

TOTOWA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Totowa, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Totowa Board of Education
Totowa, New Jersey
For The Fiscal Year Ended June 30, 2020**

**Prepared by
Business Office**

**TOTOWA BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

INTRODUCTORY SECTION

Letter of Transmittal	i-iv
Organizational Chart	v
Roster of Officials	vi
Consultants and Advisors	vii

FINANCIAL SECTION

Independent Auditor's Report	1-3
------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION- PART I

Management's Discussion and Analysis	4-15
--------------------------------------	------

Basic Financial Statements

A. District-wide Financial Statements

A-1 Statement of Net Position	16
A-2 Statement of Activities	17

B. Fund Financial Statements

Governmental Funds

B-1 Balance Sheet	18-19
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	20
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the District-Wide Statements	21

Proprietary Funds

B-4 Statement of Net Position	22
B-5 Statement of Revenues, Expenses, and Changes in Net Position	23
B-6 Statement of Cash Flows	24

Fiduciary Funds

B-7 Statement of Fiduciary Net Position	25
B-8 Statement of Changes in Fiduciary Net Position	26

Notes to the Financial Statements	27-64
--	-------

**TOTOWA BOARD OF EDUCATION
TABLE OF CONTENTS**

		<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION - PART II		
C. Budgetary Comparison Schedules		
C-1	Budgetary Comparison Schedule – General Fund	65-71
C-2	Budgetary Comparison Schedule – Special Revenue Fund	72
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II		
C-3	Budgetary Comparison Schedule – Note to Required Supplementary Information	73
REQUIRED SUPPLEMENTARY INFORMATION - PART III		
L. Schedules Related to Accounting and Reporting for Pensions and OPEB (GASB 68 and 75)		
L-1	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	74
L-2	Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	75
L-3	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	76
L-4	Notes to Required Supplementary Information – Net Pension Liability	77
L-5	Required Supplementary Information – Schedule of Changes in District’s Proportionate Share of Total OPEB Liability	78
L-6	Notes to Required Supplementary Information – OPEB Liability	79
OTHER SUPPLEMENTARY INFORMATION		
D. School Level Schedules – Not Applicable		
E. Special Revenue Fund		
E-1	Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	80
E-2	Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	81
F. Capital Projects Fund – Not Applicable		
G. Proprietary Funds		
<i>Enterprise Fund</i>		
G-1	Combining Statement of Net Position – Not Applicable	82
G-2	Combining Statement of Revenues, Expenses and Changes in Net Position – Not Applicable	82
G-3	Combining Statement of Cash Flows – Not Applicable	82

**TOTOWA BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page</u>
H. Fiduciary Funds	
H-1 Combining Statement of Assets and Liabilities	83
H-2 Combining Statement of Changes in Net Position – Not Applicable	84
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	84
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	85
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	86
I-2 Schedule of Obligations under Lease Purchase Agreement – Not Applicable	87
I-3 Debt Service Fund Budgetary Comparison Schedule	88
J. STATISTICAL SECTION (Unaudited)	
J-1 Net Position by Component	89
J-2 Changes in Net Position	90-91
J-3 Fund Balances – Governmental Funds	92
J-4 Changes in Fund Balances - Governmental Funds	93
J-5 Governmental Funds Fund Other Local Revenue by Source	94
J-6 Assessed Value and Actual Value of Taxable Property	95
J-7 Property Tax Rates	96
J-8 Principal Property Taxpayers	97
J-9 Property Tax Levies and Collections	98
J-10 Ratios of Outstanding Debt by Type	99
J-11 Ratios of Net General Bonded Debt Outstanding	100
J-12 Computation of Direct and Overlapping Outstanding Bonded Debt	101
J-13 Legal Debt Margin Information	102
J-14 Demographic Statistics	103
J-15 Principal Employers	104
J-16 Full-Time Equivalent District Employees by Function/Program	105
J-17 Operating Statistics	106
J-18 School Building Information	107
J-19 Schedule of Required Maintenance for School Facilities	108
J-20 Schedule of Insurance	109

**TOTOWA BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

SINGLE AUDIT SECTION

K-1	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	110-111
K-2	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	112-114
K-3	Schedule of Expenditures of Federal Awards	115
K-4	Schedule of Expenditures of State Financial Assistance	116-117
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	118-119
K-6	Schedule of Findings and Questioned Costs	120-121
K-7	Summary Schedule of Findings and Questioned Costs	122-123
K-8	Summary Schedule of Prior Year Findings	124

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

October 26, 2020

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, 2020, 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 2019-2020 fiscal year with an enrollment of 938 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)
15/16	1082	1099
16/17	1050	1064
17/18	1028	1040
18/19	977	975
19/20	977	938

2. ECONOMIC CONDITION AND OUTLOOK:

The Totowa area is in the process of completing another era of development and expansion that is expected to stabilize and increase the tax base. A large industrial area is currently being built as well as new apartments. 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 during the first half of the 2019-2020 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 year was unfortunately shortened abruptly due to the Covid-19 pandemic and several programs were cancelled.

The Foundation sponsored "Kops for Kids" and "Totowa Preschool (TPK) Kops for Kids" programs (September 2019 through March 2020, do to the pandemic) and the "Kops 4 Kids Summer Program" (July and August 2019) 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 2019. Starting in the fall of 2019 and continuing through the winter of 2020, The Foundation sponsored enrichment programs for the students. The program allowed students to select from a wide variety of classes, ranging from "Junior Scientists" to "Minecraft & Pokemon". Art related classes at Memorial School had large enrollments throughout the year. Spring Enrichment classes were unfortunately canceled due to the Covid-19 pandemic. The Foundation hopes to once again offer these classes once the pandemic restrictions are over.

Extracurricular programming continued during the 2019-2020 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 boy's traveling basketball team made it to the championship game in their end of the year tournament. The 2001-2002 school year saw the inaugural annual musical production for middle school students complete with singing, dancing and a pit band. Due to the Covid-19 pandemic, the 2019-2020 musical was modified. The cast sang and recorded a few songs from the production. The video was then uploaded to the Totowa Broadcast News Youtube channel. 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

The Lion King - 2017-2018
Willy Wonka Jr. - 2018-2019
Frozen (Virtual Video) - 2019-2020

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 21st 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. While this program has been temporarily postponed due to COVID-19, it is our hope to reinstate it at a future date.

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 2019-2020 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 2019-2020 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 2019, the second half of the Memorial School Tunnel restoration project was completed. This included the demolition and reconstruction of the exterior part of the tunnel leading out to William Street. During the summer of 2020 investigation and preparation for a potential new boiler at Washington Park School was started. The School District was also able to renovate three more bathrooms, one at Memorial School and two at Washington Park School.

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,

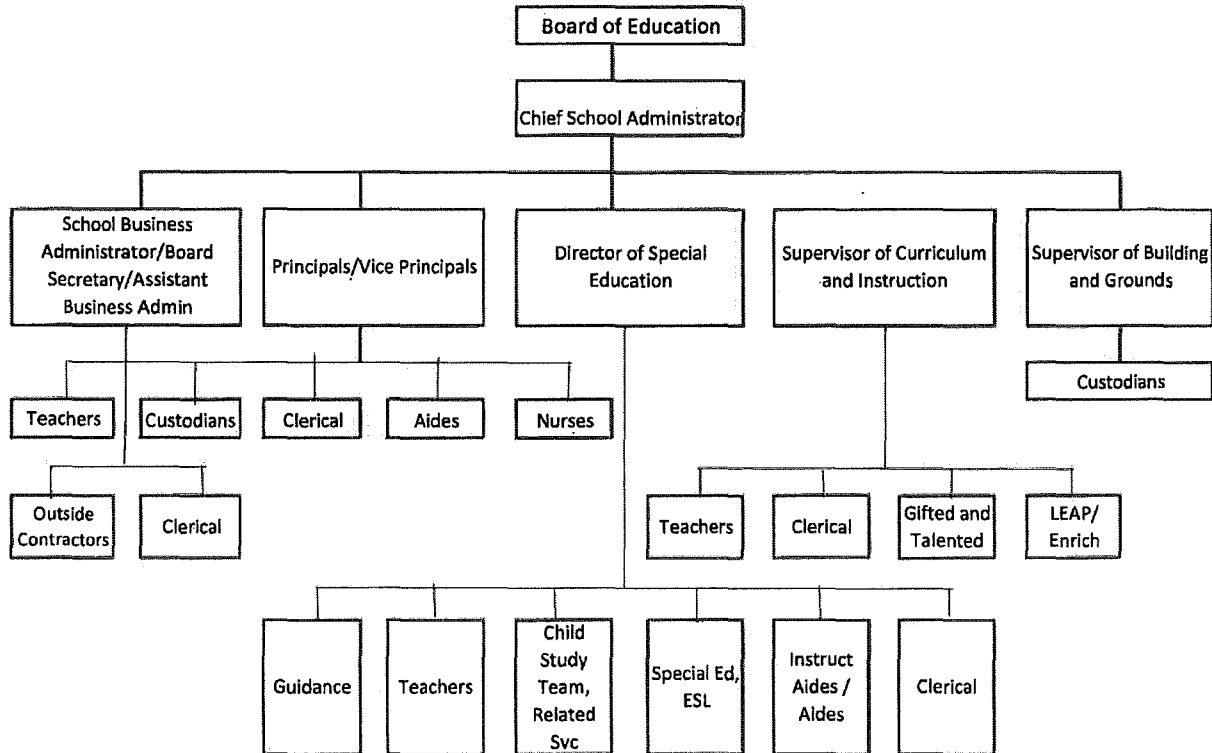


Patricia Capitelli
Chief School Administrator



Vincent Varcadipane
School Business Administrator/
Board Secretary

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, 2020

Members of the Board of Education

Term Expires

Marcello Guarneri – President	2021
Heather Antonucci – Vice President	2023
Julie Alesandrelli	2021
Gary Bierach	2022
Rosemarie Carr	2022
Jennifer DeCeglie	2023
Kenneth Kerwin	2021
Sanders Reynoso	2023
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, 2020

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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
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, 2020 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, 2020, 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.

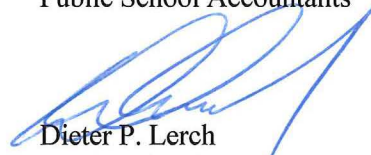
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Totowa Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Totowa Board of Education's internal control over financial reporting and compliance.



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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 4, 2021

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, 2020

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, 2020. 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 (2019-2020) and the prior year (2018-2019) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 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 \$10,341,752 (net position).
- The District's total net position increased through current year operations by \$3,107,584.
- Total district-wide revenues were \$21,968,878. General revenues accounted for \$16,695,103 or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,273,775 or 24% of total revenues.
- The school district had \$18,532,126 in expenses for governmental activities; only \$4,939,895 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$16,693,407 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 \$10,328,683. Of this amount, \$2,007,403 is restricted for capital reserve. After deducting statutory reserves, \$218,546 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, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2020

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, 2020

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 2020 and 2019.

Net Position. The district's combined net position were \$10,341,752 and \$7,234,168, on June 30, 2020 and 2019, respectively. (See Table A-1).

