

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2019

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BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Totowa
Totowa, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Totowa, as of December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Totowa on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Totowa as of December 31, 2019 and 2018, or changes in financial position, or, where applicable, cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Totowa as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Totowa as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Totowa.

The supplementary schedules listed in the table of contents, 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 financial statements. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

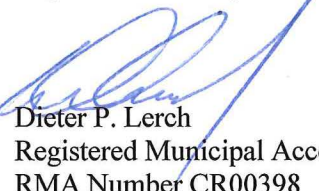
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2020 on our consideration of the Borough of Totowa'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 Borough of Totowa'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 Borough of Totowa's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
September 29, 2020

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Cash	A-4	\$ 21,049,445	\$ 18,301,209
Cash - Change Funds	A-6	720	720
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-13	<u>209,792</u>	<u>285,333</u>
		<u>21,260,107</u>	<u>18,587,412</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-9	726,336	698,882
Tax Title Liens	A-10	63,215	48,233
Property Acquired for Taxes	A-11	72,900	72,900
Revenue Accounts Receivable	A-12	46,646	45,272
Maintenance Lien Receivable	A-14	6,500	6,500
Due from Assessment Trust Fund	B-4	6,115	7,260
Due from Animal Control Fund	B-7	759	1,267
Due from General Capital Fund	C-5		117,422
Due from Water Utility Operating Fund	D-13	17,027	20,000
Due from Public Assistance Fund	F-2	<u>3</u>	<u>-</u>
		<u>939,501</u>	<u>1,017,736</u>
Deferred Charges			
Emergency Authorization	A-15	<u>-</u>	<u>15,000</u>
		<u>\$ 22,199,608</u>	<u>\$ 19,620,148</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Appropriation Reserves	A-3,A-16	\$ 1,101,152	\$ 836,968
Encumbrance Payable	A-17	524,514	273,795
Accounts Payable	A-18	242,862	144,537
Prepaid Taxes	A-19	614,001	465,052
Tax Overpayments	A-20	195	2,736
Sewer Fee Overpayments	A-21	1,831	10
Prepaid Licenses	A-22		1,000
Fees Payable	A-23	18,330	19,651
County Taxes Payable-Added Taxes	A-25	61,420	122,507
Local District School Tax Payable	A-26	5,602,615	5,387,875
Regional High School Tax Payable	A-27	3,144,222	2,825,766
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-8	79,655	80,850
Due to Other Trust Fund	B-9	28,006	380,653
Due to General Capital Fund	C-5	1,981,189	
Due to Swim Pool Utility Operating Fund	E-9	32,522	61,945
Reserve for Unappropriated Grants	A-28	47,648	26,266
Reserve for Appropriated Grants	A-29	323,310	349,141
Reserve for Tax Appeals Pending	A-30	2,000,000	2,000,000
Miscellaneous Reserves	A-31	7,503	7,503
		15,810,975	12,986,255
Reserve for Receivables	A	939,501	1,017,736
Fund Balance	A-1	5,449,132	5,616,157
		<u>\$ 22,199,608</u>	<u>\$ 19,620,148</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 2,945,000	\$ 2,220,000
Miscellaneous Revenue Anticipated	A-2	3,212,629	3,943,240
Receipts from Delinquent Taxes	A-2	686,672	674,113
Receipts from Current Taxes	A-2	54,631,610	53,474,431
Non-Budget Revenue	A-2	972,668	579,229
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-16	506,763	558,590
Swim Pool Utility Fund - Prior Year			
Operating Deficit Funding Returned	E-9	69,190	13,045
Statutory Excess - Animal Control Fund	B-7	755	1,267
Interfunds Returned	A	<u>122,045</u>	<u>503,377</u>
Total Income		<u>63,147,332</u>	<u>61,967,292</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	6,985,542	6,813,515
Other Expenses	A-3	6,562,266	6,571,246
Capital Improvements	A-3	2,615,000	1,508,000
Deferred Charges and Statutory Expenditures	A-3	1,951,393	1,749,064
County Taxes	A-24	15,042,766	15,496,057
Due County For Added and Omitted Taxes	A-25	61,413	122,500
Local District School Tax	A-26	16,535,937	16,136,458
Regional High School Tax	A-27	10,609,529	9,965,904
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-8	1,000	1,250
Refund of Prior Year Revenue	A-4	4,511	
Interfunds and Maintenance Lien Advanced	A-1	<u>-</u>	<u>27,120</u>
Total Expenditures		<u>60,369,357</u>	<u>58,391,114</u>
Excess in Revenue		2,777,975	3,576,178
Adjustment to Income before Surplus:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-15	<u>-</u>	<u>15,000</u>
Statutory Excess to Fund Balance		2,777,975	3,591,178
Fund Balance, January 1	A	<u>5,616,157</u>	<u>4,244,979</u>
		8,394,132	7,836,157
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>2,945,000</u>	<u>2,220,000</u>
Fund Balance, December 31,	A	<u>\$ 5,449,132</u>	<u>\$ 5,616,157</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 2,945,000	\$ 2,945,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-12	11,000	10,332	\$ (668)
Other	A-2	20,000	43,830	23,830
Fees and Permits	A-2	60,000	121,502	61,502
Fines and Costs				
Municipal Court	A-12	200,000	178,827	(21,173)
Interest and Costs on Taxes	A-12	120,000	188,185	68,185
Energy Receipts Tax	A-12	1,304,214	1,304,214	-
Uniform Fire Safety Act Fees	A-12	10,000	27,914	17,914
Cable Television Franchise Fee	A-12	164,000	164,188	188
Uniform Construction Code Fees	A-12	983,000	634,294	(348,706)
Public and Private Revenues Offset				
With Appropriations				
Recycling Tonnage Grant	A-13	16,253	16,253	
Clean Communities Program	A-28	18,716	18,716	
Alcohol Education and Rehabilitation Fund	A-28	3,662	3,662	
Body Armor Replacement Fund	A-28	3,888	3,888	
Safe and Secure Communities Program	A-13	60,000	60,000	
Municipal Alliance on Alcoholism and Drug Abuse	A-13	20,593	20,593	
Special Items of General Revenue				
Borough of Woodland Park - Construction Code Off.	A-12	99,000	99,000	-
Uniform Fire Safety Act Rebate	A-12	25,000	14,087	(10,913)
Hotel/Motel Tax	A-12	110,000	116,434	6,434
Sewer User Fees	A-12	325,000	186,710	(138,290)
Total Miscellaneous Revenues	A-1	3,554,326	3,212,629	(341,697)
Receipts from Delinquent Taxes	A-1,A-2	525,000	686,672	161,672

