                            |
| L.D.E.A. Part B, Basic Regular                        | 84.027                    | H027A180100    | IDEA520019                  | 7/1/18-6/30/19  | 251,611         |                             | \$ 24,982           | 250,351          | 257,003                   | \$ (24,982)              | (26,242)               | 19,588              |                   | 6,654                      |
| L.D.E.A. Part B, Basic Regular                        | 84.027                    | H027A170100    | IDEA520018                  | 7/1/17-6/30/18  | 255,266         | (9,951)                     | (24,982)            | 9,951            |                           |                          | 24,982                 |                     |                   |                            |
| L.D.E.A. Part B, Preschool                            | 84.173                    | H173A180114    | IDEA520019                  | 7/1/18-6/30/19  | 8,506           | -                           | 351                 | 8,857            | 8,857                     | (351)                    | -                      | -                   |                   |                            |
| L.D.E.A. Part B, Preschool                            | 84.173                    | H173A170114    | IDEA520018                  | 7/1/17-6/30/18  | 8,320           | -                           | (351)               |                  |                           | 351                      |                        |                     |                   |                            |
| Cluster Total - Special Education                     |                           |                |                             |                 |                 | (9,951)                     | -                   | 269,159          | 265,862                   | -                        | (26,242)               | 19,588              | -                 | 6,654                      |
| ESSA - Title I  | 84.010                    | S010A180030    | ESSA520019                  | 7/1/18-6/30/19  | 176,831         | -                           | 1,974               | 177,099          | 177,099                   | (1,974)                  | (1,706)                | 1,706               |                   | -                          |
| ESSA - Title I  | 84.010                    | S010A170030    | ESSA520018                  | 7/1/17-6/30/18  | 167,749         |                             | (1,974)             |                  |                           | 1,974                    |                        |                     |                   |                            |
| ESSA - Title II-A                                     | 84.367                    | S367A180029    | ESSA520019                  | 7/1/18-6/30/19  | 39,231          | -                           | 2,467               | 40,807           | 40,807                    | (2,467)                  | (911)                  | 911                 |                   | -                          |
| ESSA - Title II-A                                     | 84.367                    | S367A170029    | ESSA520018                  | 7/1/17-6/30/18  | 33,728          |                             | (2,467)             |                  |                           | 2,467                    |                        |                     |                   |                            |
| ESSA - Title III                                      | 84.365A                   | S365A180030    | ESSA520019                  | 7/1/18-6/30/19  | -               | -                           | 3,066               |                  |                           | (3,066)                  | (3,066)                | 3,066               |                   | -                          |
| ESSA - Title IV Part A                                | 84.424A                   | S424A180031    | ESSA520019                  | 7/1/18-6/30/19  | (505)           |                             |                     |                  |                           | -                        | 505                    | (505)               |                   | -                          |
| Total Special Revenue Fund                            |                           |                |                             |                 |                 | (9,951)                     | 3,066               | 487,065          | 483,768                   | (3,066)                  | (31,420)               | 24,766              | -                 | 6,654                      |
| Total Federal Awards                                  |                           |                |                             |                 |                 | \$ (19,651)                 | \$ 3,066            | \$ 659,825       | \$ 669,821                | \$ (3,066)               | \$ (55,025)            | 25,378              | \$ -              | 30,259                     |