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

**Table A-1
Statement of Net Position
as of June 30, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current Assets	\$ 10,434,920	\$ 7,757,912	\$ 126,146	\$ 143,475	\$ 10,561,066	\$ 7,901,387
Capital Assets	7,195,343	7,480,121	-	-	7,195,343	7,480,121
Total Assets	<u>17,630,263</u>	<u>15,238,033</u>	<u>126,146</u>	<u>143,475</u>	<u>17,756,409</u>	<u>15,381,508</u>
Deferred Outflows of Resources	<u>902,355</u>	<u>1,446,291</u>	<u>-</u>	<u>-</u>	<u>902,355</u>	<u>1,446,291</u>
Total Assets and Deferred Outflows	<u>18,532,618</u>	<u>16,684,324</u>	<u>126,146</u>	<u>143,475</u>	<u>18,658,764</u>	<u>16,827,799</u>
Liabilities						
Long-Term Liabilities	6,430,358	7,471,642			6,430,358	7,471,642
Other Liabilities	126,787	151,575	-	23,923	126,787	175,498
Total Liabilities	<u>6,557,145</u>	<u>7,623,217</u>	<u>-</u>	<u>23,923</u>	<u>6,557,145</u>	<u>7,647,140</u>
Deferred Inflows of Resources	<u>1,759,069</u>	<u>1,945,879</u>	<u>798</u>	<u>612</u>	<u>1,759,867</u>	<u>1,946,491</u>
Total Liabilities and Deferred Inflows	<u>8,316,214</u>	<u>9,569,096</u>	<u>798</u>	<u>24,535</u>	<u>8,317,012</u>	<u>9,593,631</u>
Net Position						
Net Investment in Capital Assets	5,804,253	5,423,551			5,804,253	5,423,551
Restricted	2,007,403	6,738			2,007,403	6,738
Unrestricted	2,404,748	1,684,939	125,348	118,940	2,530,096	1,803,879
Total Net Position	<u>\$ 10,216,404</u>	<u>\$ 7,115,228</u>	<u>\$ 125,348</u>	<u>\$ 118,940</u>	<u>\$ 10,341,752</u>	<u>\$ 7,234,168</u>

Table A-2 on the following page shows changes in net position for fiscal years 2020 and 2019.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

**Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues						
Charges for Services	\$ 219,278	\$ 319,356	\$ 222,772	\$ 326,347	\$ 442,050	\$ 645,703
Grants and Contributions	4,720,617	5,529,866	111,108	154,904	4,831,725	5,684,770
General Revenues						
Property Taxes	16,535,937	16,136,458			16,535,937	16,136,458
State Aid - Unrestricted	-	4,549			-	4,549
Interest	121,632	146,987	1,696	3,215	123,328	150,202
Miscellaneous	35,838	34,005	-	-	35,838	34,005
Total Revenues	<u>21,633,302</u>	<u>22,171,221</u>	<u>335,576</u>	<u>484,466</u>	<u>21,968,878</u>	<u>22,655,687</u>
Expenses						
Instruction						
Regular	8,773,519	9,149,053			8,773,519	9,149,053
Special Education	1,660,789	1,979,547			1,660,789	1,979,547
Other Instruction	633,974	691,041			633,974	691,041
School Sponsored Activities & Athletics					-	-
Support Services						
Student and Instruction Related Services	2,699,219	3,053,476			2,699,219	3,053,476
General Administrative Services	604,118	578,068			604,118	578,068
School Administrative Services	1,154,285	1,150,795			1,154,285	1,150,795
Plant Operations and Maintenance	1,971,183	2,033,351			1,971,183	2,033,351
Pupil Transportation	408,969	480,467			408,969	480,467
Central Services	575,625	592,734			575,625	592,734
Food Services			329,168	534,960	329,168	534,960
Interest on Long-Term Debt	50,445	69,244	-	-	50,445	69,244
Total Expenses	<u>18,532,126</u>	<u>19,777,776</u>	<u>329,168</u>	<u>534,960</u>	<u>18,861,294</u>	<u>20,312,736</u>
Change in Net Position	<u>\$ 3,101,176</u>	<u>\$ 2,393,445</u>	<u>\$ 6,408</u>	<u>\$ (50,494)</u>	<u>\$ 3,107,584</u>	<u>\$ 2,342,951</u>

Totowa Board of Education Totowa, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2020

Governmental Activities. The District's total revenues were \$21,633,302. General revenues, which included property taxes, tuition, unrestricted state aid, investment earnings, and miscellaneous revenue, amounted to \$16,693,407 or 77% of total revenues. Charges for services, grants and contributions amounted to \$4,939,895 or 23%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$11,068,282 or 60% and student support services and debt service totaled \$7,463,844 or 40% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities
For Fiscal Year 2020

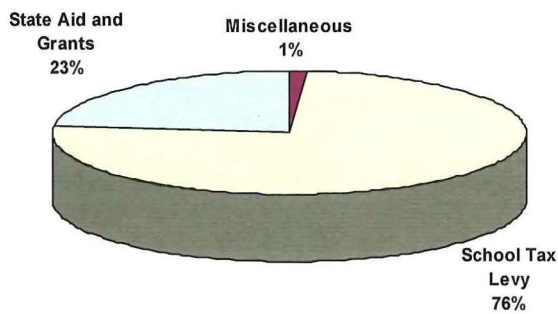
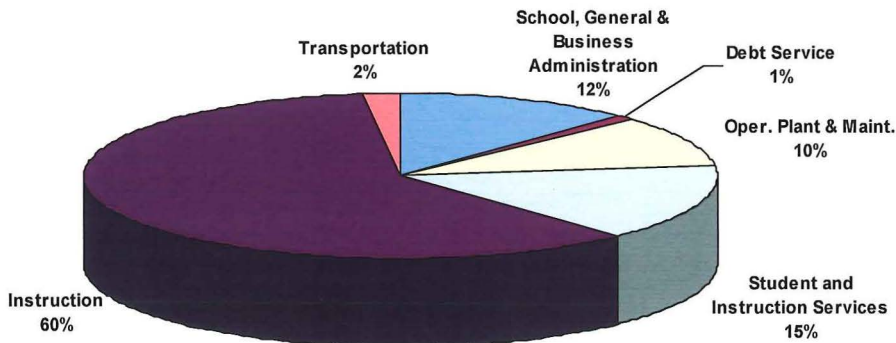


Figure A-3 Expenses by Function – Governmental Activities
For Fiscal Year 2020



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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2020 and 2019**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Governmental Activities				
Instruction				
Regular	\$ 8,773,519	\$ 9,149,053	\$ 6,181,050	\$ 6,128,221
Special Education	1,660,789	1,979,547	581,995	823,622
Other Instruction	633,974	691,041	465,807	480,177
School Sponsored Activities & Athletics				
Support Services				
Student and Instruction Related Services	2,699,219	3,053,476	2,030,373	2,185,684
General Administrative Services	604,118	578,068	604,118	563,548
School Administrative Services	1,154,285	1,150,795	962,304	905,662
Plant Operations and Maintenance	1,971,183	2,033,351	1,879,849	1,880,101
Pupil Transportation	408,969	480,467	260,665	321,176
Central Services	575,625	592,734	575,625	571,119
Interest on Long-Term Debt	<u>50,445</u>	<u>69,244</u>	<u>50,445</u>	<u>69,244</u>
 Total	 <u>\$ 18,532,126</u>	 <u>\$ 19,777,776</u>	 <u>\$ 13,592,231</u>	 <u>\$ 13,928,554</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2020 was \$329,168. 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, 2020**

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 \$10,328,683. At June 30, 2019, the fund balance was \$7,636,562, for an increase of \$2,692,121.

Revenues for the District's governmental funds were \$20,745,000, while total expenditures were \$18,052,879.

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

The following schedule presents a summary of General Fund revenues.

General Fund Revenues

	For the Fiscal Years		Amount of	Percent
	Ended June 30,		Increase	Increase
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 15,810,337	\$ 15,416,258	\$ 394,079	3%
Tuition	219,278	319,356	(100,078)	-31%
Investment Earnings	121,632	146,987	(25,355)	-17%
Miscellaneous	35,838	34,004	1,834	5%
Intergovernmental				
Federal Sources	36,103	35,319	784	2%
State Sources	<u>3,054,585</u>	<u>3,168,647</u>	<u>(114,062)</u>	-4%
 Total Revenues	 <u>\$ 19,277,773</u>	 <u>\$ 19,120,571</u>	 <u>\$ 157,202</u>	 0.82%

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2020**

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures

	For the Fiscal Years		Amount of	Percent
	Ended June 30,			
	<u>2020</u>	<u>2019</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
Instruction	\$ 9,500,653	\$ 9,972,861	\$ (472,208)	-5%
Support Services	6,940,095	7,111,607	(171,512)	-2%
Capital Outlay	<u>144,904</u>	<u>294,728</u>	<u>(149,824)</u>	-51%
 Total Expenditures	 <u>\$ 16,585,652</u>	 <u>\$ 17,379,196</u>	 <u>\$ (793,544)</u>	 -4.6%

Total General Fund expenditures decreased by \$793,544 or 4.6%, 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 \$741,627 for the year ended June 30, 2020. Federal sources accounted for 27% of the total revenue for the year, while state sources accounted for 73%.

Expenditures of the Special Revenue Fund were \$741,627. Instructional expenditures were \$530,064 or 71%.

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, 2020**

Capital Assets. At the end of the fiscal years ended June 30, 2020 and 2019, the school district had invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Land	\$ 130,267	\$ 130,267
Construction in Progress	-	292,525
Buildings	11,885,858	11,885,858
Improvements Other Than Buildings	665,032	236,503
Machinery and Equipment	<u>1,812,545</u>	<u>1,803,645</u>
 Total	 14,493,702	 14,348,798
 Less: Accumulated Depreciation	 <u>(7,298,359)</u>	 <u>(6,868,677)</u>
 Total	 <u>\$ 7,195,343</u>	 <u>\$ 7,480,121</u>

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

Debt Administration. As of June 30, 2020 the school district had outstanding long-term liabilities in the amount of \$6,430,358.

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities
As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Serial Bonds Payable, Net	\$ 1,403,960	\$ 2,081,939
Net Pension Liability	4,375,964	4,770,366
Compensated Absences Payable	<u>650,434</u>	<u>619,337</u>
 Total	 <u>\$ 6,430,358</u>	 <u>\$ 7,471,642</u>

Totowa Board of Education
Totowa, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2020

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

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, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,232,744	\$ 90,350	\$ 10,323,094
Receivables, net			
Receivables from Other Governments	197,815	602	198,417
Internal Balances	(28,416)	28,416	
Other Receivables	32,777		32,777
Inventory		6,778	6,778
Capital Assets, Not Being Depreciated	130,267		130,267
Capital Assets, Being Depreciated	7,065,076	-	7,065,076
	<u>17,630,263</u>	<u>126,146</u>	<u>17,756,409</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	889,485		889,485
Deferred Amount on Refunding	12,870	-	12,870
	<u>902,355</u>	<u>-</u>	<u>902,355</u>
Total Deferred Outflows of Resources			
	<u>18,532,618</u>	<u>126,146</u>	<u>18,658,764</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	87,300	-	87,300
Payable to Other Governments	18,937		18,937
Accrued Interest Payable	20,550		20,550
Noncurrent Liabilities			
Due Within One Year	725,000		725,000
Due Beyond One Year	5,705,358	-	5,705,358
	<u>6,557,145</u>	<u>-</u>	<u>6,557,145</u>
Total Liabilities			
	<u>1,759,069</u>	<u>798</u>	<u>1,759,867</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	1,759,069		1,759,069
Deferred Commodities Revenue	-	798	798
	<u>1,759,069</u>	<u>798</u>	<u>1,759,867</u>
Total Deferred Inflows of Resources			
	<u>8,316,214</u>	<u>798</u>	<u>8,317,012</u>
NET POSITION			
Net Investment in Capital Assets	5,804,253		5,804,253
Restricted for			
Capital Projects	2,007,403		2,007,403
Unrestricted	2,404,748	125,348	2,530,096
	<u>\$ 10,216,404</u>	<u>\$ 125,348</u>	<u>\$ 10,341,752</u>
Total Net Position			