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	Excess or (<u>Deficit</u>)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-9	\$ 12,337,565	\$ 13,622,503	\$ 1,284,938
Minimum Library Tax	A-9	<u>709,462</u>	<u>709,462</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>13,047,027</u>	 <u>14,331,965</u>	 <u>1,284,938</u>
 Budget Revenues	 A-3	 <u>\$ 20,071,353</u>	 21,176,266	 <u>\$ 1,104,913</u>
 Non-Budget Revenues	 A-1,A-2		 <u>972,668</u>	
			 <u>\$ 22,148,934</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-9	\$ 54,695,198
Less: Reserve for Tax Appeals	A-30	<u>63,588</u>
Revenue Realized	A-1	54,631,610
Allocated to		
Local School, Regional High School and County Taxes	A-24,A-25,A-26,A-27	<u>42,249,645</u>
		12,381,965
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,950,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,331,965</u>
Reciepts from Delinquent Taxes		
Delinquent Tax Collections	A-9	680,435
Tax Title Lien Collections	A-10	<u>6,237</u>
	A-2	<u>686,672</u>
Licenses - Other		
Borough Clerk	A-12	\$ 16,842
Board of Health/Registrar of Vital Statistics	A-12	<u>26,988</u>
	A-2	<u>\$ 43,830</u>
Fees and Permits		
Borough Clerk	A-12	\$ 1,604
Board of Health/Registrar of Vital Statistics	A-12	21,454
Planning Board	A-12	76,875
Zoning Board of Adjustment	A-12	19,902
Police	A-12	509
Road Opening Permits	A-12	<u>1,158</u>
	A-2	<u>\$ 121,502</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Deposits		\$ 358,518
Rent		308,987
Host Community Fees		80,294
Interest on Assessments		6,049
Misc. Refunds/Reimbursements		300
Vacant Property Fees		4,000
Accident Reports		5,070
Administrative Fee - Police Outside Duty		181,210
Motor Vehicle Fees		9,834
Other		13,386
Copies		1,733
Administrative Fee - Sr. Citizens & Veterans Deductions		1,767
Administrative Fee - Homestead Rebate		<u>1,520</u>
	A-1,A-2	<u>\$ 972,668</u>
Cash Receipts	A-4	\$ 752,222
Due from Assessment Trust Fund	B-4	6,399
Due from Animal Control Fund	B-7	60
Due from Other Trust Fund	B-9	212,130
Due from General Capital Fund	C-5	1,798
Due from Public Assistance Trust Fund	F-2	<u>59</u>
	A-1,A-2	<u>\$ 972,668</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Mayor and Council					
Salaries & Wages	\$ 31,600	\$ 31,600	\$ 31,600		
Municipal Clerk					
Salaries & Wages	275,059	275,059	274,847	\$ 212	
Other Expenses	26,000	26,000	20,507	5,493	
Other Expenses-Codification of Ordinances	5,000	5,000	3,945	1,055	
Grant Professional - Other Expenses	36,000	36,000	36,000		
Elections					
Salaries & Wages	19,181	19,181	19,181		
Other Expenses	9,000	9,000	8,155	845	
Financial Administration					
Salaries & Wages	82,319	82,319	82,319		
Other Expenses	27,000	27,000	18,466	8,534	
Annual Audit	43,600	43,600	43,600		
Assessment of Taxes					
Salaries & Wages	101,462	101,462	101,462		
Other Expenses	45,000	45,000	39,874	5,126	
Collection of Taxes					
Salaries & Wages	51,908	51,908	31,061	20,847	
Other Expenses	13,000	13,000	11,555	1,445	
Legal Services & Costs					
Salaries & Wages	61,200	61,200	61,200		
Other Expenses	30,000	30,000	26,137	3,863	
Engineering Services & Costs					
Other Expenses	80,000	80,000	80,000		
Other Expenses-Rehabilitation/Redevelopment	30,000	30,000		30,000	
Municipal Land Use Law (NJS 40:55D-1)					
Planning Board					
Salaries & Wages	11,023	11,023	11,023		
Other Expenses	50,000	50,000	8,514	41,486	
Board of Adjustments					
Salaries & Wages	5,624	5,624	5,624		
Other Expenses	50,000	50,000	22,100	27,900	
Insurance					
Unemployment Compensation Insurance	14,000	14,000	14,000		
General Liability	216,000	216,000	173,150	42,850	
Workers Compensation	177,000	177,000	164,440	12,560	
Employee Group Health	1,240,000	1,240,000	1,228,394	11,606	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Canceled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 7,222	\$ 7,222	\$ 7,222		
Other Expenses	135,000	135,000	63,334	\$ 71,666	
Uniform Fire Safety Act (Ch. 383 P.L. 1983)					
Fire Officials					
Salaries and Wages	123,262	123,262	123,262		
Other Expenses	5,000	5,000	2,152	2,848	
Police Dispatch/911					
Salaries and Wages	146,598	146,598	138,310	8,288	
Other Expenses	1,500	1,500	560	940	
Police					
Salaries & Wages	3,718,992	3,708,992	3,557,247	151,745	
Other Expenses	80,000	85,000	77,099	7,901	
Vehicle Purchases	78,000	108,000	107,084	916	
First Aid Squad					
Contribution	15,000	15,000	15,000		
Other Expenses	12,500	12,500		12,500	
Emergency Management Services					
Salaries and Wages	5,937	5,937		5,937	
Other Expenses	5,000	5,000	2,829	2,171	
Municipal Prosecutor					
Salaries and Wages	21,112	21,112	21,112		
Other Expenses	1,000	1,000	73	927	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	839,621	839,621	797,758	41,863	
Other Expenses	90,000	90,000	76,758	13,242	
Public Buildings and Grounds					
Salaries and Wages	31,543	31,543	30,343	1,200	
Other Expenses	40,000	40,000	29,070	10,930	
Vehicle Maintenance					
Salaries and Wages	6,402	6,402	6,402		
Other Expenses	120,000	120,000	33,662	86,338	
Sewer System					
Salaries & Wages	451,868	451,868	420,430	31,438	
Other Expenses	90,000	90,000	77,646	12,354	
Shade Tree Commission					
Salaries & Wages	2,862	2,862	2,862		
Other Expenses	15,000	15,000	10,852	4,148	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Canceled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC WORKS (Continued)					
Garbage and Trash Removal					
Contractual	\$ 323,000	\$ 323,000	\$ 323,000		
Recycling Program					
Salaries & Wages	32,475	32,475	32,418	\$ 57	
Other Expenses	140,000	140,000	127,321	12,679	
Solid Waste Transfer Fees	320,000	320,000	320,000		
Leaf/Grass Removal					
Other Expenses	148,000	183,000	182,445	555	
Condo Services Act					
Other Expenses	22,000	22,000		22,000	
HEALTH AND WELFARE					
Board of Health					
Salaries & Wages	110,354	110,354	110,158	196	
Other Expenses	32,000	32,000	23,675	8,325	
Animal Control					
Other Expenses	20,000	20,000	13,026	6,974	
Administration of Public Assistance					
Salaries and Wages	15,057	15,057	15,057		
Other Expenses	1,000	1,000	48	952	
Hepatitis B Vaccine					
Other Expense	1,000	1,000		1,000	
RECREATION AND EDUCATION					
Parks and Playgrounds					
Salaries & Wages	157,000	157,000	122,307	34,693	
Other Expenses	55,000	55,000	46,622	8,378	
Celebration of Public Events					
Other Expenses	10,000	10,000	6,372	3,628	
Senior Citizen Program					
Salaries and Wages	28,504	28,504	21,916	6,588	
Other Expenses	7,000	7,000	4,044	2,956	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	190,146	190,146	189,273	873	
Other Expenses	20,000	20,000	13,376	6,624	
Public Defender (P.L. 1997, C.256)					
Salaries and Wages	10,041	10,041	10,041		
Other Expenses	3,000	3,000		3,000	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balances</u>
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries & Wages	\$ 319,140	\$ 319,140	\$ 317,433	\$ 1,707	
Other Expenses	50,000	50,000	5,725	44,275	
UNCLASSIFIED AND BULK PURCHASES					
Utilities:					
Electricity and Natural Gas	190,000	190,000	166,444	23,556	
Street Lighting	160,000	160,000	112,503	47,497	
Gasoline	100,000	100,000	80,949	19,051	
Telephone	30,000	30,000	24,639	5,361	-
Total Operations Within "CAPS"	<u>11,269,112</u>	<u>11,329,112</u>	<u>10,387,013</u>	<u>942,099</u>	<u>-</u>
Detail:					
Salaries & Wages	6,857,512	6,847,512	6,541,868	305,644	-
Other Expenses	<u>4,411,600</u>	<u>4,481,600</u>	<u>3,845,145</u>	<u>636,455</u>	<u>-</u>
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Deferred Charges					
Anticipated Deficit in Swim Pool Operations	89,695	89,695	82,543		\$ 7,152
Statutory Charges					
Social Security System (O.A.S.I.)	290,000	290,000	278,371	11,629	
Public Employees Retirement System	407,540	347,540	345,853	1,687	
Police and Fireman's Retirement System	<u>1,036,310</u>	<u>1,036,310</u>	<u>1,036,310</u>	<u>-</u>	<u>-</u>
Total Deferred Charges & Statutory					
Expenditures - Municipal Within "CAPS"	<u>1,823,545</u>	<u>1,763,545</u>	<u>1,743,077</u>	<u>13,316</u>	<u>7,152</u>
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>13,092,657</u>	<u>13,092,657</u>	<u>12,130,090</u>	<u>955,415</u>	<u>7,152</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Passaic Valley Sewerage - Contractual	1,272,122	1,272,122	1,272,122		
Recycling Tax	<u>15,000</u>	<u>15,000</u>	<u>10,559</u>	<u>4,441</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,996,584</u>	<u>1,996,584</u>	<u>1,992,143</u>	<u>4,441</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
INTERLOCAL MUNICIPAL SERVICE					
AGREEMENTS					
Borough of Woodland Park					
Construction Code Official					
Salaries and Wages	\$ 78,030	\$ 78,030	\$ 78,030		
Other Expenses	20,970	20,970	19,288	\$ 1,682	-
Total Interlocal Municipal Service Agreements	99,000	99,000	97,318	1,682	-
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Safe and Secure Communities Program					
Police - Salaries and Wages	60,000	60,000	60,000		
Drug and Alcohol Municipal Alliance	20,593	20,593	16,180	4,413	
Body Armor Replacement Fund	3,888	3,888	3,888		
Recycling Tonnage Grant	16,253	16,253	2,169	14,084	
Clean Communities Grant Program	18,716	18,716		18,716	
Alcohol Education and Rehabilitation Fund	3,662	3,662	-	3,662	-
Total Public and Private Programs					
Offset by Revenues	123,112	123,112	82,237	40,875	-
Total Operations Excluded from "CAPS"	2,218,696	2,218,696	2,171,698	46,998	-
Detail:					
Salaries & Wages	138,030	138,030	138,030		
Other Expenses	2,080,666	2,080,666	2,033,668	46,998	-
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	1,485,000	1,485,000	1,485,000		
Acquisition of Firefighting Equipment	285,000	285,000	282,325	2,675	
Improvements to Municipal Pool	120,000	120,000	27,864	92,136	
Acquisition of Property	725,000	725,000	721,072	3,928	-
Total Capital Improvements -					
Excluded from "CAPS"	2,615,000	2,615,000	2,516,261	98,739	-