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, 2019

| State Grantor/Program Title          | Grant or State Project Number | Grant Period   | Award Amount | Balance, June 30, 2018                  |                |  | Cash Received | Budgetary Expenditures | Adjustment/ Refund of Prior Years' Balances | Balance, June 30, 2019 |                  |                | MEMO            |                         |
|--------------------------------------|-------------------------------|----------------|--------------|---|----------------|--|---------------|------------------------|---|------------------------|------------------|----------------|-----------------|-------------------------|
|                                      |                               |                |              | (Accounts Receivable)/ Deferred Revenue | Due to Grantor |  |               |                        |   | Accounts Receivable    | Unearned Revenue | Due to Grantor | GAAP Receivable | Cumulative Expenditures |
| <b>State Department of Education</b> |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| <i>General Fund</i>                  |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| Special Education Aid                | 19-495-034-5120-089           | 7/1/18-6/30/19 | \$ 433,789   |   |                |  | \$ 398,384    | \$ 433,789             |   | \$ (35,405)            |                  |                | *               | \$ 433,789              |
| Special Education Aid                | 18-495-034-5120-089           | 7/1/17-6/30/18 | 433,789      | (63,778)                                |                |  | 63,778        |                        |   |                        |                  |                | *               | -                       |
| Security Aid                         | 19-495-034-5120-084           | 7/1/18-6/30/19 | 74,363       |   |                |  | 68,294        | 74,363                 |   | (6,069)                |                  |                | *               | 74,363                  |
| Security Aid                         | 18-495-034-5120-084           | 7/1/17-6/30/18 | 29,390       | (4,321)                                 |                |  | 4,321         |                        |   |                        |                  |                | *               | -                       |
| PARCC Readiness Aid                  | 18-495-034-5120-098           | 7/1/17-6/30/18 | 10,160       | (1,494)                                 |                |  | 1,494         |                        |   |                        |                  |                | *               | -                       |
| Per Pupil Growth Aid                 | 18-495-034-5120-097           | 7/1/17-6/30/18 | 10,160       | (1,494)                                 |                |  | 1,494         |                        |   |                        |                  |                | *               | -                       |
| Professional Learning Community      | 18-495-034-5120-101           | 7/1/17-6/30/18 | 10,360       | (1,523)                                 |                |  | 1,523         |                        |   |                        |                  |                | *               | -                       |
| Host District Support Aid            | 18-495-034-5120-102           | 7/1/17-6/30/18 | 256          | (38)                                    |                |  | 38            |                        |   |                        |                  |                | *               | -                       |
| Cluster Total - State Aid Public     |                               |                |              | (72,648)                                |                |  | 539,326       | 508,152                |   | (41,474)               |                  |                | *               | 508,152                 |
| Transportation Aid                   | 19-495-034-5120-015           | 7/1/18-6/30/19 | 150,414      |   |                |  | 138,137       | 150,414                |   | (12,277)               |                  |                | *               | 150,414                 |
| Transportation Aid                   | 18-495-034-5120-015           | 7/1/17-6/30/18 | 16,114       | (2,369)                                 |                |  | 2,369         |                        |   |                        |                  |                | *               | -                       |
| Non Public Transportation Reimb      | N/A                           | 7/1/18-6/30/19 | 17,690       |   |                |  |               | 17,690                 |   | (17,690)               |                  | \$ 17,690      | *               | 17,690                  |
| Non Public Transportation Reimb      | N/A                           | 7/1/17-6/30/18 | 21,170       | (21,170)                                |                |  | 21,170        |                        |   |                        |                  |                | *               | -                       |
| Cluster Total - Transportation Aid   |                               |                |              | (23,539)                                |                |  | 161,676       | 168,104                |   | (29,967)               |                  |                | *               | 168,104                 |
| Extraordinary Aid                    | 19-100-034-5120-473           | 7/1/18-6/30/19 | 86,180       |   |                |  |               | 86,180                 |   | (86,180)               |                  |                | *               | 86,180                  |
| Extraordinary Aid                    | 18-100-034-5120-473           | 7/1/17-6/30/18 | 148,261      | (148,261)                               |                |  | 148,261       |                        |   |                        |                  |                | *               | -                       |
| On-Behalf TPAF - Pension             | 19-495-034-5094-002           | 7/1/18-6/30/19 | 1,251,999    |   |                |  | 1,251,999     | 1,251,999              |   |                        |                  |                | *               | 1,251,999               |
| On Behalf TPAF - NCGI Premier        | 19-100-034-5094-004           | 7/1/18-6/30/19 | 26,208       |   |                |  | 26,208        | 26,208                 |   |                        |                  |                | *               | 26,208                  |
| On Behalf TPAF - Post Ret. Med       | 19-495-034-5094-001           | 7/1/18-6/30/19 | 579,792      |   |                |  | 579,792       | 579,792                |   |                        |                  |                | *               | 579,792                 |
| On Behalf TPAF - LTDI                | 19-100-034-5094-004           | 7/1/18-6/30/19 | 1,491        |   |                |  | 1,491         | 1,491                  |   |                        |                  |                | *               | 1,491                   |
| Reimbursed TPAF Social Security      | 19-495-034-5094-003           | 7/1/18-6/30/19 | 463,374      |   |                |  | 418,141       | 463,374                |   | (45,233)               |                  | 45,233         | *               | 463,374                 |