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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 8,773,519	\$ 219,278	\$ 2,373,191		\$ (6,181,050)		\$ (6,181,050)
Special Education	1,660,789		1,078,794		(581,995)		(581,995)
Other Instruction	633,974		168,167		(465,807)		(465,807)
School Sponsored Activities & Athletics	-		-		-		-
Support Services							
Student and Instruction Related Services	2,699,219		668,846		(2,030,373)		(2,030,373)
General Administrative Services	604,118		-		(604,118)		(604,118)
School Administrative Services	1,154,285		191,981		(962,304)		(962,304)
Central Services	575,625		-		(575,625)		(575,625)
Plant Operations and Maintenance	1,971,183		91,334		(1,879,849)		(1,879,849)
Pupil Transportation	408,969		148,304		(260,665)		(260,665)
Interest on Debt	50,445	-	-	-	(50,445)	-	(50,445)
Total Governmental Activities	<u>18,532,126</u>	<u>219,278</u>	<u>4,720,617</u>	<u>-</u>	<u>(13,592,231)</u>	<u>-</u>	<u>(13,592,231)</u>
Business-Type Activities							
Food Service	<u>329,168</u>	<u>222,772</u>	<u>111,108</u>	<u>-</u>	<u>-</u>	<u>\$ 4,712</u>	<u>4,712</u>
Total Business-Type Activities	<u>329,168</u>	<u>222,772</u>	<u>111,108</u>	<u>-</u>	<u>-</u>	<u>4,712</u>	<u>4,712</u>
Total Primary Government	<u>\$ 18,861,294</u>	<u>\$ 442,050</u>	<u>\$ 4,831,725</u>	<u>\$ -</u>	<u>(13,592,231)</u>	<u>4,712</u>	<u>(13,587,519)</u>
General Revenues							
Property Taxes, Levied for General Purposes					15,810,337		15,810,337
Taxes Levied for Debt Service					725,600		725,600
State Aid - Unrestricted					0		-
Investment Earnings					121,632	1,696	123,328
Miscellaneous Income					35,838	-	35,838
Total General Revenues					<u>16,693,407</u>	<u>1,696</u>	<u>16,695,103</u>
Change in Net Position					3,101,176	6,408	3,107,584
Net Position, Beginning of Year					<u>7,115,228</u>	<u>118,940</u>	<u>7,234,168</u>
Net Position, End of Year					<u>\$ 10,216,404</u>	<u>\$ 125,348</u>	<u>\$ 10,341,752</u>

FUND FINANCIAL STATEMENTS

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 10,232,744			\$ 10,232,744
Receivables, Net				
Due from Other Funds	99,979			99,979
Receivables from Other Governments	47,625	\$ 150,190		197,815
Other Accounts Receivable	14,332	1,273	-	15,605
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 10,394,680	\$ 151,463	\$ -	\$ 10,546,143
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 37,581	\$ 49,719		\$ 87,300
Due to Other Funds	28,416	82,807		111,223
Payable to State Government	-	18,937	-	18,937
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	65,997	151,463	-	217,460
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted				
Capital Reserve	2,007,403			2,007,403
Excess Surplus	4,235,759			4,235,759
Excess Surplus - Designated for Subsequent Year's Budget	3,822,169			3,822,169
Assigned				
Year End Encumbrances	43,081			43,081
Designated in Subsequent Year's Budget	1,725			1,725
Unassigned	218,546	-	-	218,546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	10,328,683	-	-	10,328,683
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 10,394,680	\$ 151,463	\$ -	\$ 10,546,143
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2020**

Total Fund Balances - Governmental Funds (Exhibit B-1) \$ 10,328,683

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 \$14,493,702 and the accumulated depreciation is \$7,298,359. 7,195,343

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	\$	(1,759,069)	
Deferred Outflows of Resources			
Net Pension Liability		889,485	
Debt Refunding		<u>12,870</u>	
			(856,714)

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (20,550)

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	(1,403,960)	
Net Pension Liability	(4,375,964)	
Compensated Absences	<u>(650,434)</u>	
		<u>(6,430,358)</u>

Net Position of Governmental Activities (Exhibit A-1) \$ 10,216,404

**TOTOWA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Local Tax Levy	\$ 15,810,337		\$ 725,600	\$ 16,535,937
Tuition	219,278			219,278
Investment Earnings	121,632			121,632
Miscellaneous	35,838	-	-	35,838
Total - Local Sources	<u>16,187,085</u>	<u>-</u>	<u>725,600</u>	<u>16,912,685</u>
State Sources	3,054,585	\$ 540,503		3,595,088
Federal Sources	36,103	201,124	-	237,227
Total Revenues	<u>19,277,773</u>	<u>741,627</u>	<u>725,600</u>	<u>20,745,000</u>
EXPENDITURES				
Current				
Regular Instruction	7,558,258	\$ 296,221		7,854,479
Special Education Instruction	1,358,132	233,843		1,591,975
Other Instruction	584,263			584,263
School-Sponsored Activities and Athletics	-			-
Support Services and Undistributed Costs				
Student and Instruction Related Services	2,346,989	182,863		2,529,852
General Administrative Services	573,170			573,170
School Administrative Services	1,084,021			1,084,021
Central Services	575,480			575,480
Plant Operations and Maintenance	1,951,100	28,700		1,979,800
Pupil Transportation	409,335			409,335
Debt Service				
Principal			645,000	645,000
Interest and Other Charges			80,600	80,600
Capital Outlay	144,904	-	-	144,904
Total Expenditures	<u>16,585,652</u>	<u>741,627</u>	<u>725,600</u>	<u>18,052,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,692,121</u>	<u>-</u>	<u>-</u>	<u>2,692,121</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,692,121	-	-	2,692,121
Fund Balance, Beginning of Year	7,636,562	-	-	7,636,562
Fund Balance, End of Year	<u>\$ 10,328,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,328,683</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, 2020**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 2,692,121

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	\$ 144,904	
Depreciation Expense	<u>(429,682)</u>	
		(284,778)

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	32,979	
Amortization of Deferred Amount on Refunding	(12,499)	
Net Pension Liability	49,775	
Compensated Absences	<u>(31,097)</u>	
		39,158

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		645,000
----------------	--	---------

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>9,675</u>
------------------------------	--	--------------

Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 3,101,176</u>
---	--	---------------------

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2020**

	Enterprise Fund - <u>Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 90,350
Intergovernmental Receivable	
State	6
Federal	596
Inventory	6,778
Due From Other Funds	<u>28,416</u>
Total Current Assets	<u>126,146</u>
LIABILITIES	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>798</u>
Total Deferred Inflows of Resources	<u>798</u>
Total Liabilities and Deferred Inflows of Resources	<u>798</u>
NET POSITION	
Unrestricted	<u>125,348</u>
Total Net Position	<u><u>\$ 125,348</u></u>

**TOTOWA BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Enterprise Fund - Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable	\$ 107,581
Daily Sales - Non-Reimbursable	113,454
Other Sales	<u>1,737</u>
 Total Operating Revenues	 <u>222,772</u>
OPERATING EXPENSES	
Cost of Sales - Reimbursable	69,982
Cost of Sales - Non-Reimbursable	49,089
Salaries & Wages	126,980
Insurance	13,783
Supplies	10,958
Professional Service	4,658
Management Fee	41,495
Miscellaneous	<u>12,223</u>
 Total Operating Expenses	 <u>329,168</u>
 Operating Loss	 <u>(106,396)</u>
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	82,032
National Breakfast Program	6,480
Food Distribution Program	19,969
State Sources	
State School Lunch Program	2,627
Interest and Investment Revenue	<u>1,696</u>
 Total Nonoperating Revenues	 <u>112,804</u>
 Change in Net Position	 6,408
 Net Position, Beginning of Year	 <u>118,940</u>
 Net Position, End of Year	 <u>\$ 125,348</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, 2020**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 222,772
Cash Payments to Employees for Salaries and Wages	(126,980)
Cash Payments to Suppliers for Goods and Services	<u>(209,932)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(114,140)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>114,959</u>
Net Cash Provided by Noncapital Financing Activities	<u>114,959</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>1,696</u>
Net Cash Provided by Investing Activities	<u>1,696</u>
Net Increase in Cash and Cash Equivalents	2,515
Cash and Cash Equivalents, Beginning of Year	<u>87,835</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 90,350</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	<u>\$ (106,396)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Food Distribution Program	19,969
Change in Assets and Liabilities (Increase)/Decrease in Inventory	(3,976)
Increase/(Decrease) in Deferred Inflows of Resources	186
Increase/(Decrease) in Accounts Payable	<u>(23,923)</u>
Total Adjustments	<u>(7,744)</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (114,140)</u></u>
Non-cash Investing, Capital and Financing Activities: Value Received- Food Distribution Program	<u><u>\$ 20,155</u></u>

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

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>46,640</u>	\$ <u>295,645</u>
Total Assets	<u>46,640</u>	<u>\$ 295,645</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 167,458
Due to Student Groups		97,014
Payroll Deductions and Withholdings		13,621
Reserve for Flex Spending		380
Due to Other Funds		17,172
Due to State Government	<u>333</u>	<u>-</u>
Total Liabilities	<u>333</u>	<u>\$ 295,645</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 46,307</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, 2020**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 15,716
Investment Earnings	
Interest	<u>667</u>
Total Additions	<u>16,383</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>15,997</u>
Total Deductions	<u>15,997</u>
Change in Net Position	386
Net Position, Beginning of Year	<u>45,921</u>
Net Position, End of Year	<u><u>\$ 46,307</u></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, 2020**

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. A Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions 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 currently operates a Pre-Kindergarten through grade eight (8) school district.

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 Superintendent is the Chief Administrative Officer of the District who is responsible for planning and operational functions of the District. The Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

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

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the District.

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

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. 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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the District will be effective beginning with the year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

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.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *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 administrators, 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 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".

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

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.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. *Receivables*

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

3. *Inventories*

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

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

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

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, 2020

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, 2020

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, 2020 audited excess surplus that is required to be appropriated in the 2021/2022 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, 2019 audited excess surplus that was appropriated in the 2020/2021 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 2020/2021 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2018-2019 and 2019-2020 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, 2020**

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 2019/2020. Also, during 2019/2020 the Board increased the original budget by \$467,679. The increase was funded by grant awards, and the reappropriation of prior year encumbrances.

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

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

B. Capital Reserve

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

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

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2020 is as follows:

Balance, July 1, 2019	\$ 6,738
Increased by:	
Interest Earnings	665
Deposits Approved by Board Resolution	1,000,000
Deposits Approved in District Budget	<u>1,000,000</u>
Balance, June 30, 2020	<u>\$ 2,007,403</u>

The June 30, 2020 LRFPA has not been updated, therefore, the balance of local support costs of uncompleted capital projects is unavailable.

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, 2020 is \$8,057,928. Of this amount, \$3,822,169 was designated and appropriated in the 2020/2021 original budget certified for taxes and the remaining amount of \$4,235,759 will be appropriated in the 2021/2022 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, 2020, the book value of the Board's deposits were \$10,665,379 and bank and brokerage firm balances of the Board's deposits amounted to \$11,115,444. 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>\$ 11,115,444</u>
---------	----------------------

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020 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, 2020, 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, 2020 for the district’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 122,678	\$ 596	\$ 123,274
State	\$ 47,625	27,512	6	75,143
Other Receivables	<u>14,332</u>	<u>1,273</u>	<u>-</u>	<u>15,605</u>
Gross Receivables	61,957	151,463	602	214,022
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 61,957</u>	<u>\$ 151,463</u>	<u>\$ 602</u>	<u>\$ 214,022</u>

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance, <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance, <u>June 30, 2020</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 130,267				\$ 130,267
Construction in Progress	<u>292,525</u>	<u>\$ 136,004</u>	<u>-</u>	<u>\$ (428,529)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>422,792</u>	<u>136,004</u>	<u>-</u>	<u>(428,529)</u>	<u>130,267</u>
Capital Assets, Being Depreciated:					
Buildings	11,885,858				11,885,858
Improvements Other Than Buildings	236,503			428,529	665,032
Machinery and Equipment	<u>1,803,645</u>	<u>8,900</u>	<u>-</u>	<u>-</u>	<u>1,812,545</u>
Total Capital Assets Being Depreciated	<u>13,926,006</u>	<u>8,900</u>	<u>-</u>	<u>428,529</u>	<u>14,363,435</u>
Less Accumulated Depreciation for:					
Buildings	(5,120,553)	(340,650)			(5,461,203)
Improvements Other Than Buildings	(145,095)	(18,011)			(163,106)
Machinery and Equipment	<u>(1,603,029)</u>	<u>(71,021)</u>	<u>-</u>	<u>-</u>	<u>(1,674,050)</u>
Total Accumulated Depreciation	<u>(6,868,677)</u>	<u>(429,682)</u>	<u>-</u>	<u>-</u>	<u>(7,298,359)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,057,329</u>	<u>(420,782)</u>	<u>-</u>	<u>428,529</u>	<u>7,065,076</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,480,121</u>	<u>\$ (284,778)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,195,343</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:

Instruction		
Regular		\$ 305,909
Special		<u>4,381</u>
Total Instruction		<u>310,290</u>
Support Services		
Student Services - Students		34,651
General Administration		38,977
School Administration		17,395
Operation and Maintenance of Plant		17,264
Business and Other Support Services		<u>11,105</u>
Total Support Services		<u>119,392</u>
Total Governmental Funds		<u>429,682</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 429,682</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 82,807
General Fund	Payroll Agency Fund	17,172
Food Service Fund	General Fund	<u>28,416</u>
Total		<u>\$ 128,395</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, 2020**

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, 2020 are comprised of the following issues:

\$5,460,000, 2013 Refunding Bonds, due in annual installments of \$665,000 to \$705,000 through February 15, 2022, interest at 4.00%	<u>\$1,370,000</u>
--	--------------------

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 665,000	\$ 54,800	\$ 719,800
2022	<u>705,000</u>	<u>28,200</u>	<u>733,200</u>
	<u>\$ 1,370,000</u>	<u>\$ 83,000</u>	<u>\$ 1,453,000</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2020 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 66,427,432
Less: Net Debt	<u>1,370,000</u>
Remaining Borrowing Power	<u>\$ 65,057,432</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, 2020, was as follows:

	Balance, July 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2020</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 2,015,000		\$ (645,000)	\$ 1,370,000	\$ 665,000
Add: Unamortized Premiums	<u>66,939</u>	-	<u>(32,979)</u>	<u>33,960</u>	-
Total Bonds Payable	2,081,939	-	(677,979)	1,403,960	665,000
Net Pension Liability	4,770,366	\$ 187,630	(582,032)	4,375,964	
Compensated Absences	<u>619,337</u>	<u>31,097</u>	-	<u>650,434</u>	<u>60,000</u>
 Governmental Activity Long-Term Liabilities	 <u>\$ 7,471,642</u>	 <u>\$ 218,727</u>	 <u>\$ (1,260,011)</u>	 <u>\$ 6,430,358</u>	 <u>\$ 725,000</u>

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, 2020**

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 Ended June 30,	District Contribution	Employee Contributions	Amount Reimbursed	Ending Balance
2020	None	\$ 15,716	\$ 15,997	\$ 46,307
2019	None	15,439	765	45,921
2018	None	15,314	15,934	30,437

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, 2020, 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, 2020, 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, 2020**

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.

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:

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

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

Teachers’ Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage 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.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected 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 PERS 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, 2020**

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.

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.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 is \$18.1 billion and the plan fiduciary net position as a percentage of the total pension liability is 56.27%. The collective net pension liability of the State funded TPAF at June 30, 2019 is \$61.5 billion and the plan fiduciary net position as a percentage of total pension liability is 26.95%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the July 1, 2018 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 2020.

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, 2020 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 the 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 2020, 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2020, 2019 and 2018 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2020	\$ 236,231	\$ 1,302,817	\$ 23,105
2019	240,990	1,278,207	18,831
2018	219,522	961,727	22,654

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Contributions)

In addition for fiscal years 2020, 2019 and 2018 the District contributed \$1,174, \$1,143 and \$3,540, respectively for PERS and the State contributed \$1,111, \$1,491 and \$1,788, 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 \$478,260 during the fiscal year ended June 30, 2020 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, 2018 through June 30, 2019. 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, 2019 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2019.

At June 30, 2020, the District reported in the statement of net position (accrual basis) a liability of \$4,375,964 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the ratio of the District's share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2019. At June 30, 2019, the District's proportionate share was 0.02429 percent, which was an increase of 0.00006 percent from its proportionate share measured as of June 30, 2018 of .02423 percent.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$186,456 for PERS. The pension contribution made by the District during the current 2019/2020 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, 2020 with a measurement date of the prior fiscal year end of June 30, 2019. 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, 2020 for contributions made subsequent to the measurement date. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 78,543	\$ 19,331
Changes of Assumptions	436,956	1,518,883
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		69,076
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>373,986</u>	<u>151,779</u>
Total	<u>\$ 889,485</u>	<u>\$ 1,759,069</u>

At June 30, 2020, 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:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ (110,111)
2022	(296,192)
2023	(280,770)
2024	(165,273)
2025	(17,238)
Thereafter	<u>-</u>
	<u>\$ (869,584)</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00%
	Based on Years of Service
Thereafter	3.00%-7.00%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019) 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 rates 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 PERS's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	6.28%
2019	June 30, 2018	5.66%

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 6.28%, 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 (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	1% Decrease <u>5.28%</u>	Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,527,554</u>	\$ <u>4,375,964</u>	\$ <u>3,405,587</u>

The sensitivity analysis was based on the proportionate share of the District’s net pension liability as of the measurement date of June 30, 2019. A sensitivity analysis specific to the District’s net pension liability at June 30, 2019 was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 measurement period July 1, 2018 through June 30, 2019. 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, 2019, 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, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,304,308 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 \$39,067,535. The nonemployer allocation percentages are based on the ratio of the State's contributions made as and a nonemployer attributable to the District adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2019. At June 30, 2019, the State's share of the net pension liability attributable to the District was 0.06366 percent, which was a decrease of 0.00014 percent from its proportionate share measured as of June 30, 2017 of 0.06380 percent.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.55% Based on Years of Service
Thereafter	2.75%-5.65% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019) 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 TPAF's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

Fiscal Year	Measurement Date	Discount Rate
2020	June 30, 2019	5.60%
2019	June 30, 2018	4.86%

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, 2054
Municipal Bond Rate *	From July 1, 2054 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 5.60%, 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 (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 46,069,271</u>	<u>\$ 39,067,535</u>	<u>\$ 33,258,305</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2019. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2019 was not provided by the pension system.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2018:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>364,943</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, 2019 is \$41.7 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, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the June 30, 2018 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, 2020**

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 \$1.28 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution 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, 2020, 2019 and 2018 were \$483,321, \$579,792 and \$621,159, 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, 2018 through June 30, 2019. 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, 2020, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$370,132. 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, 2020 the State's proportionate share of the OPEB liability attributable to the District is \$23,043,314. 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, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state's share of the OPEB liability attributable to the District was 0.06 percent, which was the same proportionate share measured as of June 30, 2018 of 0.06 percent.

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 3.05%
Rate Thereafter	1.55% to 3.05%
Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2019.
Long-Term Rate of Return	2.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

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.

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>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Changes in the Total OPEB Liability

The change in the State’s proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2018 Measurement Date	\$ 26,555,715
Changes Recognized for the Fiscal Year:	
Service Cost	989,794
Interest on the Total OPEB Liability	1,052,856
Differences Between Expected and Actual Experience	(5,212,236)
Changes of Assumptions	343,578
Gross Benefit Payments	20,968
Contributions from the Member	(707,361)
Net Changes	<u>\$ (3,512,401)</u>
Balance, June 30, 2019 Measurement Date	<u>\$ 23,043,314</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% percent in 2018 to 3.50% percent in 2019.

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, 2019.

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 3.50%, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 27,223,260</u>	<u>\$ 23,043,314</u>	<u>\$ 19,722,994</u>

**TOTOWA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability (Continued)

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ 18,986,664	\$ 23,043,314	\$ 28,413,486

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019 were not provided by the pension system.

NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Board expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. The declaration of a public health emergency remains in effect a of the date of audit. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders permitting the resumption of certain activities.

**TOTOWA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Board cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to municipalities. The Board cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain it facilities either before or after an outbreak of an infectious disease.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 15,810,337		\$ 15,810,337	\$ 15,810,337	
Tuition	175,000	-	175,000	219,278	\$ 44,278
Interest	50,000	-	50,000	121,217	71,217
Interest Earned - Capital Reserve	250	-	250	415	165
Miscellaneous	-	-	-	35,838	35,838
Total Local Sources	16,035,587	-	16,035,587	16,187,085	151,498
State Sources					
Special Education Aid	492,225		492,225	492,225	-
Transportation Aid	150,414		150,414	150,414	-
Security Aid	74,363		74,363	74,363	-
Extraordinary Aid				50,001	50,001
Non Public Transportation Reimbursements					-
On-behalf TPAF Pension Payments (Non-Budget) - Pension				1,279,877	1,279,877
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				22,940	22,940
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				483,321	483,321
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,111	1,111
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	478,260	478,260
Total State Sources	717,002	-	717,002	3,032,512	2,315,510
Federal Sources					
Medicaid Reimbursements	27,568	-	27,568	36,103	8,535
Total Federal Sources	27,568	-	27,568	36,103	8,535
Total Revenues	16,780,157	-	16,780,157	19,255,700	2,475,543
EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	400,777	-	400,777	330,472	70,305
Kindergarten	346,137	-	346,137	281,104	65,033
Grades 1-5	2,032,553	(15,768)	2,016,785	1,837,355	179,430
Grades 6-8	2,135,975	15,768	2,151,743	1,995,184	156,559
Regular Programs - Undistributed Instruction		-			
Other Salaries for Instruction	217,090	-	217,090	32,293	184,797
Purchased Professional - Educational Services	75,100	2,692	77,792	41,679	36,113
Purchased Technical Services	250,209	17,568	267,777	59,746	208,031
Other Purchased Services	117,370	-	117,370	60,569	56,801
General Supplies	122,902	-	122,902	82,298	40,604
Textbooks	5,000	-	5,000	164	4,836
Other Objects	-	-	-	-	-
Total Regular Programs - Instruction	5,703,113	20,260	5,723,373	4,720,864	1,002,509
Special Education Instruction					
Learning and Language Disabilities					
Salaries of Teachers	57,829	84,257	142,086	23,999	118,087
Other Salaries for Instruction	115,050	(84,257)	30,793	12,050	18,743
Total Learning and Language Disabilities	172,879	-	172,879	36,049	136,830

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 157,112	\$ 2,875	\$ 159,987	\$ 159,419	\$ 568
Other Salaries for Instruction	345,150	(108,742)	236,408	105,003	131,405
Total Multiple Disabilities	502,262	(105,867)	396,395	264,422	131,973
Resource Room/Resource Center					
Salaries of Teachers	240,509	-	240,509	214,930	25,579
Other Salaries for Instruction	161,070	-	161,070	81,120	79,950
Total Resource Room/Resource Center	401,579	-	401,579	296,050	105,529
Preschool Disabilities-Full-Time					
Salaries of Teachers	53,454	72,192	125,646	125,646	-
Other Salaries for Instruction	161,070	(80,500)	80,570	71,911	8,659
Total Preschool Disability Full Time	214,524	(8,308)	206,216	197,557	8,659
Total Special Education Instruction	1,291,244	(114,175)	1,177,069	794,078	382,991
Basic Skills/Remedial - Instruction					
Salaries of Teachers	391,954	114,175	506,129	359,761	146,368
Total Basic Skills/Remedial - Instruction	391,954	114,175	506,129	359,761	146,368
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	77,631	-	77,631	-	77,631
Total Instructional Alternative Ed Program	77,631	-	77,631	-	77,631
Total Instruction	7,470,942	20,260	7,491,202	5,874,703	1,616,499
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Regular	17,500	-	17,500	7,774	9,726
Tuition to Other LEAs Within the State - Special	298,340	-	298,340	46,000	252,340
Tuition to CSSD and Regional Day Schools	-	-	-	-	-
Tuition to Priv. Sch. for the Disabled Within State	524,889	(12,346)	512,543	56,397	456,146
Total Undistributed Expenditures - Instruction	840,729	(12,346)	828,383	110,171	718,212