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Canceled</u>
<u>OPERATIONS - EXCLUDED FROM "CAPS"</u>					
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Emergency Authorizations	\$ 15,000	\$ 15,000	\$ 15,000		
Deferred Charges Unfunded Ord. No. 03-2013	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,028,696</u>	<u>5,028,696</u>	<u>4,882,959</u>	\$ 145,737	-
Subtotal General Appropriations	18,121,353	18,121,353	17,013,049	1,101,152	\$ 7,152
Reserve for Uncollected Taxes	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,950,000</u>	-	-
Total General Appropriations	<u>\$ 20,071,353</u>	<u>\$ 20,071,353</u>	<u>\$ 18,963,049</u>	<u>\$ 1,101,152</u>	<u>\$ 7,152</u>

	<u>Reference</u>	A-2	A-1	A,A-1
Cash Disbursed	A-4		\$ 14,709,992	
Encumbrance Payable	A-17		524,514	
Deferred Charges - Emergency Authorization	A-15		15,000	
Due to Other Trust Fund	B-9		16,000	
Due to General Capital Fund	C-5		1,665,000	
Due to Swim Pool Utility Operating Fund	E-9		82,543	
Reserve for Uncollected Taxes	A-2		<u>1,950,000</u>	
	A-3		<u>\$ 18,963,049</u>	

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-1,B-2	\$ 6,003	\$ 6,351
Assessments Receivable	B-3	<u>198,830</u>	<u>259,627</u>
		<u>204,833</u>	<u>265,978</u>
ANIMAL CONTROL FUND			
Cash	B-1	<u>3,219</u>	<u>3,734</u>
OTHER TRUST FUND			
Cash	B-1	4,807,760	4,297,433
Due from Current Fund	B-9	28,006	380,653
Due from Water Utility Operating Fund	D-14	<u>6,034</u>	<u>6,959</u>
		<u>4,841,800</u>	<u>4,685,045</u>
		<u>\$ 5,049,852</u>	<u>\$ 4,954,757</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018
(Continued)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ASSESSMENT TRUST FUND			
Due to Current Fund	B-4	\$ 6,115	\$ 7,260
Due to General Capital Fund	C-6	<u>198,718</u>	<u>258,718</u>
		<u>204,833</u>	<u>265,978</u>
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-6	12	4
Due to Current Fund	B-7	759	1,267
Reserve for Animal Control Expenditures	B-5	<u>2,448</u>	<u>2,463</u>
		<u>3,219</u>	<u>3,734</u>
OTHER TRUST FUND			
Escrow Deposits Payable	B-8	1,584,258	1,509,739
Premium Received at Tax Sale	B-10	68,000	85,900
Payroll Deductions Payable	B-11	9,333	9,325
Reserve for Unemployment Insurance	B-13	195,190	176,694
Miscellaneous Reserves and Deposits	B-14	<u>2,985,019</u>	<u>2,903,387</u>
		<u>4,841,800</u>	<u>4,685,045</u>
		<u>\$ 5,049,852</u>	<u>\$ 4,954,757</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 1,991,028	\$ 1,717,576
Grants Receivable	C-4	904,183	1,199,321
Due from Current Fund	C-5	1,981,189	
Due from Assessment Trust Fund	C-6	198,718	258,718
Deferred Charges to Future Taxation			
Unfunded	C-7	<u>1,286,492</u>	<u>1,466,492</u>
		<u>\$ 6,361,610</u>	<u>\$ 4,642,107</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable	C-8	\$ 1,896,473	\$ 1,849,260
Due to Current Fund	C-5		117,422
Improvement Authorizations			
Funded	C-13	2,602,594	1,800,159
Unfunded	C-13	473,483	691,528
Capital Improvements Fund	C-9	200,519	519
Reserve for:			
Sewer Connection Charges	C-10	1,000	
Capital Improvements and Acquisitions	C-11	1,004,377	55
Land Sale Proceeds	C-12	850	850
Grants Receivable	C-4	181,492	181,492
Fund Balance	C-1	<u>822</u>	<u>822</u>
		<u>\$ 6,361,610</u>	<u>\$ 4,642,107</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2019 and 2018 of \$1,485,322 and \$1,726,119, respectively (See Exhibit C-14).

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 822	\$ 74
Increased by:			
Funded Improvement Authorizations Cancelled	C-1	- 822	121,748 121,822
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-1	- 822	121,000 822
Balance, December 31	C	<u>\$ 822</u>	<u>\$ 822</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 1,471,029	\$ 900,985
Due from Water Utility Capital Fund	D-19	<u>210,393</u>	<u>-</u>
		<u>1,681,422</u>	<u>900,985</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-8	635,639	649,644
Water Utility Liens Receivable	D-9	<u>-</u>	<u>722</u>
		<u>635,639</u>	<u>650,366</u>
Total Operating Fund		<u>2,317,061</u>	<u>1,551,351</u>
CAPITAL FUND			
Cash	D-5,D-7	9,648	177,833
Fixed Capital	D-10	4,548,858	4,527,595
Fixed Capital Authorized and Uncompleted	D-11	<u>597,952</u>	<u>597,952</u>
Total Capital Fund		<u>5,156,458</u>	<u>5,303,380</u>
		<u>\$ 7,473,519</u>	<u>\$ 6,854,731</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018
(Continued)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-12	\$ 635,063	\$ 200,459
Encumbrances Payable	D-15	293,554	318,454
Accounts Payable	D-16	108	108
Water Rent Overpayments	D-17	4,116	2,802
Due to Current Fund	D-13	17,027	20,000
Due to Other Trust Fund	D-14	<u>6,034</u>	<u>6,959</u>
		955,902	548,782
Reserve for Receivables	D	635,639	650,366
Fund Balance	D-1	<u>725,520</u>	<u>352,203</u>
Total Operating Fund		<u>2,317,061</u>	<u>1,551,351</u>
CAPITAL FUND			
Encumbrances Payable	D-18	18,015	368,404
Due to Water Utility Operating Fund	D-19	210,393	
Improvement Authorizations			
Funded	D-20	87,952	87,952
Unfunded	D-20		103,189
Capital Improvement Fund	D-21	137,108	112,108
Reserve for Amortization	D-22	4,598,858	4,527,595
Deferred Reserve for Amortization	D-23	87,952	87,952
Reserve for Water Tower Fees	D-24	14,219	14,219
Fund Balance	D-2	<u>1,961</u>	<u>1,961</u>
Total Capital Fund		<u>5,156,458</u>	<u>5,303,380</u>
		<u>\$ 7,473,519</u>	<u>\$ 6,854,731</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2019 and 2018 \$460,000 and \$510,000, respectively. (See Exhibit D-25)