| Reimbursed TPAF Social Security      | 18-495-034-5094-003           | 7/1/17-6/30/18 | 444,637      | (43,627)                                |                |  | 43,627        |                        |   |                        |                  |                | *               | -                       |
| Total General Fund                   |                               |                |              | (288,075)                               |                |  | 3,170,521     | 3,085,300              |   | (202,854)              |                  |                | *               | 62,923                  |
| <i>Special Revenue Fund</i>          |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| Chapter 192 - Auxiliary Services     |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| ESL                                  | 19-100-034-5120-067           | 7/1/18-6/30/19 | 5,177        |   |                |  | 5,177         | 863                    |   |                        |                  | \$ 4,314       | *               | 863                     |
| ESL                                  | 18-100-034-5120-067           | 7/1/17-6/30/18 | 5,420        |   | 2,981          |  |               |                        | \$ 2,981                                    |                        |                  |                | *               | -                       |
| Compensatory Education               | 19-100-034-5120-067           | 7/1/18-6/30/19 | 102,370      |   |                |  | 102,370       | 91,114                 |   |                        |                  | 11,256         | *               | 91,114                  |
| Compensatory Education               | 18-100-034-5120-067           | 7/1/17-6/30/18 | 107,187      |   | 8,155          |  |               |                        | 8,155                                       |                        |                  |                | *               | -                       |
| Cluster Total - Chapter 192          |                               |                |              |   | 11,136         |  | 107,547       | 91,977                 |   | 11,156                 |                  |                | *               | 91,977                  |
| Chapter 193 - Handicapped Services:  |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| Examination & Classification         | 19-100-034-5120-066           | 7/1/18-6/30/19 | 36,399       |   |                |  | 36,399        | 29,118                 |   |                        |                  | 7,281          | *               | 29,118                  |
| Examination & Classification         | 18-100-034-5120-066           | 7/1/17-6/30/18 | 30,033       |   | 11,092         |  |               |                        | 11,092                                      |                        |                  |                | *               | -                       |
| Supplemental Instruction             | 19-100-034-5120-066           | 7/1/18-6/30/19 | 26,168       |   |                |  | 26,168        | 20,697                 |   |                        |                  | 5,471          | *               | 20,697                  |
| Supplemental Instruction             | 18-100-034-5120-066           | 7/1/17-6/30/18 | 30,132       |   | 7,056          |  |               |                        | 7,056                                       |                        |                  |                | *               | -                       |
| Corrective Speech                    | 19-100-034-5120-066           | 7/1/18-6/30/19 | 16,606       |   |                |  | 16,606        | 8,839                  |   |                        |                  | 7,767          | *               | 8,839                   |
| Corrective Speech                    | 18-100-034-5120-066           | 7/1/17-6/30/18 | 11,606       |   | 1,339          |  |               |                        | 1,339                                       |                        |                  |                | *               | -                       |
| Cluster Total - Chapter 193          |                               |                |              |   | 19,487         |  | 79,173        | 58,654                 |   | 19,487                 |                  |                | *               | 58,654                  |
| New Jersey Nonpublic Aid:            |                               |                |              |   |                |  |               |                        |   |                        |                  |                |                 |                         |
| Textbook Aid                         | 19-100-034-5120-064           | 7/1/18-6/30/19 | 9,719        |   |                |  | 9,719         | 9,489                  |   |                        |                  | 230            | *               | 9,489                   |
| Textbook Aid                         | 18-100-034-5120-064           | 7/1/17-6/30/18 | 10,901       |   | 8              |  |               |                        | 8   |                        |                  |                | *               | -                       |
| Nursing Services                     | 19-100-034-5120-070           | 7/1/18-6/30/19 | 17,848       |   |                |  | 17,848        | 17,848                 |   |                        |                  |                | *               | 17,848                  |
| Nursing Services                     | 18-100-034-5120-070           | 7/1/17-6/30/18 | 19,497       |   | 4,743          |  |               |                        | 4,743                                       |                        |                  |                | *               | -                       |
| Technology Aid                       | 19-100-034-5120-373           | 7/1/18-6/30/19 | 6,552        |   |                |  | 6,552         | 6,065                  |   |                        |                  | 487            | *               | 6,065                   |
| Technology Aid                       | 18-100-034-5120-373           | 7/1/17-6/30/18 | 7,363        |   | 107            |  |               |                        | 107   |                        |                  |                | *               | -                       |
| Security Aid                         | 19-100-034-5120-509           | 7/1/18-6/30/19 | 27,600       |   |                |  | 27,600        | 27,390                 |   |                        |                  | 210            | *               | 27,390                  |
| Security Aid                         | 18-100-034-5120-509           | 7/1/17-6/30/18 | 15,075       |   |                |  |               |                        |   |                        |                  |                | *               | -                       |
| Total Special Revenue Fund           |                               |                |              |   | 35,481         |  | 248,439       | 211,423                |   | 35,481                 |                  |                | *               | 211,423                 |