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 175,262		\$ 175,262	\$ 171,662	\$ 3,600
Purchased Professional and Technical Svcs.	141,561		126,101	8,081	118,020
Supplies and Materials	6,120	-	6,120	3,166	2,954
Total Health Services	322,943	-	307,483	182,909	124,574
Speech, OT, PT and Related Services					
Salaries	640,592	\$ -	640,592	478,851	161,741
Purchased Professional Educational Services	60,616	-	60,616	2,980	57,636
Total Speech, OT, PT and Related Services	701,208	-	701,208	481,831	219,377
Guidance					
Salaries of Other Professional Staff	95,195		95,921	94,867	1,054
Purchased Professional - Educational Services	63,672		63,672	20,345	43,327
Other Purchased Prof. and Tech. Services	20,606		19,880	3,410	16,470
Supplies and Materials	19,524		19,524	3,521	16,003
Other Objects	832	-	832	200	632
Total Guidance	199,829	-	199,829	122,343	77,486
Child Study Teams					
Salaries of Other Professional Staff	314,174	12,162	326,336	235,181	91,155
Salaries of Secretarial and Clerical Assistants	53,731	1,984	55,715	54,932	783
Other Salaries	90,000	(11,896)	78,104	67,982	10,122
Other Purchased Professional and Tech. Services	20,808	(2,250)	18,558	1,150	17,408
Supplies and Materials	6,202	-	6,202	661	5,541
Other Objects	4,080	-	4,080	1,727	2,353
Total Child Study Teams	488,995	-	488,995	361,633	127,362
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	-	-			-
Salaries of Secretarial & Clerical Assistants	36,050	875	36,925	36,400	525
Other Salaries	50,555	(875)	49,680	8,342	41,338
Total Improvement of Instructional Services	86,605	-	86,605	44,742	41,863

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 335,813		\$ 351,273	\$ 238,520	\$ 112,753
Supplies and Materials	14,816	\$ -	14,816	391	14,425
Total Educational Media Serv./School Library	<u>350,629</u>	<u>-</u>	<u>366,089</u>	<u>238,911</u>	<u>127,178</u>
Instructional Staff Training Services					
Other Purchased Services	150,000	-	150,000	102,223	47,777
Total Instructional Staff Training Services	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>102,223</u>	<u>47,777</u>
Support Services General Administration					
Salaries	247,300	24,733	272,033	272,033	-
Legal Services	70,482	(24,733)	45,749	27,701	18,048
Audit Fees	30,000	-	30,000	25,568	4,432
Other Purchased Professional Services	25,000	40,000	65,000	14,855	50,145
Communications/Telephone	45,048	-	45,048	39,645	5,403
Miscellaneous Purchased Services	45,484	-	45,484	14,963	30,521
BOE In-House Training/Meeting Supplies	7,000	-	7,000	2,582	4,418
Miscellaneous Expenditures	15,662	-	15,662	9,704	5,958
Total Support Services General Administration	<u>485,976</u>	<u>40,000</u>	<u>525,976</u>	<u>407,051</u>	<u>118,925</u>
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	426,940	7,157	434,097	433,897	200
Salaries of Secretarial and Clerical Assistants	236,693	3,347	240,040	240,040	-
Purchased Professional and Technical Svcs.	15,000	(5,000)	10,000	9,438	562
Supplies and Materials	10,404	44,496	54,900	924	53,976
Other Objects	23,000	10,000	33,000	16,493	16,507
Total Support Services School Administration	<u>712,037</u>	<u>60,000</u>	<u>772,037</u>	<u>700,792</u>	<u>71,245</u>
Central Services					
Salaries	360,271	2,040	362,311	362,309	2
Purchased Professional Services	23,440	36,126	59,566	22,563	37,003
Misc. Purchased Services	1,182	-	1,182	-	1,182
Supplies and Materials	7,283	17,960	25,243	6,058	19,185
Miscellaneous Expenditures	1,500	-	1,500	1,165	335
Total Central Services	<u>393,676</u>	<u>56,126</u>	<u>449,802</u>	<u>392,095</u>	<u>57,707</u>

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Admin. Info. Tech.					
Salaries	\$ 12,000		\$ 12,000	\$ 9,072	\$ 2,928
Other Objects	2,289	-	2,289	-	2,289
Total Admin. Info. Tech	14,289	-	14,289	9,072	5,217
Required Maintenance For School Facilities					
Salaries	93,818		93,818	93,813	5
Cleaning, Repair and Maintenance Services	172,334	\$ (24,414)	147,920	84,812	63,108
General Supplies	80,000	17,438	97,438	97,438	-
Other Objects	24,870	(12,379)	12,491	4,730	7,761
Total Required Maint. For School Facilities	371,022	(19,355)	351,667	280,793	70,874
Custodial Services					
Salaries	924,873	(135,000)	789,873	783,020	6,853
Cleaning, Repair and Maintenance Services	55,253	-	55,253	29,898	25,355
Other Purchased Property Services	22,000	-	22,000	-	-
Insurance	78,000	-	78,000	71,779	6,221
General Supplies	48,187	19,207	67,394	37,506	29,888
Energy (Natural Gas)	176,868	-	176,868	120,549	56,319
Energy (Electricity)	104,040	148	104,188	83,899	20,289
Other Objects	10,312	-	10,312	6,221	4,091
Total Custodial Services	1,419,533	(115,645)	1,303,888	1,154,872	149,016
Security Services					
Salaries	60,000	-	60,000	-	60,000
Purchased Professional & Technical Services	142,800	-	142,800	103,880	38,920
Total Security Services	202,800	-	202,800	103,880	98,920
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	32,000	-	32,000	12,410	19,590
Contracted Services - Aid in Lieu Payments - Nonpublic	90,000	-	90,000	38,350	51,650
Contracted Services (Between Home and School) - Vendors	262,970	-	262,970	194,534	68,436
Contracted Services (Other than Between Home and School - Vendors	9,800	-	9,800	4,700	5,100
Contracted Services - (Spl. Ed. Students) - Joint Agreements	266,822	-	266,822	153,516	113,306
Total Student Transportation Services	661,592	-	661,592	403,510	258,082

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 222,360	-	\$ 222,360	\$ 196,462	\$ 25,898
TPAF Contributions - ERIP	44,121	-	44,121	8,076	36,045
Other Retirement Contributions - PERS	260,607	-	260,607	237,405	23,202
Other Retirement Contributions - DCRP	25,000	-	25,000	23,105	1,895
Unemployment Compensation	10,122	60,000	70,122		70,122
Workmen's Compensation	322,000	(60,000)	262,000	154,767	107,233
Health Benefits	2,925,807	-	2,925,807	2,450,221	475,586
Tuition Reimbursement	10,000	-	10,000	2,634	7,366
Other Employee Benefits	90,000	-	90,000	43,650	46,350
Total Unallocated Benefits - Employee Benefits	3,910,017	-	3,910,017	3,116,320	793,697
On-behalf TPAF Pension Payments (Non-Budget) - Pension				1,279,877	(1,279,877)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				22,940	(22,940)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				483,321	(483,321)
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				1,111	(1,111)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	478,260	(478,260)
Total On-Behalf Payments	-	-	-	2,265,509	(2,265,509)
Total Undistributed Expenditures	11,311,880	8,780	11,320,660	10,478,657	842,003
Total Expenditures - Current Expenditures	18,782,822	29,040	18,811,862	16,353,360	2,458,502
CAPITAL OUTLAY					
Equipment					
Regular Instruction		-			-
School Administration	8,700		8,700		8,700
Required Maintenance for School Facilities	9,000	-	9,000	8,900	100
Total Equipment	17,700	-	17,700	8,900	8,800
Facilities Acquisition and Construction Services					
Custodial Services					-
Other Purchased Professional and Technical Services	10,000	-	10,000		10,000
Construction Services	242,198	117,770	359,968	136,004	223,964
Other Objects (Debt Service Assessment)	38,436	-	38,436	38,436	-
Total Facilities Acquisition and Construction Services	290,634	117,770	408,404	174,440	233,964
Increase in Capital Reserve	1,000,000	-	1,000,000	-	1,000,000
Interest Deposit to Capital Reserve	250	-	250	-	250
Total Capital Outlay	1,308,584	117,770	1,426,354	183,340	1,243,014
Transfer to Charter School	72,184	12,346	84,530	48,952	35,578
Total Expenditures	20,163,590	159,156	20,322,746	16,585,652	3,737,094
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(3,383,433)	(159,156)	(3,542,589)	2,670,048	6,212,637
Other Financing Sources (Uses)					
Operating Transfer In	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-

**TOTOWA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	\$ (3,383,433)	\$ (159,156)	\$ (3,542,589)	\$ 2,670,048	\$ 6,212,637
Fund Balance, Beginning of Year	<u>7,776,493</u>	<u>-</u>	<u>7,776,493</u>	<u>7,776,493</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,393,060</u>	<u>\$ (159,156)</u>	<u>\$ 4,233,904</u>	<u>\$ 10,446,541</u>	<u>\$ 6,212,637</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 2,007,403
Excess Surplus	4,235,759
Excess Surplus - Designated in Subsequent Year's Budget	3,822,169
Assigned	
Year End Encumbrances	43,081
Designated in Subsequent Year's Budget	1,725
Unassigned	<u>336,404</u>
	10,446,541
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(117,858)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 10,328,683</u>

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 124,373	\$ 100,286	\$ 224,659	\$ 201,124	\$ (23,535)
Federal	384,111	208,237	592,348	540,503	(51,845)
Total Revenues	<u>508,484</u>	<u>308,523</u>	<u>817,007</u>	<u>741,627</u>	<u>(75,380)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	155,751	(7,458)	148,293	148,293	-
Tuition	228,360	(3,112)	225,248	225,248	-
Other Purchased Services		-		-	-
General Supplies	5,242	104,153	109,395	98,196	11,199
Textbooks	7,775	2,134	9,909	8,608	1,301
Total Instruction	<u>397,128</u>	<u>95,717</u>	<u>492,845</u>	<u>480,345</u>	<u>12,500</u>
Support Services					
Salaries		-		-	-
Personal Services-Employee Benefits		49,719	49,719	49,719	-
Purchased Prof./Ed. Services	86,038	129,288	215,326	154,239	61,087
Other Purchased Services		11,693	11,693	10,000	1,693
Miscellaneous Purchased Services	14,278	4,346	18,624	18,624	-
Supplies and Materials	11,040	17,760	28,800	28,700	100
Other Objects	-	-	-	-	-
Total Support Services	<u>111,356</u>	<u>212,806</u>	<u>324,162</u>	<u>261,282</u>	<u>62,880</u>
Total Expenditures	<u>508,484</u>	<u>308,523</u>	<u>817,007</u>	<u>741,627</u>	<u>75,380</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2020**

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.