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 175,000	\$ 115,000
Water Usage Charges	D-3	3,282,035	2,992,063
Miscellaneous Fees	D-3	358,773	356,143
Interest on Delinquent Accounts	D-3	28,946	28,958
Interest on Investments	D-3	21,027	7,643
Non-Budget Revenues	D-3	8,690	15,206
Other Credits			
Appropriation Reserves Lapsed	D-12	196,503	69,370
Accounts Payable Cancelled	D-1	-	78
Total Income		<u>4,070,974</u>	<u>3,584,461</u>
EXPENDITURES			
Operating	D-4	3,238,723	3,142,415
Capital Improvements	D-4	65,000	60,000
Deferred Charges and Statutory Expenditures	D-4	<u>218,934</u>	<u>158,369</u>
Total Expenditures		<u>3,522,657</u>	<u>3,360,784</u>
Excess in Revenues		548,317	223,677
Fund Balance, January 1,	D	<u>352,203</u>	<u>243,526</u>
		900,520	467,203
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-3	<u>175,000</u>	<u>115,000</u>
Balance, December 31,	D	<u>\$ 725,520</u>	<u>\$ 352,203</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1,	D	\$ <u>1,961</u>	\$ <u>1,961</u>
Balance, December 31,	D	\$ <u>1,961</u>	\$ <u>1,961</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 175,000	\$ 175,000	
Water Usage Charges	D-1,D-3	2,990,657	3,282,035	291,378
Miscellaneous Fees	D-1,D-3	327,000	358,773	31,773
Interest on Delinquent Accounts	D-1,D-6	25,000	28,946	3,946
Interest on Investments	D-1,D-3	<u>5,000</u>	<u>21,027</u>	<u>16,027</u>
 Budget Revenues	 D-4	 <u>\$ 3,522,657</u>	 3,865,781	 <u>\$ 343,124</u>
 Non-Budget Revenues	 D-1, D-3		 <u>8,690</u>	
			<u>\$ 3,874,471</u>	
 <u>Analysis of Realized Revenue</u>				
Water Usage Charges:				
Consumer Accounts Receivable	D-8		\$ 3,281,313	
Water Utility Liens	D-9		<u>722</u>	
	D-3		<u>\$ 3,282,035</u>	
Miscellaneous Fees				
Consumer Accounts Receivable				
Collected				
Sprinkler Fees			\$ 343,630	
Special Readings			12,274	
New Water Meters			<u>2,869</u>	
	D-3, D-8		<u>\$ 358,773</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Service Line Charge			\$ 6,355	
Temporary Meters			455	
Miscellaneous			<u>1,880</u>	
	D-3, D-5		<u>\$ 8,690</u>	
 <u>Analysis of Interest on Investments</u>				
Cash Receipts	D-5		\$ 19,730	
Due from Water Utility Capital Fund	D-19		<u>1,297</u>	
	D-3		<u>\$ 21,027</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 745,284	\$ 745,284	\$ 720,966	\$ 24,318
Other Expenses	<u>2,493,439</u>	<u>2,493,439</u>	<u>1,902,655</u>	<u>590,784</u>
Total Operating	<u>3,238,723</u>	<u>3,238,723</u>	<u>2,623,621</u>	<u>615,102</u>
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	25,000	25,000	25,000	-
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>21,263</u>	<u>18,737</u>
Total Capital Improvements	<u>65,000</u>	<u>65,000</u>	<u>46,263</u>	<u>18,737</u>
DEFERRED CHARGES AND STATUTORY				
Deferred Charges				
Cost of Improvements - Ord. 09-17	50,000	50,000	50,000	
Statutory Expenditures				
Contribution to				
Public Employees Retirement System	108,334	108,334	108,334	
Social Security System (O.A.S.I.)	57,100	57,100	55,876	1,224
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>218,934</u>	<u>218,934</u>	<u>217,710</u>	<u>1,224</u>
	<u>\$ 3,522,657</u>	<u>\$ 3,522,657</u>	<u>\$ 2,887,594</u>	<u>\$ 635,063</u>

	<u>Reference</u>	D-3	D-4	D-1	D, D-1
Disbursed	D-5			\$ 2,495,540	
Encumbrances Payable	D-15			293,554	
Due to Current Fund	D-13			20,000	
Due to Other Trust Fund	D-14			3,500	
Due to Water Utility Capital Fund	D-19			<u>75,000</u>	
				<u>\$ 2,887,594</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 65	\$ 6,249
Due from Current Fund	E-9	<u>32,522</u>	<u>61,945</u>
		<u>32,587</u>	<u>68,194</u>
Deferred Charges:			
Operating Deficit	E-10	<u>-</u>	<u>3,895</u>
		<u>-</u>	<u>3,895</u>
Total Operating Fund		<u>32,587</u>	<u>72,089</u>
CAPITAL FUND			
Cash	E-5,E-6	192	192
Fixed Capital	E-7	<u>246,737</u>	<u>246,737</u>
Total Capital Fund		<u>246,929</u>	<u>246,929</u>
		<u>\$ 279,516</u>	<u>\$ 319,018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-8	\$ 31,864	\$ 71,135
Encumbrances Payable	E-11	114	296
Accounts Payable	E-12	<u>-</u>	<u>49</u>
		31,978	71,480
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>32,587</u>	<u>72,089</u>
CAPITAL FUND			
Reserve for Amortization	E-13	246,737	246,737
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>246,929</u>	<u>246,929</u>
		<u>\$ 279,516</u>	<u>\$ 319,018</u>

There were no bonds and notes authorized but not issued on December 31, 2019 and 2018.

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Swimming Pool Fees	E-3	\$ 61,831	\$ 54,987
Non-Budget Revenue	E-3	172	2,708
Other Credits to Income			
Accounts Payable Cancelled	E-12	<u>49</u>	<u>410</u>
Total Income		<u>62,052</u>	<u>58,105</u>
EXPENDITURES			
Operating	E-4	120,000	116,390
Capital Improvements	E-4	15,000	15,000
Deferred Charges and Statutory Expenditures	E-4	<u>9,595</u>	<u>5,600</u>
Total Expenditures		<u>144,595</u>	<u>136,990</u>
Deficit in Revenue		(82,543)	(78,885)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>82,543</u>	<u>74,990</u>
Statutory Excess to Fund Balance		-	
Operating Deficit to be Raised in Budget of Succeeding Year	E-10		<u>\$ 3,895</u>
Fund Balance, January 1	E	<u>\$ 609</u>	<u>\$ 609</u>
Fund Balance, December 31	E	<u>\$ 609</u>	<u>\$ 609</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Fund Balance, January 1	E	\$ <u>192</u>	\$ <u>192</u>
Fund Balance, December 31	E	\$ <u>192</u>	\$ <u>192</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	Excess or (<u>Deficit</u>)
Swim Pool Fees	E-1,E-3	\$ 54,900	\$ 61,831	\$ 6,931
Deficit (General Budget)	E-1, E-9	<u>89,695</u>	<u>82,543</u>	<u>(7,152)</u>
Budget Revenues	E-4	<u>\$ 144,595</u>	144,374	<u>\$ (221)</u>
Non-Budget Revenues	E-1,E-3		<u>172</u>	
			<u>\$ 144,546</u>	
<u>Analysis of Realized Swim Pool Fees:</u>				
Cash Receipts				
Membership Fees			\$ 45,051	
Guest Fees			6,710	
Party Fees			1,780	
Swimming Lessons			780	
Concession Stand Sales			<u>7,510</u>	
	E-3,E-5		<u>61,831</u>	
<u>Analysis of Non-Budget Revenues</u>				
Interest on Investments	E-3, E-5		<u>\$ 172</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 73,000	\$ 73,000	\$ 68,014	\$ 4,986
Other Expenses	<u>47,000</u>	<u>47,000</u>	<u>35,619</u>	<u>11,381</u>
Total Operating	<u>120,000</u>	<u>120,000</u>	<u>103,633</u>	<u>16,367</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Capital Improvements	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Deferred Charges				
Operating Deficit	3,895	3,895	3,895	
Statutory Expenditures				
Contribution to				
Social Security System (O.A.S.I.)	5,600	5,600	5,203	397
Unemployment Compensation				
Insurance (NJSA 43:21-3 et seq.)	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Deferred Charges and Statutory Expenditures	<u>9,595</u>	<u>9,595</u>	<u>9,098</u>	<u>497</u>
	<u>\$ 144,595</u>	<u>\$ 144,595</u>	<u>\$ 112,731</u>	<u>\$ 31,864</u>