TOTOWA BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| State Grantor/Program Title   | Grant or State Project Number | Grant Period   | Award Amount | Balance, June 30, 2018                  |                |               | Adjustment/ Refund of Prior Years' Balances | Balance, June 30, 2019 |                     |                  | 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   | 19-100-010-3350-023           | 7/1/18-6/30/19 | \$ 4,169     |   |                | \$ 3,352      | \$ 4,169                                    |                        | \$ (817)            |                  |                | * \$ 817        | \$ 4,169                |
| National School Lunch Program   | 18-100-010-3350-023           | 7/1/17-6/30/18 | 4,552        | \$ (368)                                |                | 368           |   |                        |                     |                  |                | * -             | -                       |
| Total Enterprise Fund   |                               |                |              | (368)                                   | -              | 3,720         | 4,169                                       | -                      | (817)               | -                | -              | * 817           | 4,169                   |
| State Financial Assistance Subject to Single Audit Determination        |                               |                |              | (288,443)                               | \$ 35,481      | 3,422,680     | 3,300,892                                   | \$ 35,481              | (203,671)           | -                | \$ 37,016      | * \$ 63,740     | 3,300,892               |
|   |                               |                |              |   |                |               |   |                        |                     |                  |                |                 |                         |
| On-Behalf TPAF -Pension   | 19-495-034-5094-002           | 7/1/18-6/30/19 | 1,251,999    |   |                | (1,251,999)   | (1,251,999)                                 |                        |                     |                  |                | * -             | (1,251,999)             |
| On Behalf TPAF - NCGI Premium   | 19-100-034-5094-004           | 7/1/18-6/30/19 | 26,208       |   |                | (26,208)      | (26,208)                                    |                        |                     |                  |                | * -             | (26,208)                |
| On Behalf TPAF - Post Ret. Med  | 19-495-034-5094-001           | 7/1/18-6/30/19 | 579,792      |   |                | (579,792)     | (579,792)                                   |                        |                     |                  |                | * -             | (579,792)               |
| On Behalf TPAF - LTDI   | 19-100-034-5094-004           | 7/1/18-6/30/19 | 1,491        |   |                | (1,491)       | (1,491)                                     |                        |                     |                  |                | * -             | (1,491)                 |
| Total State Financial Assistance Subject to Major Program Determination |                               |                |              | \$ (288,443)                            | \$ 35,481      | \$ 1,563,190  | \$ 1,441,402                                | \$ 35,481              | \$ (203,671)        | \$ -             | \$ 37,016      | * \$ 63,740     | \$ 1,441,402            |

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, 2019**

**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 an increase of \$83,347 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               | \$ 35,319         | \$ 3,168,647        | \$ 3,203,966        |
| Special Revenue Fund       | 483,768           | 211,423             | 695,191             |
| Food Service Fund          | <u>150,735</u>    | <u>4,169</u>        | <u>154,904</u>      |
| Total Financial Assistance | <u>\$ 669,822</u> | <u>\$ 3,384,239</u> | <u>\$ 4,054,061</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, 2019**

**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 \$463,374 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, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$1,278,207, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$579,792 and TPAF Long-Term Disability Insurance in the amount of \$1,491 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, 2019

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, 2019**

*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 |
|---------------------|-----------------------|
| 19-495-034-5120-089 | Special Education Aid |
| 19-495-034-5120-084 | Security Aid          |

**TOTOWA BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*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, 2019**

*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, 2019**

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.