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 19,255,700	(C-2)	\$ 741,627
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Current Year				
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements - Prior Year		139,931		
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year		<u>(117,858)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2)	<u>\$ 19,277,773</u>		<u>\$ 741,627</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	<u>\$ 16,585,652</u>	(C-2)	<u>\$ 741,627</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2)	<u>\$ 16,585,652</u>		<u>\$ 741,627</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 Seven Fiscal Years*

	<u>2020</u>	<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)	0.02428%	0.02423%	0.02370%	0.02124%	0.02283%	0.02100%	0.02581%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,375,964	\$ 4,770,366	\$ 5,516,147	\$ 6,293,075	\$ 5,126,424	\$ 3,931,843	#####
District's Covered-Employee Payroll	\$ 1,735,865	\$ 1,707,445	\$ 1,680,287	\$ 1,619,960	\$ 1,494,545	\$ 1,490,126	#####
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	252.09%	279.39%	328.29%	388.47%	343.01%	263.86%	296.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	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 Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 236,231	\$ 240,990	\$ 219,522	\$ 188,765	\$ 196,336	\$ 180,156	\$ 194,487
Contributions in Relation to the Contractually Required Contribution	<u>236,231</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,764,024	\$ 1,735,865	\$ 1,707,445	\$ 1,680,287	\$ 1,619,960	\$ 1,494,545	\$ 1,490,126
Contributions as a Percentage of Covered-Employee Payroll	13.38%	13.87%	12.85%	11.22%	12.11%	12.04%	13.05%

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 Seven Fiscal Years***

	<u>2020</u>	<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%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 39,067,535</u>	<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>
Total	<u>\$ 39,067,535</u>	<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	\$ 6,510,845	\$ 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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	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, 2020**

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 Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 989,794	\$ 1,112,205	\$ 1,320,216
Interest on Total OPEB Liability	1,052,856	1,148,107	997,819
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	(5,212,236)	(3,269,243)	
Changes of Assumptions	343,578	(3,047,401)	(4,134,865)
Gross Benefit Payments	(707,361)	(710,090)	(873,399)
Contribution from the Member	<u>20,968</u>	<u>24,542</u>	<u>32,161</u>
Net Change in Total OPEB Liability	(3,512,401)	(4,741,880)	(2,658,068)
Total OPEB Liability - Beginning	<u>26,555,715</u>	<u>31,297,595</u>	<u>33,955,663</u>
Total OPEB Liability - Ending	<u>\$ 23,043,314</u>	<u>\$ 26,555,715</u>	<u>\$ 31,297,595</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>23,043,314</u>	<u>26,555,715</u>	<u>31,297,595</u>
Total OPEB Liability - Ending	<u>\$ 23,043,314</u>	<u>\$ 26,555,715</u>	<u>\$ 31,297,595</u>
District's Covered-Employee Payroll	<u>\$ 8,246,710</u>	<u>\$ 7,948,164</u>	<u>\$ 8,264,007</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%	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, 2020**

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, 2020

	ESSA		IDEA Part B		CARES	Chapter 192	Chapter 193			Nonpublic Nursing	Nonpublic Textbook	Nonpublic Security	Nonpublic Technology	Total
	Title I	Title II-A	Basic	Preschool		Comp. Education	Corrective Speech	Exam. & Classification	Supplemental Instruction					
REVENUES														
Intergovernmental														
Federal	\$ 160,539	\$ 38,878	\$ 240,750	\$ 8,595	\$ 91,741									\$ 540,503
State	-	-	-	-	-	\$ 96,530	\$ 12,760	\$ 1,125	\$ 28,322	\$ 18,624	\$ 8,608	\$ 28,700	\$ 6,455	201,124
Total Revenues	\$ 160,539	\$ 38,878	\$ 240,750	\$ 8,595	\$ 91,741	\$ 96,530	\$ 12,760	\$ 1,125	\$ 28,322	\$ 18,624	\$ 8,608	\$ 28,700	\$ 6,455	\$ 741,627
EXPENDITURES														
Instruction														
Salaries of Teachers	\$ 116,360	\$ 23,949		\$ 7,984										\$ 148,293
Tuition			\$ 225,248											225,248
General Supplies					\$ 91,741								\$ 6,455	98,196
Textbooks											\$ 8,608			8,608
Total Instruction	116,360	23,949	225,248	7,984	91,741	-	-	-	-	-	8,608	-	6,455	480,345
Support Services														
Personal Services - Employee Benefits	40,726	8,382		611										49,719
Purchased Prof./Ed. Services			15,502			\$ 96,530	\$ 12,760	\$ 1,125	\$ 28,322					154,239
Other Purchased Services	3,453	6,547												10,000
Miscellaneous Purchased Services										\$ 18,624				18,624
Supplies and Materials					\$ -							\$ 28,700		28,700
Total Support Services	44,179	14,929	15,502	611	-	96,530	12,760	1,125	28,322	18,624	-	28,700	-	261,282
Total Expenditures	\$ 160,539	\$ 38,878	\$ 240,750	\$ 8,595	\$ 91,741	\$ 96,530	\$ 12,760	\$ 1,125	\$ 28,322	\$ 18,624	\$ 8,608	\$ 28,700	\$ 6,455	\$ 741,627

**TOTOWA BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOT APPLICABLE

CAPITAL PROJECTS FUND

NOT APPLICABLE

ENTERPRISE FUND

EXHIBIT G-1

**TOTOWA BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

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

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 97,014	\$ 198,631	\$ 295,645
Total Assets	<u>\$ 97,014</u>	<u>\$ 198,631</u>	<u>\$ 295,645</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 167,458	\$ 167,458
Payroll Deductions and Withholdings Payable		13,621	13,621
Due to Other Funds		17,172	17,172
Reserve for Flex Spending		380	380
Due to Student Groups	<u>\$ 97,014</u>	<u>-</u>	<u>97,014</u>
Total Liabilities	<u>\$ 97,014</u>	<u>\$ 198,631</u>	<u>\$ 295,645</u>

**TOTOWA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

	<u>Balance, July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2020</u>
Due to Student Groups				
Elementary Schools				
Washington Park	\$ 97,642	\$ 111,752	\$ 125,226	\$ 84,168
Memorial	<u>12,314</u>	<u>2,623</u>	<u>2,091</u>	<u>12,846</u>
Total All Schools	<u>\$ 109,956</u>	<u>\$ 114,375</u>	<u>\$ 127,317</u>	<u>\$ 97,014</u>

**TOTOWA BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Balance, July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2020</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 11,612	\$ 5,004,024	\$ 5,002,015	\$ 13,621
Accrued Salaries and Wages - Regular	1,532	5,485,837	5,485,837	1,532
Accrued Salaries and Wages - Summer Pay	174,764	165,926	174,764	165,926
Reserve for Flex Spending	380			380
Due to Other Funds	<u>14,036</u>	<u>3,136</u>	<u>-</u>	<u>17,172</u>
 Total	 <u>\$ 202,324</u>	 <u>\$ 10,658,923</u>	 <u>\$ 10,662,616</u>	 <u>\$ 198,631</u>

LONG-TERM DEBT

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<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, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2020</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	1/25/2013	\$ 5,460,000	2/15/2021	\$ 665,000	4.000%	<u>\$ 2,015,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$ 1,370,000</u>
			2/15/2022	705,000	4.000%				
						<u>\$ 2,015,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$ 1,370,000</u>
							Paid by Budget	<u>\$ 645,000</u>	

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 725,600	-	\$ 725,600	\$ 725,600	-
Total Revenues	<u>725,600</u>	<u>-</u>	<u>725,600</u>	<u>725,600</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	645,000		645,000	645,000	
Interest	<u>80,600</u>	<u>-</u>	<u>80,600</u>	<u>80,600</u>	<u>-</u>
Total Expenditures	<u>725,600</u>	<u>-</u>	<u>725,600</u>	<u>725,600</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended									
	2011	2012	2013	2014 (Restated)	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 5,804,253
Restricted	97,306	154,563	32,236	21,979	5,687	5,767	5,767	6,124	6,738	2,007,403
Unrestricted	<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>	<u>2,404,748</u>
Total Governmental Activities Net Position	<u>\$ 4,963,651</u>	<u>\$ 5,379,968</u>	<u>\$ 6,079,240</u>	<u>\$ 1,285,446</u>	<u>\$ 1,295,959</u>	<u>\$ 1,930,666</u>	<u>\$ 2,755,137</u>	<u>\$ 4,721,783</u>	<u>\$ 7,115,228</u>	<u>\$ 10,216,404</u>
Business-Type Activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 90,516	\$ 98,736	\$ 103,054	\$ 115,227	\$ 110,636	\$ 115,354	\$ 139,795	\$ 169,434	\$ 118,940	\$ 125,348
Total Business-Type Activities Net Position	<u>\$ 90,516</u>	<u>\$ 98,736</u>	<u>\$ 103,054</u>	<u>\$ 115,227</u>	<u>\$ 110,636</u>	<u>\$ 115,354</u>	<u>\$ 139,795</u>	<u>\$ 169,434</u>	<u>\$ 118,940</u>	<u>\$ 125,348</u>
District-Wide										
Net Investment in Capital Assets	\$ 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	\$ 5,804,253
Restricted	97,306	154,563	32,236	21,979	5,687	5,767	5,767	6,124	6,738	2,007,403
Unrestricted	<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>	<u>2,530,096</u>
Total District Net Position	<u>\$ 5,054,167</u>	<u>\$ 5,478,704</u>	<u>\$ 6,182,294</u>	<u>\$ 1,400,673</u>	<u>\$ 1,406,595</u>	<u>\$ 2,046,020</u>	<u>\$ 2,894,932</u>	<u>\$ 4,891,217</u>	<u>\$ 7,234,168</u>	<u>\$ 10,341,752</u>

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

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

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 8,773,519
Special Education	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	1,660,789
Other Instruction	593,159	573,051	370,870	262,489	309,226	514,346	217,306	162,033	691,041	633,974
School Sponsored Activities And Athletics	5,217	4,780	3,071	2,025	-	-	-	773	-	-
Support Services:										
Student & Instruction Related Services	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	2,699,219
General Administration	573,380	705,178	801,427	757,434	564,468	565,830	605,195	616,877	578,068	604,118
School Administrative Services	639,407	745,495	727,904	837,684	930,742	943,181	1,001,594	1,065,105	1,150,795	1,154,285
Other Support Services	404,065	455,910	478,021	442,115	459,313	518,059	551,810	623,749	592,734	575,625
Plant Operations And Maintenance	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	1,971,183
Pupil Transportation	372,654	405,861	381,361	406,677	471,983	514,332	526,669	496,463	480,467	408,969
Interest On Long-Term Debt	297,576	276,942	131,817	117,250	108,632	99,770	90,617	81,202	69,244	50,445
Total Governmental Activities Expenses	14,698,324	15,260,369	15,539,029	16,210,391	18,596,285	19,370,899	21,254,217	21,279,119	19,777,776	18,532,126
Business-Type Activities:										
Food Service	302,041	332,751	354,840	408,029	410,104	430,241	453,086	463,240	534,960	329,168
Total Business-Type Activities Expense	302,041	332,751	354,840	408,029	410,104	430,241	453,086	463,240	534,960	329,168
Total District Expenses	\$ 15,000,365	\$ 15,593,120	\$ 15,893,869	\$ 16,618,420	\$ 19,006,389	\$ 19,801,140	\$ 21,707,303	\$ 21,742,359	\$ 20,312,736	\$ 18,861,294
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 159,033	\$ 320,503	\$ 367,690	\$ 245,546	\$ 249,491	\$ 289,742	\$ 297,706	\$ 442,202	\$ 319,356	\$ 219,278
Operating Grants And Contributions	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	4,720,617
Capital Grants And Contributions	13,997	44,062	-	55,400	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,678,619	2,440,814	2,752,743	2,674,293	4,538,549	5,246,572	6,623,878	7,391,170	5,849,222	4,939,895
Business-Type Activities:										
Charges For Services										
Food Service	\$ 245,793	\$ 252,665	\$ 253,558	\$ 277,756	\$ 260,744	\$ 283,479	\$ 314,176	\$ 325,192	\$ 326,347	\$ 222,772
Operating Grants And Contributions	78,342	88,143	105,446	142,198	144,512	151,226	162,906	165,817	154,904	111,108
Total Business Type Activities Program Revenues	324,135	340,808	359,004	419,954	405,256	434,705	477,082	491,009	481,251	333,880
Total District Program Revenues	\$ 2,002,754	\$ 2,781,622	\$ 3,111,747	\$ 3,094,247	\$ 4,943,805	\$ 5,681,277	\$ 7,100,960	\$ 7,882,179	\$ 6,330,473	\$ 5,273,775