	<u>Reference</u>	E-3	E-4	E-1	E,E-1
Cash Disbursed	E-5			\$ 65,946	
Encumbrances Payable	E-11			114	
Due to Current Fund	E-9			42,776	
Deferred Charges - Operating Deficit	E-10			<u>3,895</u>	
				<u>\$ 112,731</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	F-1	<u>\$ 19,619</u>	<u>\$ 18,270</u>
LIABILITIES AND RESERVES			
Due to Current Fund	F-2	\$ 3	
Reserve for Public Assistance	F-3	<u>19,616</u>	<u>\$ 18,270</u>
Total Liabilities and Reserves		<u>\$ 19,619</u>	<u>\$ 18,270</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Land	\$ 25,636,307	\$ 25,636,307
Buildings and Building Improvements	16,128,202	15,408,494
Machinery and Equipment	<u>7,293,909</u>	<u>7,060,791</u>
	<u>\$ 49,058,418</u>	<u>\$ 48,105,592</u>
Investment in Fixed Assets	<u>\$ 49,058,418</u>	<u>\$ 48,105,592</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Totowa (the "Borough") was incorporated in 1898 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings, provides leadership in the development of community projects and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, water supply and distribution and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Totowa have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

Swim Pool Utility Fund - This fund is used to account for the revenues and expenditures for operation of the Borough's swimming and recreational facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the swim pool utility is accounted for in the capital section of the fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water and swim pool utility funds. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Totowa follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Water utility charges are levied quarterly based upon a minimum service charge and if applicable, an excess consumption or usage charge. Swim pool utility charges are based on a flat fee by membership type (i.e. family, senior, single, etc.). Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Operating Deficits – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of operating deficits at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Totowa has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

General Fixed Assets purchased after December 31, 1996 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1996 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water and swim pool utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund
Water Utility Capital Fund
Swim Pool Utility Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 the Borough Council increased the original budget by \$15,000. The increase was attributable to an emergency resolution for down payments on improvements. In addition, the governing body approved several budget transfers during 2019 and 2018.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough'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 Borough 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 or NCUSIF.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$29,358,878 and \$25,430,702 and bank and brokerage firm balances of the Borough's deposits amounted to \$30,258,637 and \$26,591,423, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	\$ 30,258,637	\$ 26,591,423

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 Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Borough's bank balances were not exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include 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 Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, 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 Investments in the Department of the Treasury for investment by local units; 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 NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2019 and 2018 the Borough had no outstanding investments.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Funds are assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2019 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2019</u>			
Property Taxes	\$ 726,336		\$ 726,336
Tax Title Liens	63,215		63,215
Water Utility Charges and Fees		\$ 635,639	635,639
Water Utility Liens	-	-	-
	<u>\$ 789,551</u>	<u>\$ 635,639</u>	<u>\$ 1,425,190</u>

In 2019, the Borough collected \$686,672 and \$650,366 from delinquent taxes and utility charges and fees, which represented 92% and 100% of the delinquent tax and water charges receivable at December 31, 2018.

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2018</u>			
Property Taxes	\$ 698,882		\$ 698,882
Tax Title Liens	48,233		48,233
Water Utility Charges and Fees		\$ 649,644	649,644
Water Utility Liens	-	722	722
	<u>\$ 747,115</u>	<u>\$ 650,366</u>	<u>\$ 1,397,481</u>

In 2018, the Borough collected \$674,113 and \$612,175 from delinquent taxes and utility charges and fees, which represented 96% and 100% of the delinquent tax and water charges receivable at December 31, 2017.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2019</u>		<u>2018</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 23,904	\$ 2,041,717	\$ 145,949	\$ 442,598
Trust Funds:				
Assessment Trust		204,833		265,978
Animal Control		759		1,267
Other Trust	34,040		387,612	
General Capital Fund	2,179,907		258,718	117,422
Water Utility Fund				
Operating	210,393	23,061		26,959
Capital		210,393		
Swim Pool Utility Operating Fund	32,522		61,945	-
Public Assistance Trust Fund	-	3	-	-
Total	<u>\$ 2,480,766</u>	<u>\$ 2,480,766</u>	<u>\$ 854,224</u>	<u>\$ 854,224</u>

The above balances are the result of revenues earned in one fund which are due to another fund and/or expenditures being paid by one fund on behalf of another.

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	<u>Balance</u>
<u>2019</u>			
NONE			
<u>2018</u>			
Current Fund			
Emergency Authorization	\$ 15,000	\$ 15,000	
Swim Pool Utility Operating Fund			
Operating Deficit	3,895	3,895	

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual school levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2019 and 2018 are as follows:

	<u>Local District School</u>		<u>Regional High School</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance of Tax	\$ 8,627,881	\$ 8,413,141	\$ 5,237,231	\$ 4,918,775
Deferred	<u>3,025,266</u>	<u>3,025,266</u>	<u>2,093,009</u>	<u>2,093,009</u>
Taxes Payable	<u>\$ 5,602,615</u>	<u>\$ 5,387,875</u>	<u>\$ 3,144,222</u>	<u>\$ 2,825,766</u>

NOTE 8 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund(s) are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 5,239,340	\$ 3,383,000	\$ 5,315,824	\$ 2,945,000
Non-Cash Surplus	<u>209,792</u>	<u>-</u>	<u>300,333</u>	<u>-</u>
	<u>\$ 5,449,132</u>	<u>\$ 3,383,000</u>	<u>\$ 5,616,157</u>	<u>\$ 2,945,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 725,520	\$ 175,000	\$ 352,203	\$ 175,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 725,520</u>	<u>\$ 175,000</u>	<u>\$ 352,203</u>	<u>\$ 175,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 609	-	\$ 609	-
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ -</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land	\$ 25,636,307			\$ 25,636,307
Buildings and Building Improvements	15,408,494	\$ 719,708		16,128,202
Machinery and Equipment	<u>7,060,791</u>	<u>233,118</u>	<u>-</u>	<u>7,293,909</u>
	<u>\$ 48,105,592</u>	<u>\$ 952,826</u>	<u>\$ -</u>	<u>\$ 49,058,418</u>

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land	\$ 25,236,686	\$ 399,621		\$ 25,636,307
Buildings and Building Improvements	15,123,079	285,415		15,408,494
Machinery and Equipment	<u>6,924,787</u>	<u>136,004</u>	<u>-</u>	<u>7,060,791</u>
	<u>\$ 47,284,552</u>	<u>\$ 821,040</u>	<u>\$ -</u>	<u>\$ 48,105,592</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2019 and 2018.

<u>Water Utility Fund</u>	Balance December 31, 2018	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2019
<u>2019</u>				
Fixed Capital				
System and System Improvements	\$ 4,321,235	\$ 21,263		\$ 4,342,498
Vehicles and Equipment	<u>206,360</u>	<u>-</u>	<u>-</u>	<u>206,360</u>
	<u>\$ 4,527,595</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 4,548,858</u>
	Balance December 31, 2017	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2018
<u>2018</u>				
Fixed Capital				
System and System Improvements	\$ 4,298,675	\$ 22,560		\$ 4,321,235
Vehicles and Equipment	<u>186,141</u>	<u>20,219</u>	<u>-</u>	<u>206,360</u>
	<u>\$ 4,484,816</u>	<u>\$ 42,779</u>	<u>\$ -</u>	<u>\$ 4,527,595</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets (Continued)

<u>Swim Pool Utility Fund</u>	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 246,737	\$ -	\$ -	\$ 246,737
	<u>\$ 246,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,737</u>
	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 243,277	\$ 3,460	-	\$ 246,737
	<u>\$ 243,277</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ 246,737</u>

NOTE 10 MUNICIPAL DEBT

The Local Bond governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been authorized to be issued for both general capital and utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Authorized But Not Issued		
General		
Bonds and Notes	\$ 1,485,322	\$ 1,726,119
Water Utility		
Bonds and Notes	<u>460,000</u>	<u>510,000</u>
Total Authorized But Not Issued	<u>\$ 1,945,322</u>	<u>\$ 2,236,119</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .067% and .081% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 1,485,322		\$ 1,485,322
School Debt	3,267,237	\$ 3,267,237	
Utility Debt	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total	<u>\$ 5,212,559</u>	<u>\$ 3,727,237</u>	<u>\$ 1,485,322</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 1,726,119		\$ 1,726,119
School Debt	4,107,195	\$ 4,107,195	
Utility Debt	<u>510,000</u>	<u>510,000</u>	<u>-</u>
Total	<u>\$ 6,343,314</u>	<u>\$ 4,617,195</u>	<u>\$ 1,726,119</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 77,498,671	\$ 74,699,168
Net Debt	<u>1,485,322</u>	<u>1,726,119</u>
Remaining Borrowing Power	<u>\$ 76,013,349</u>	<u>\$ 72,973,049</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects and acquisitions:

<u>Capital Project/Purpose</u>	<u>Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2019</u>		
Purchase of Fire Truck	\$1,072,359	2020
2018 Road Improvement Project	196,938	2020
Furler Street Improvements and Water Main Replacement	126,152	2020
Jefferson Place and Raphael Road Improvements	246,928	2020
Sanitary Sewer Main Rehabilitation Phase VII and VIII	93,185	2020
Building Department Software Upgrades	99,557	2020
DPW and SCPS Generator Improvements	208,372	2020
<u>2018</u>		
Furler Street Improvements and Water Main Replacement	\$590,640	2020
Sanitary Sewer Main Rehabilitation Phase V and VI	169,088	2019
Purchase of Fire Truck	1,072,359	2019

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$789,902 and \$753,812 at December 31, 2019 and 2018, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2019 and 2018, the Borough has reserved in the Other Trust Fund \$789,902 and \$783,059, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences	\$ 753,812	\$ 69,038	\$ 32,948	\$ 789,902	\$ 50,000
Net Pension Liability - PERS	10,191,607		983,634	9,207,973	
Net Pension Liability - PFRS	14,343,600	-	2,465,177	11,878,423	-
Total Other Long-Term Liabilities	<u>\$ 25,289,019</u>	<u>\$ 69,038</u>	<u>\$ 3,481,759</u>	<u>\$ 21,876,298</u>	<u>\$ 50,000</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 783,059	\$ 71,161	\$ 100,408	\$ 753,812	\$ 50,000
Net Pension Liability - PERS	11,843,501		1,651,894	10,191,607	
Net Pension Liability - PFRS	15,690,819	-	1,347,219	14,343,600	-
Total Other Long-Term Liabilities	<u>\$ 28,317,379</u>	<u>\$ 71,161</u>	<u>\$ 3,099,521</u>	<u>\$ 25,289,019</u>	<u>\$ 50,000</u>

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, 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.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

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 multi-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, if applicable, 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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching 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 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 a 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.

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 Borough 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.

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 governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS and PERS 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, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 report may be obtained by 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/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, 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 various retirement systems require employee contributions for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2019 and 2018 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2019, 2018 and 2017 were equal to the required contributions.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2019, 2018 and 2017, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP (1)</u>
2019	\$ 1,036,310	\$ 514,861	None
2018	899,508	471,327	None
2017	846,501	446,250	\$ 587

(1) Includes Library portion of contributions for the year.

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,013, \$2,808 and \$1,053, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$9,207,973 and \$10,191,607, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .05110 percent, which was a decrease of .00066 percent from its proportionate share measured as of June 30, 2018 of .05176 percent.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$403,457 and \$570,169, respectively, for PERS based on the actuarial valuations which are more or less than the actual contributions reported in the Borough's financial statements of \$514,861 and \$471,327, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 165,271	\$ 40,677	\$ 194,355	\$ 52,551
Changes of Assumptions	919,450	3,196,058	1,679,408	3,258,734
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		145,351		95,598
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>206,877</u>	<u>258,444</u>	<u>299,891</u>	<u>225,695</u>
Total	<u>\$ 1,291,598</u>	<u>\$ 3,640,530</u>	<u>\$ 2,173,654</u>	<u>\$ 3,632,578</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (175,366)
2021	(434,458)
2022	(972,183)
2023	(724,761)
2024	<u>(42,164)</u>
	<u>\$ (2,348,932)</u>

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00%	1.65-4.15%
	Based on Years of Service	Based on Age
Thereafter	3.00%-7.00%	2.65%-5.15%
	Based on Years of Service	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
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>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (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:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. 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 Borough's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Borough'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% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (7.28%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>11,631,166</u>	\$ <u>9,207,973</u>	\$ <u>7,166,089</u>
	<u>1% Decrease (4.66%)</u>	<u>Current Discount Rate (5.66%)</u>	<u>1% Increase (6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>12,814,772</u>	\$ <u>10,191,607</u>	\$ <u>7,990,940</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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.

Police and Firemen's Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$11,878,423 and \$14,343,600, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .09706 percent, which was a decrease of .00894 percent from its proportionate share measured as of June 30, 2018 of .10600 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$1,065,596 and \$1,355,866, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$1,036,310 and \$899,508, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 100,269	\$ 75,204	\$ 145,927	\$ 59,357
Changes of Assumptions	407,019	3,838,997	1,231,205	3,676,017
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		160,949		78,472
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>837,752</u>	<u>1,365,244</u>	<u>1,347,434</u>	<u>455,745</u>
Total	<u>\$ 1,345,040</u>	<u>\$ 5,440,394</u>	<u>\$ 2,724,566</u>	<u>\$ 4,269,591</u>

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2020	\$ (256,011)
2021	(638,405)
2022	(1,564,452)
2023	(1,174,599)
2024	<u>(461,887)</u>
	<u>\$ (4,095,354)</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years	2026
	3.25%-15.25%	2.10%-8.98%
	Based on Years	Based on Age
	of Service	
Thereafter	Not Applicable	3.10%-9.98%
		Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
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 PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate (Continued)

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. 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 Borough's proportionate share of the PFRS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

	<u>1% Decrease (5.85%)</u>	<u>Current Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,055,299</u>	<u>\$ 11,878,423</u>	<u>\$ 8,421,456</u>
	<u>1% Decrease (5.51%)</u>	<u>Current Discount Rate (6.51%)</u>	<u>1% Increase (7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 19,197,129</u>	<u>\$ 14,343,600</u>	<u>\$ 10,340,323</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,875,625 and \$1,948,341, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$217,932 and \$230,778, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$126,378 and \$115,389, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .09706 percent, which was a decrease of .00894 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .10600 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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 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 assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government 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 other postemployment benefit plan. 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 values.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2019 and 2018 is \$13.5 billion and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018.

- Actuarial Methods and Assumptions

In the June 30, 2018 and 2017 OPEB actuarial valuations, 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.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$346.4 million and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million and \$53.5 million for fiscal years 2019 and 2018, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 Borough is not required to make contributions to the State Plan under a special funding situation. The State as a non-employer contributing entity makes contributions to the Plan on-behalf of the Borough under a special funding situation.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$7,970,131 and \$8,965,646, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$105,646 and \$271,401, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .14424 percent, which was a decrease of .00005 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .14429 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 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 Borough's total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	2.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, 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 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%
2018	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.

OPEB Plan Fiduciary Net Position

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

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 15 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Totowa is a member of the Garden State Municipal Joint Insurance Fund (GSMJIF). The joint insurance fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Fund is a risk-sharing public entity pool. The GSMJIF coverage amounts are on file with the Borough.

The relationship between the Borough 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 Borough is contractually obligated to make all annual and supplementary contributions to the insurance fund, to report claims on a timely basis, to 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 the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the fund's Treasurer.

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 17,500	\$ 9,833	\$ 10,544	\$ 195,190
2018	17,600	9,810	14,376	176,694
2017	35,200	9,352	12,896	163,050

NOTE 16 CONTINGENT LIABILITIES

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

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16 CONTINGENT LIABILITIES (Continued)

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$2,000,000 and \$2,000,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough 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 Borough may be required to reimburse the grantor government. As of December 31, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 17 FEDERAL ARBITRAGE REGULATIONS

The Borough 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 December 31, 2019 and 2018, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the "COVID-19 Crisis"). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor's executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough's operations; however, such amounts, if any, could be material.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

BOROUGH OF TOTOWA
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2018 \$ 18,301,209

Increased by Receipts:

Tax Collector	\$ 55,641,387	
Non-Budget Revenue	752,222	
Revenue Accounts Receivable	2,900,532	
Grants Receivable	172,387	
NJ Senior Citizens' and Veterans' Deductions	88,345	
Sewer Fee Overpayments	1,831	
Fees Payable	80,945	
Reserve for Unappropriated Grants	47,648	
Received from Assessment Trust Fund	7,544	
Received from Animal Control Fund	1,323	
Received from Other Trust Fund	182,173	
Receipts from General Capital Fund	718,641	
Receipts for General Capital Fund	316,635	
Receipts from Water Utility Operating Fund	19,266	
Receipts for Water Utility Operating Fund	3,707	
Received from Public Assistance Trust Fund	<u>56</u>	
		<u>60,934,642</u>

79,235,851

Decreased by Disbursements:

2019 Budget Appropriations	14,709,992	
2018 Appropriation Reserves	136,520	
Fees Payable	82,266	
Encumbrances Payable	271,539	
Accounts Payable	8,536	
Refund of Prepaid Licenses	210	
Refund of Tax Overpayments	15,464	
Reserve for Appropriated Grants	76,988	
Reserve for Tax Appeals	63,588	
County Taxes Payable	15,042,766	
Added County Taxes Payable	122,500	
Local District School Tax	16,321,197	
Regional High School Tax	10,291,073	
Payments made to Other Trust Fund	369,159	
Payments made for Other Trust Fund	7,454	
Payments made for General Capital Fund	599,867	
Payments made for Swim Utility Operating Fund	42,776	
Payments made for Water Utility Operating Fund	20,000	
Refund of Prior Year Revenue	<u>4,511</u>	
		<u>58,186,406</u>

Balance, December 31, 2019 \$ 21,049,445

**BOROUGH OF TOTOWA
STATEMENT OF CASH - TAX COLLECTOR**

Received:		
Taxes Receivable	\$ 54,820,041	
Tax Title Liens	6,237	
Interest and Cost on Taxes	188,185	
Prepaid Taxes	614,001	
Tax Overpayments	<u>12,923</u>	
		\$ 55,641,387
Decreased by:		
Payments to Treasurer		<u>\$ 55,641,387</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Title</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Tax Collector	\$ 100	\$ 100
Treasurer - Deputy Tax Collector	50	50
Court Clerk	370	370
Building Department	<u>200</u>	<u>200</u>
	<u>\$ 720</u>	<u>\$ 720</u>

EXHIBIT A-7

STATEMENT OF PETTY CASH FUNDS

<u>Office</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Borough Clerk	<u>\$ 150</u>	<u>\$ 150</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2018		\$ 80,850
Increased by:		
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Current Year	\$ 1,960	
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Prior Year	1,000	
Received in Cash from the State	<u>88,345</u>	
		<u>91,305</u>
		172,155
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed		
Per Tax Billings	91,000	
Senior Citizens' and Veterans' Deductions		
Allowed by the Tax Collector - Current Year	<u>1,500</u>	
		<u>92,500</u>
Balance, December 31, 2019		<u><u>\$ 79,655</u></u>

BOROUGH OF TOTOWA
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, December 31, 2018	2019 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2018	2019	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2019
2016	\$ 2,805								\$ 2,805
2017	7,225				\$ 281				6,944
2018	<u>688,852</u>	<u>-</u>	<u>\$ 1,000</u>	<u>-</u>	<u>680,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,698</u>
	698,882	-	1,000	-	680,435	-	-	-	19,447
2019	<u>-</u>	<u>\$ 55,466,888</u>	<u>1,960</u>	<u>\$ 465,052</u>	<u>54,139,606</u>	<u>\$ 92,500</u>	<u>\$ 43,582</u>	<u>\$ 21,219</u>	<u>706,889</u>
	<u>\$ 698,882</u>	<u>\$ 55,466,888</u>	<u>\$ 2,960</u>	<u>\$ 465,052</u>	<u>\$54,820,041</u>	<u>\$ 92,500</u>	<u>\$ 43,582</u>	<u>\$ 21,219</u>	<u>\$ 726,336</u>

Analysis of 2019 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 55,242,096
Added Taxes (RS 54:4-36.1 et seq.)	<u>224,792</u>
	<u>\$ 55,466,888</u>
Tax Levy	
Regional High School Taxes	\$ 10,609,529
Local District School Taxes	16,535,937
County Taxes	
County Tax	\$ 14,828,828
Open Space Tax	213,938
Due County for Added Tax	<u>61,413</u>
	15,104,179
Local Tax for Municipal Purposes	12,337,565
Minimum Library Tax	709,462
Add: Additional Tax Levied	<u>170,216</u>
	<u>13,217,243</u>
	<u>\$ 55,466,888</u>

**BOROUGH OF TOTOWA
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2018	\$ 48,233
Increased by:	
Transfers from Taxes Receivable	<u>21,219</u>
	69,452
Decreased by:	
Payments Received	<u>6,237</u>
Balance, December 31, 2019	<u>\$ 63,215</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES -
AT ASSESSED VALUATIONS**

Balance, December 31, 2018	<u>\$ 72,900</u>
Balance, December 31, 2019	<u><u>\$ 72,900</u></u>

Analysis of Balance

<u>Block</u>	<u>Lot</u>	<u>Amount</u>
41	8	\$ 5,500
112	65	3,300
115	26	600
122	6	5,000
122	8	6,600
123	5	7,800
125	8	5,100
171A	5	28,500
172	1	5,000
182	17	<u>5,500</u>
		<u>\$ 72,900</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	Accrued In <u>2019</u>	<u>Collected by</u>		Balance, December 31, <u>2019</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Borough Clerk					
Licenses					
Alcoholic Beverages		10,332	\$ 10,332		
Other		16,842	16,842		
Fees and Permits		1,604	1,604		
Tax Collector					
Interest and Costs on Taxes	\$ 19,064	191,977		\$ 188,185	\$ 22,856
Board of Health/Registrar of Vital Statistics					
Licenses		26,988	26,988		
Fees and Permits		21,454	21,454		
Planning Board					
Fees and Permits		76,875	76,875		
Zoning Board of Adjustments					
Fees and Permits		19,902	19,902		
Building Department					
Uniform Construction Code Fees		634,294	634,294		
Police Department					
Fees and Permits		509	509		
Road Opening Permits - Fees and Permits		1,158	1,158		
Municipal Court					
Fines and Costs	13,473	174,219	178,827		8,865
Energy Receipts Tax		1,304,214	1,304,214		
Fire Inspection Official					
Uniform Fire Safety Act Fees		27,914	27,914		
Uniform Fire Safety Act Rebate		14,087	14,087		
Sewer User Fees	12,735	188,900	186,710		14,925
Cable Television Franchise Fee		164,188	164,188		
Borough of Woodland Park -					
Construction Code Official		99,000	99,000		
Hotel/Motel Tax	-	116,434	116,434	-	-
	<u>\$ 45,272</u>	<u>\$ 3,090,891</u>	<u>\$ 2,901,332</u>	<u>\$ 188,185</u>	<u>\$ 46,646</u>
Cash Receipts			\$ 2,900,532	\$ 188,185	
Prepaid Licenses Applied			790	-	
Sewer Overpayment Applied			10	-	
			<u>\$ 2,901,332</u>	<u>\$ 188,185</u>	

**BOROUGH OF TOTOWA
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2018</u>	Awards <u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2019</u>
Municipal Alliance Program	\$ 16,675	\$ 20,593	\$ 18,520	\$ 18,748
Recycling Tonnage Grant		16,253	16,253	
Safe & Secure Communities Program		60,000	60,000	
NJ DOT Safe Corridors	2,894			2,894
FEMA - Hazard Mitigation Grant Program	<u>265,764</u>	<u>-</u>	<u>77,614</u>	<u>188,150</u>
	<u>\$ 285,333</u>	<u>\$ 96,846</u>	<u>\$ 172,387</u>	<u>\$ 209,792</u>

EXHIBIT A-14

STATEMENT OF MAINTENANCE LIEN RECEIVABLE

Balance, December 31, 2018	<u>\$ 6,500</u>
Balance December 31, 2019	<u>\$ 6,500</u>

EXHIBIT A-15

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2018</u>	Raised <u>in 2019</u>	Balance, December 31, <u>2019</u>
Emergency Authorizations (40A:4-47)	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>