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

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (13,592,231)
Business-Type Activities	22,094	8,057	4,164	11,925	(4,848)	4,464	23,996	27,769	(53,709)	4,712
Total District-Wide Net Expense	<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>	<u>\$ (13,587,519)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 15,810,337
Taxes Levied For Debt Service	777,816	777,410	657,058	728,724	707,837	722,700	725,750	723,200	720,200	725,600
Investment Earnings	16,826	16,044	12,381	15,145	10,994	9,879	17,787	68,427	146,987	121,632
Federal and State Aid - Unrestricted					20,320	19,382	30,485	27,776	4,550	-
State Aid Restricted for Debt Service										
Miscellaneous Income	20,695	2,725	25,014	20,343	13,232	10,703	134,210	59,974	34,004	35,838
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<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>	<u>16,693,407</u>
Business-Type Activities:										
Investment Earnings	161	163	154	248	257	254	445	1,870	3,215	1,696
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<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>	<u>1,696</u>
Total District-Wide	<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>	<u>\$ 16,695,103</u>
Change in Net Position										
Governmental Activities	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471	\$ 1,966,646	\$ 2,393,445	\$ 3,101,176
Business-Type Activities	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441	29,639	(50,494)	6,408
	<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>	<u>3,107,584</u>
Transfer Out	-	-	-	-	-	-	-	-	-	-
Net Change in Net Position										
Governmental Activities	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513	\$ 634,707	\$ 824,471	\$ 1,966,646	\$ 2,393,445	\$ 3,101,176
Business-Type Activities	22,255	8,220	4,318	12,173	(4,591)	4,718	24,441	29,639	(50,494)	6,408
Total District	<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>	<u>\$ 3,107,584</u>

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

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved										
Unreserved										
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	\$ 10,065,331
Committed	130,000									
Assigned	51,625	187,406	5,963	108,056	111,499	162,500	182,158	350,789	247,040	44,806
Unassigned	<u>262,082</u>	<u>258,123</u>	<u>243,680</u>	<u>265,039</u>	<u>302,136</u>	<u>348,245</u>	<u>287,057</u>	<u>233,986</u>	<u>265,066</u>	<u>218,546</u>
Total General Fund	<u>\$ 2,744,628</u>	<u>\$ 3,067,213</u>	<u>\$ 3,492,086</u>	<u>\$ 3,337,533</u>	<u>\$ 2,785,625</u>	<u>\$ 3,250,550</u>	<u>\$ 4,049,430</u>	<u>\$ 5,895,187</u>	<u>\$ 7,636,562</u>	<u>\$ 10,328,683</u>
All Other Governmental Funds										
Reserved										
Unreserved										
Restricted	<u>\$ 105,788</u>	<u>\$ 89,014</u>	<u>\$ 16,770</u>	<u>\$ 16,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total All Other Governmental Funds	<u>\$ 105,788</u>	<u>\$ 89,014</u>	<u>\$ 16,770</u>	<u>\$ 16,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Levy	\$ 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	\$ 16,535,937
Tuition Charges	159,033	320,503	367,690	245,546	249,491	289,742	297,706	442,202	319,356	219,278
Interest Earnings	16,826	16,044	12,381	15,145	10,994	9,879	17,787	68,427	146,987	121,632
Miscellaneous	23,895	4,546	22,122	20,343	13,232	10,703	134,210	59,974	34,004	35,838
State Sources	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	3,595,088
Federal Sources	330,022	477,415	360,997	399,071	278,048	520,988	416,130	500,135	519,087	237,227
Total Revenue	14,788,367	15,777,292	16,235,409	16,430,032	17,030,372	17,975,611	18,888,752	19,665,131	20,535,962	20,745,000
Expenditures										
Instruction										
Regular Instruction	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	7,854,479
Special Education Instruction	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	1,591,975
Other Instruction	588,661	572,725	371,277	262,304	267,071	426,454	165,252	123,298	609,815	584,263
School Sponsored Activities and Athletics	5,217	4,780	3,074	2,025	-	-	-	680	-	-
Support Services:										
Student and Inst. Related Services	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	2,529,852
General Administration	539,670	671,488	770,520	726,658	530,967	524,863	547,874	540,515	535,283	573,170
School Administrative Services	620,890	730,146	714,698	823,505	837,253	817,145	808,004	850,713	1,035,423	1,084,021
Plant Operations And Maintenance	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	1,979,800
Pupil Transportation	372,654	405,861	381,361	406,677	474,324	513,853	524,751	492,277	479,389	409,335
Other Support Services	387,578	440,839	464,653	428,316	465,525	499,580	506,600	544,131	563,336	575,480
Capital Outlay	38,792	86,268	79,089	74,953	190,784	20,775	73,500	10,119	294,728	144,904
Debt Service:										
Principal	472,913	493,197	508,502	538,822	550,000	565,000	585,000	600,000	615,000	645,000
Interest and Other Charges	305,069	284,756	222,278	190,309	174,200	157,700	140,750	123,200	105,200	80,600
Bond Issuance Costs	-	100,606	-	-	-	-	-	-	-	-
Total Expenditures	14,784,995	15,572,087	15,885,672	16,584,992	17,598,643	17,510,686	18,089,872	17,819,374	18,794,587	18,052,879
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	3,372	205,205	349,737	(154,960)	(568,271)	464,925	798,880	1,845,757	1,741,375	2,692,121
Other Financing Sources (Uses)										
Serial Bond Proceeds		5,460,000								
Premium Interest on Bonds		624,165								
Payment to Refunded Bond Escrow Agent		(5,983,559)								
Cancellation of Unexpended SDA Grant			2,892							
Transfers In	52,575	74,101	18,636	14,131	48	48	76	70	-	-
Transfers Out	(52,575)	(74,101)	(18,636)	(14,131)	(48)	(48)	(76)	(70)	-	-
Total Other Financing Sources (Uses)	-	100,606	2,892	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 3,372	\$ 305,811	\$ 352,629	\$ (154,960)	\$ (568,271)	\$ 464,925	\$ 798,880	\$ 1,845,757	\$ 1,741,375	\$ 2,692,121
Debt Service as a Percentage of										
Noncapital Expenditures	5.28%	5.02%	4.62%	4.42%	4.16%	4.13%	4.03%	4.06%	3.89%	4.05%

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30</u>	<u>Tuition</u>	<u>Interest on Deposits</u>	<u>Donation</u>	<u>Insurance Refund</u>	<u>Misc.</u>	<u>Total</u>
2020	\$ 219,278	\$ 121,632			\$ 35,838	\$ 376,748
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

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	Total
											(County Equalized) Value	Direct School Tax Rate ^a
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
2020	64,653,500	1,368,634,500	900,400	2,400	589,859,500	366,153,400	6,242,400	2,396,446,100	-	2,396,446,100	2,231,120,101	0.457

Source: County Abstract of Ratables

^a Tax rates are per \$100

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

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Regional School District</u>	<u>Municipality</u>	<u>County</u>
2020	\$ 2.422	\$ 0.703	\$ 0.457	\$ 0.584	\$ 0.678
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

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

2020			2011		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Totowa VF LLC C/O Vornado Realty Trust	\$ 54,000,000	2.25%			
JP Morgan Chase C/O Lereta	49,281,300	2.06%			
Fidelity Syn. C/O Slater Companies	46,000,000	1.92%			
CPT NJ 700 Union LLC	35,377,100	1.48%			
IPT Totowa C/O MF Poer & Co.	23,271,900	0.97%			
Abill Realty Corp.	22,365,000	0.93%			
50 Madison Road LLC	18,928,400	0.79%			
Digital Totowa LLC	16,504,800	0.69%			
Tulfra Hampshire S.S. C/O Paragram	15,600,000	0.65%			
Taft Associates	15,400,000	0.64%			
	<u>\$ 296,728,500</u>	<u>12.38%</u>			
			Fidelity Syndications	\$ 56,514,800	2.35%
			Totowa VF, LLC	56,501,300	2.35%
			Hoffman La Roche, Inc.	32,485,800	1.35%
			930 N. Riverview Assoc LLC	24,424,700	1.01%
			Norwell Land Company	23,000,000	0.96%
			Abill Realty	22,365,000	0.93%
			Mountainview Venture 50 Madison LLC	18,928,400	0.79%
			Totowa Plaza Rt 46 LLC	18,355,800	0.76%
			Totowa Plaza Rt 46 LLC	17,711,500	0.74%
			Taft Associates	16,920,000	0.70%
				<u>\$ 287,207,300</u>	<u>11.94%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	
2020	16,535,937	16,535,937	100.00%	

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases			
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	10,792	187
2020	1,370,000			-		1,370,000	10,792 *	127

Source: District records

* - Estimate

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
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
2020	1,370,000		1,370,000	0.06%	127

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, 2019
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Borough of Totowa School District	\$ 2,015,000	\$ 2,015,000	
Regional School District	1,252,237	1,252,237	
Borough of Totowa	1,946,351	460,000	\$ 1,486,351
	\$ 5,213,588	\$ 3,727,237	1,486,351
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			21,315,939
Passaic County Utilities Authority (B)			1,916,364
Passaic Valley Sewerage Commission (B)			1,776,131
			25,008,434
Total Direct and Overlapping Debt			\$ 26,494,785

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2019 equalized value by the total 2019 equalized value for Passaic County.

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

Sources:

- (1) Borough of Totowa 2019 Annual Debt Statement
- (2) PCUA 2019 Audit
- (3) PVSC 2019 Audit

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

Legal Debt Margin Calculation for Fiscal Year 2020

	Equalized valuation basis
	2019 \$ 2,375,560,279
	2018 2,128,386,717
	2017 2,138,796,195
	<u>\$ 6,642,743,191</u>
	Average equalized valuation of taxable property \$ 2,214,247,730
	Debt limit (3 % of average equalization value) 66,427,432
	Total Net Debt Applicable to Limit <u>1,370,000</u>
	<u>\$ 65,057,432</u>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 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	\$ 66,427,432
Total Net Debt Applicable to Limit	<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>	<u>1,370,000</u>
Legal Debt Margin	<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>	<u>\$ 65,057,432</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.95%	8.09%	7.82%	7.59%	6.96%	5.98%	4.96%	4.05%	3.15%	2.06%

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

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>School District Population</u>
2019	4.3%	N/A	10,792
2018	5.0%	\$ 50,570	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

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>2020</u>		<u>2011</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

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

<u>Function/Program</u>	<u>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>	<u>2020</u>
Instruction										
Regular	68	69	65	68	67	68	69	68	70	68
Special Education	18	19	20	13	13	17	16	8	6	7
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	12	13	13	17	11	13	14	15	15	14
General Administration	7	9	9	2	2	2	2	2	2	2
School Administrative Services	7	9	9	9	13	8	7	8	9	9
Other Administrative Services										
Central Services	3	4	4	4	4	4	4	4	4	4
Administrative Information Technology										
Plant Operations And Maintenance	13	13	13	15	17	17	17	18	18	16
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>120</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
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%
2020	938	17,182,375	18,318	0.45%	75	1:12	1:12	N/A	986	955	1.65%	96.86%

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
District Building										
<u>Elementary</u>										
Square Feet	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152
Capacity (students)										
Enrollment	372	351	350	395	414	404	373	387	354	294
<u>Middle School</u>										
Square Feet	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822
Capacity (students)										
Enrollment	655	539	660	662	669	688	684	647	621	644
Number of Schools at June 30, 2020										
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>2020</u>	<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>
School Facilities	Project #										
Memorial School	N/A	\$ 141,560	\$ 115,331	\$ 116,820	\$ 127,120	\$ 125,183	\$ 117,348	\$ 89,731	\$ 92,804	\$ 109,743	\$ 115,799
Washington Park School	N/A	<u>139,233</u>	<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>
Grand Total		<u>\$ 280,793</u>	<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>

Source: School District Financial Statements

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2020
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
<i>Property</i>		
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	
<i>Electronic Data Processing</i>		
Blanket Hardware/Software	\$ 100,000.00	\$ 1,000.00
Blanket Extra Expense	Included	
Flood	\$ 500,000.00	\$ 10,000.00
<i>Equipment Breakdown</i>		
Combined Single Limit per Accident for Property Damage and Business Income	\$ 100,000,000.00	\$ 5,000.00
<i>Crime</i>		
Public Employee Dishonesty with Faithful Performance	\$ 500,000.00	\$ 1,000.00
Theft, Disappearance and Destruction	\$ 50,000.00	\$ 1,000.00
Forgery or Alteration	\$ 50,000.00	\$ 1,000.00
Computer Fraud	\$ 50,000.00	\$ 1,000.00
Public Officials Bond		
Board Secretary	\$ 250,000.00	\$ 1,000.00
Treasurer of School Monies		
<i>Comprehensive General Liability</i>		
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
<i>Automobile</i>		
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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, 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 January 4, 2021.

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.

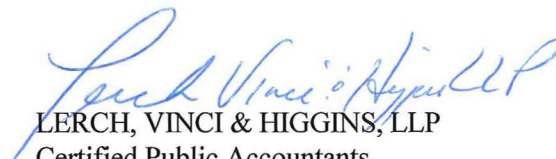
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

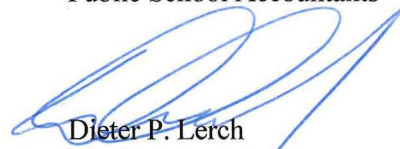
As part of obtaining reasonable assurance about whether the Totowa Board of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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
January 4, 2021



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
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, 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, 2020. 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, 2020.

Report on Internal Control Over Compliance

Management of the Totowa Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Totowa Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Totowa Board of Education's internal control over compliance.


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

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

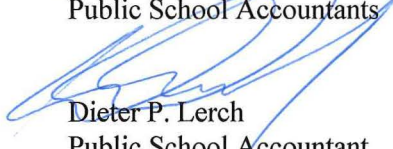
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We have issued our report thereon dated January 4, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 4, 2021

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2019	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2020			MEMO GAAP Receivable
											Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture														
Passed-Through State Dept. of Education														
<i>Enterprise Fund</i>														
School Breakfast Program	10.553	201NJ304N1099	N/A	7/1/19-6/30/20	\$ 6,480			\$ 6,249	\$ 6,480			(231)		\$ 231
School Breakfast Program	10.553	191NJ304N1099	N/A	7/1/18-6/30/19	8,075	(1,639)		1,639						
Food Distribution Program														
Non-Cash Assistance	10.555	201NJ304N1099	N/A	7/1/19-6/30/20	20,155			20,155	19,357			\$ 798		
Non-Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	26,240	612			612					
Cash Assistance	10.555	201NJ304N1099	N/A	7/1/19-6/30/20	82,032			81,667	82,032			(365)		365
Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	116,402	(21,966)		21,966						
Total U.S. Department of Agriculture						(22,993)	-	131,676	108,481	-		(596)	798	596
U.S. Department of Education														
<i>General Fund</i>														
Special Education Medicaid Reimbursement	93.778	2005NJ5MAP	N/A	7/1/19-6/30/20	36,103	-	-	36,103	36,103	-	-	-	-	-
Total General Fund						-	-	36,103	36,103	-	-	-	-	-
U.S. Department of Education														
Passed-Through State Dept. of Education														
<i>Special Revenue Fund</i>														
I.D.E.A. Part B, Basic Regular	84.027	H027A190100	IDEAS20020	7/1/19-6/30/20	249,542		\$ 19,588	234,985	240,750	\$ (19,588)	(34,145)	28,380		5,765
I.D.E.A. Part B, Basic Regular	84.027	H027A180100	IDEAS20019	7/1/18-6/30/19	251,611	(6,654)	(19,588)	6,654		19,588				
I.D.E.A. Part B, Preschool	84.173	H173A190114	IDEAS20020	7/1/19-6/30/20	8,595	-		5,545	8,595		(3,050)	-		3,050
Cluster Total - Special Education						(6,654)	-	247,184	249,345	-	(37,195)	28,380	-	8,815
ESSA - Title I	84.010	S010A190030	ESSAS20020	7/1/19-6/30/20	160,526	-	1,706	147,112	160,539	(1,706)	(15,120)	1,693		13,427
ESSA - Title I	84.010	S010A180030	ESSAS20019	7/1/18-6/30/19	176,831		(1,706)			1,706				
ESSA - Title II-A	84.367	S367A190029	ESSAS20020	7/1/19-6/30/20	37,967	-	911	30,183	38,878	(911)	(8,695)	-		8,695
ESSA - Title II-A	84.367	S367A180029	ESSAS20019	7/1/18-6/30/19	39,251		(911)			911				
CARES				7/1/19-6/30/20	113,513				91,741		(113,513)	21,772		91,741
Total Special Revenue Fund						(6,654)	-	424,479	540,503	-	(174,523)	51,845	-	122,678
Total Federal Awards						\$ (29,647)	\$ -	\$ 592,258	\$ 685,087	\$ -	\$ (175,119)	52,643	\$ -	123,274

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, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2019			Budgetary Expenditures	Adjustment/ Refund of Prior Years' Balances	Balance, June 30, 2020			MEMO		
				(Accounts Receivable)/ Deferred Revenue	Due to Grantor	Cash Received			Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures	
State Department of Education														
<i>General Fund</i>														
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 492,225			\$ 445,641	\$ 492,225		\$ (46,584)			*	\$ 492,225	
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	433,789	\$ (35,405)		35,405						*	-	
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	74,363			67,325	74,363		(7,038)			*	74,363	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	74,363	(6,069)		6,069						*	-	
Cluster Total - State Aid Public				(41,474)	-	554,440	566,588	-	(53,622)	-	-	*	566,588	
Transportation Aid	20-495-034-5120-015	7/1/19-6/30/20	150,414			136,179	150,414		(14,235)			*	150,414	
Transportation Aid	19-495-034-5120-015	7/1/18-6/30/19	150,414	(12,277)		12,277						*	-	
Non Public Transportation Reimb	N/A	7/1/18-6/30/19	17,690	(17,690)		17,690						\$	-	
Clustr Total - Transportation Aid				(29,967)	-	166,146	150,414	-	(14,235)	-	-	*	150,414	
Extraordinary Aid	20-100-034-5120-473	7/1/19-6/30/20	50,001			50,001			(50,001)			*	50,001	
Extraordinary Aid	19-100-034-5120-473	7/1/18-6/30/19	86,180	(86,180)		86,180						*	-	
On-Behalf TPAF - Pension	20-495-034-5094-002	7/1/19-6/30/20	1,279,877			1,279,877	1,279,877					*	1,279,877	
On Behalf TPAF - NCGI Premiur	20-100-034-5094-004	7/1/19-6/30/20	22,940			22,940	22,940					*	22,940	
On Behalf TPAF - Post Ret. Med	20-495-034-5094-001	7/1/19-6/30/20	483,321			483,321	483,321					*	483,321	
On Behalf TPAF - LTDI	20-100-034-5094-004	7/1/19-6/30/20	1,111			1,111	1,111					*	1,111	
Reimbursed TPAF Social Securit	20-495-034-5094-003	7/1/19-6/30/20	478,260			430,635	478,260		(47,625)			*	47,625	
Reimbursed TPAF Social Securit	19-495-034-5094-003	7/1/18-6/30/19	463,374	(45,233)	-	45,233			-	-	-	*	-	
Total General Fund				(202,854)	-	3,069,883	3,032,512	-	(165,483)	-	-	*	47,625	
<i>Special Revenue Fund</i>														
Chapter 192 - Auxiliary Services														
ESL	20-100-034-5120-067	7/1/19-6/30/20	2,482			1,986	-				\$ 1,986	*	-	
ESL	19-100-034-5120-067	7/1/18-6/30/19	5,177		\$ 4,314			\$ 4,314				*	-	
Compensatory Education	20-100-034-5120-067	7/1/19-6/30/20	96,532			77,226	96,530		(19,304)			*	19,304	
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	102,370		11,256			11,256				*	96,530	
Cluster Total - Chapter 192				-	15,570	79,212	96,530	15,570	(19,304)	-	1,986	*	19,304	
Chapter 193 - Handicapped Services:														
Examination & Classification	20-100-034-5120-066	7/1/19-6/30/20	20,452			16,362	1,125				15,237	*	1,125	
Examination & Classification	19-100-034-5120-066	7/1/18-6/30/19	36,399		7,281			7,281				*	-	
Supplemental Instruction	20-100-034-5120-066	7/1/19-6/30/20	28,332			22,666	28,322		(5,656)			*	5,656	
Supplemental Instruction	19-100-034-5120-066	7/1/18-6/30/19	26,168		5,471			5,471				*	28,322	
Corrective Speech	20-100-034-5120-066	7/1/19-6/30/20	12,760			10,208	12,760		(2,552)			*	2,552	
Corrective Speech	19-100-034-5120-066	7/1/18-6/30/19	16,606		7,767			7,767				*	12,760	
Cluster Total - Chapter 193				-	20,519	49,236	42,207	20,519	(8,208)	-	15,237	*	8,208	
New Jersey Nonpublic Aid:														
Textbook Aid	20-100-034-5120-064	7/1/19-6/30/20	9,909			9,909	8,608				1,301	*	8,608	
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	9,719		230			230				*	-	
Nursing Services	20-100-034-5120-070	7/1/19-6/30/20	18,624			18,624	18,624					*	18,624	
Technology Aid	20-100-034-5120-373	7/1/19-6/30/20	6,768			6,768	6,455				313	*	6,455	
Technology Aid	19-100-034-5120-373	7/1/18-6/30/19	6,552		487			487				*	-	
Security Aid	20-100-034-5120-509	7/1/19-6/30/20	28,800			28,800	28,700				100	*	28,700	
Security Aid	19-100-034-5120-509	7/1/18-6/30/19	27,600		210			210				*	-	
Total Special Revenue Fund				-	37,016	192,549	201,124	37,016	(27,512)	-	18,937	*	27,512	

TOTOWA BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2019		Cash Received	Budgetary Expenditures	Adjustment/ Refund of Prior Years' Balances	Balance, June 30, 2020			MEMO		
				(Accounts Receivable)/ Deferred Revenue	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures	
<i>Enterprise Fund</i>														
National School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	\$ 2,627			\$ 2,621	\$ 2,627		\$ (6)			\$ 6	\$ 2,627	
National School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	4,169	\$ (817)		817			-				-	
Total Enterprise Fund					(817)	-	3,438	2,627	-	(6)	-	-	6	2,627
State Financial Assistance Subject to Single Audit Determination					(203,671)	\$ 37,016	3,265,870	3,236,263	\$ 37,016	(193,001)	-	\$ 18,937	\$ 75,143	3,236,263
On-Behalf TPAF -Pension	20-495-034-5094-002	7/1/19-6/30/20	1,279,877			(1,279,877)	(1,279,877)						(1,279,877)	
On Behalf TPAF - NCGI Premiur	20-100-034-5094-004	7/1/19-6/30/20	22,940			(22,940)	(22,940)						(22,940)	
On Behalf TPAF - Post Ret. Med	20-495-034-5094-001	7/1/19-6/30/20	483,321			(483,321)	(483,321)						(483,321)	
On Behalf TPAF - LTDI	20-100-034-5094-004	7/1/19-6/30/20	1,111			(1,111)	(1,111)						(1,111)	
Total State Financial Assistance Subject to Major Program Determination					\$ (203,671)	\$ 37,016	\$ 1,478,621	\$ 1,449,014	\$ 37,016	\$ (193,001)	\$ -	\$ 18,937	\$ 75,143	\$ 1,449,014

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, 2020**

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 \$22,073 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	\$ 36,103	\$ 3,054,585	\$ 3,090,688
Special Revenue Fund	201,124	540,503	741,627
Food Service Fund	<u>108,481</u>	<u>2,627</u>	<u>111,108</u>
Total Financial Assistance	<u>\$ 345,708</u>	<u>\$ 3,597,715</u>	<u>\$ 3,943,423</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, 2020**

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 \$478,260 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, 2020. The amount reported as TPAF Pension System Contributions in the amount of \$1,302,817, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$483,321 and TPAF Long-Term Disability Insurance in the amount of \$1,111 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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, 2020

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, 2020**

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
20-495-034-5120-089	Special Education Aid
20-495-034-5120-084	Security Aid

**TOTOWA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

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, 2020**

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.