BOROUGH OF TOTOWA
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, December 31, <u>2018</u>	<u>Transfers</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
SALARIES AND WAGES						
Mayor and Council	\$ 367			\$ 367		\$ 367
Municipal Clerk	198			198		198
Planning Board	4			4		4
Board of Adjustment	2			2		2
Fire	294			294		294
Uniform Fire Code	16,221			16,221	\$ 5,000	11,221
Police Dispatch/911	10,048			10,048		10,048
Police	51,229			51,229	17,000	34,229
Emergency Management Services	3,828			3,828		3,828
Municipal Prosecutor	585			585		585
Road Repairs and Maintenance	34,846			34,846	15,923	18,923
Public Buildings and Grounds	1,213			1,213		1,213
Vehicle Maintenance	23			23		23
Sewer System	158			158		158
Shade Tree Commission	4			4		4
Recycling Program	287			287		287
Board of Health	219			219		219
Administration of Public Assistance	2			2		2
Parks and Playgrounds	30,580			30,580		30,580
Senior Citizen Program	6,636			6,636		6,636
Municipal Court	2,433			2,433		2,433
Public Defender	1			1		1
Construction Code Official	563	-	-	563	-	563
	<u>159,741</u>	<u>-</u>	<u>-</u>	<u>159,741</u>	<u>37,923</u>	<u>121,818</u>
OTHER EXPENSES						
Municipal Clerk	6,406			6,406	26	6,380
Codification of Ordinances	3,805			3,805	3,805	-
Elections	424			424		424
Financial Administration	881			881	61	820
Assessment of Taxes	23,173		\$ 814	23,987		23,987
Collection of Taxes	905			905	60	845
Legal Services and Costs	8,118			8,118	4,005	4,113
Engineering Services & Costs	78,180			78,180	78,180	-
Rehabilitation/Redevelopment	30,000			30,000		30,000
Planning Board	43,550	\$ (22,000)		21,550	1,800	19,750
Board of Adjustment	430	2,000		2,430	800	1,630
Insurance						-
General Liability	39,690			39,690	14,063	25,627
Workers Compensation	659			659		659
Employee Group Health	10,957			10,957	340	10,617
Fire	77,604			77,604	48,945	28,659
Uniform Fire Code	745			745		745
Police Dispatch/911	989			989		989
Police	16,571			16,571	4,513	12,058
Vehicle Purchases	14,108			14,108	10,732	3,376
First Aid Squad	12,500			12,500	9,236	3,264
Emergency Management Services	2,140			2,140		2,140
Municipal Prosecutor	987			987		987
Road Repairs and Maintenance	2,617	5,000	146	7,763		7,763
Public Buildings and Grounds	1,174	5,000		6,174	5,096	1,078

BOROUGH OF TOTOWA
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, December 31, <u>2018</u>	<u>Transfers</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OTHER EXPENSES: (Continued)						
Vehicle Maintenance	\$ 74,286			\$ 74,286	\$ 21,841	\$ 52,445
Sewer System	21,877			21,877	5,513	16,364
Shade Tree Commission	12,252			12,252		12,252
Garbage and Trash Removal	1,364			1,364		1,364
Recycling Program	2,955			2,955	980	1,975
Leaf Grass Removal	821	\$ 5,000		5,821	4,107	1,714
Condo Services Act	15,000			15,000	5,822	9,178
Board of Health	8,684			8,684	5,553	3,131
Animal Control	5,000			5,000		5,000
Administration of Public Assistance	970			970		970
Hepatitis B Vaccine	1,000			1,000		1,000
Parks and Playgrounds	12,497			12,497		12,497
Celebration of Public Events	2,551			2,551		2,551
Senior Citizen Program	2,947			2,947		2,947
Municipal Court	9,557			9,557	200	9,357
Public Defender	3,000			3,000		3,000
Construction Code Official	4,548			4,548		4,548
Utilities						-
Electricity and Natural Gas	12,000			12,000	4,271	7,729
Street Lighting	13,986		\$ 1,296	15,282		15,282
Gasoline	3,221	5,000		8,221	6,389	1,832
Telephone	15,236			15,236		15,236
Social Security System (O.A.S.I.)	13,864			13,864		13,864
Public Employees Retirement System	609			609		609
Recycling Tax	1,735			1,735		1,735
Borough of Woodland Park-Interlocal Service Agreem.	2,454			2,454		2,454
Drug and Alcohol Municipal Alliance	3,319			3,319	3,319	-
Drunk Driving Enforcement Grant - Police	7,860			7,860	7,860	-
Body Armor	4,519			4,519	4,519	-
Recycling Tonnage Grant	16,496			16,496	16,496	-
Clean Communities Grant Program	19,560			19,560	19,560	-
Alcohol Education and Rehabilitation Fund	2,702			2,702	2,702	-
NJ DOT - Safe Corridors	2,894			2,894	2,894	-
Fire Prevention Grant - FM Global	850	-	-	850	850	-
	<u>677,227</u>	<u>-</u>	<u>2,256</u>	<u>679,483</u>	<u>294,538</u>	<u>384,945</u>
	<u>\$ 836,968</u>	<u>\$ -</u>	<u>\$ 2,256</u>	<u>\$ 839,224</u>	<u>\$ 332,461</u>	<u>\$ 506,763</u>
Cash Disbursed					\$ 136,520	
Due to Other Trust Fund:						
Accumulated Absence Reserve					37,923	
Transferred to:						
Accounts Payable					106,861	
Reserve for Appropriated Grants					<u>51,157</u>	
					<u>\$ 332,461</u>	

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018	\$ 273,795
Increased by:	
Charges to 2019 Budget Appropriations	<u>524,514</u>
	798,309
Decreased by:	
Payments	\$ 271,539
Cancellations Restored to Appropriation Reserves	<u>2,256</u>
	<u>273,795</u>
Balance, December 31, 2019	<u>\$ 524,514</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2018	\$ 144,537
Increased by:	
Transferred from 2018 Appropriation Reserves	<u>106,861</u>
	251,398
Decreased by:	
Payments	<u>8,536</u>
Balance, December 31, 2019	<u>\$ 242,862</u>

**BOROUGH OF TOTOWA
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2018	\$ 465,052
Increased by:	
Collection of 2020 Taxes	<u>614,001</u>
	1,079,053
Decreased by:	
Application to 2019 Taxes Receivable	<u>465,052</u>
Balance, December 31, 2019	<u><u>\$ 614,001</u></u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2018	\$ 2,736
Increased by:	
Overpayments in 2019	<u>12,923</u>
	15,659
Decreased by:	
Refunds	<u>15,464</u>
Balance, December 31, 2019	<u><u>\$ 195</u></u>

STATEMENT OF SEWER FEE OVERPAYMENTS

Balance, December 31, 2018	\$ 10
Increased by:	
Overpayments in 2019	<u>1,831</u>
	1,841
Decreased by:	
Applied to 2019 Revenue Accounts Receivable	<u>10</u>
Balance, December 31, 2019	<u><u>\$ 1,831</u></u>

STATEMENT OF PREPAID LICENSES

Balance, December 31, 2018	\$ 1,000
Decreased:	
Applied to 2019 Revenue Accounts Receivable	\$ 790
Cash Disbursements Refunded	<u>210</u>
	<u><u>1,000</u></u>

**BOROUGH OF TOTOWA
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2018</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2019</u>
Due to State				
Construction Code Training Fees	\$ 16,430	\$ 79,245	\$ 80,103	\$ 15,572
Elevator Inspection Fees	1,776		258	1,518
Marriage License Fees	<u>1,445</u>	<u>1,700</u>	<u>1,905</u>	<u>1,240</u>
	<u>\$ 19,651</u>	<u>\$ 80,945</u>	<u>\$ 82,266</u>	<u>\$ 18,330</u>

EXHIBIT A-24

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:	
2019 Levy	
General County	\$ 14,828,828
County Open Space Preservation	<u>213,938</u>
	\$ 15,042,766
Decreased by:	
Payments	<u>\$ 15,042,766</u>

EXHIBIT A-25

STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES

Balance, December 31, 2018	\$ 122,507
Increased by:	
County Share of 2019 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>61,413</u>
	183,920
Decreased by:	
Payments	<u>122,500</u>
Balance, December 31, 2019	<u>\$ 61,420</u>

**BOROUGH OF TOTOWA
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

Balance, December 31, 2018		
School Tax Payable	\$ 5,387,875	
School Tax Deferred	<u>3,025,266</u>	
		\$ 8,413,141
Increased by:		
Levy - School Year July 1, 2019 to June 30, 2020		<u>16,535,937</u>
		24,949,078
Decreased by:		
Payments		<u>16,321,197</u>
Balance, December 31, 2019		
School Tax Payable	5,602,615	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 8,627,881</u>
<u>Analysis of Amount Charged to Operations</u>		
2019 Liability for Local District School Tax		
Tax Paid		\$ 16,321,197
Tax Payable at December 31, 2019		<u>5,602,615</u>
		21,923,812
Less: Tax Payable at December 31, 2018		<u>5,387,875</u>
Amount Charged to 2019 Operations		<u>\$ 16,535,937</u>

BOROUGH OF TOTOWA
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, December 31, 2018		
School Tax Payable	\$ 2,825,766	
School Tax Deferred	<u>2,093,009</u>	
		\$ 4,918,775
Increased by:		
Levy - School Year July 1, 2019 to June 30, 2020		<u>10,609,529</u>
		15,528,304
Decreased by:		
Payments		<u>10,291,073</u>
Balance, December 31, 2019		
School Tax Payable	3,144,222	
School Tax Deferred	<u>2,093,009</u>	
		<u>\$ 5,237,231</u>
<u>Analysis of Amount Charged to Operations</u>		
2019 Liability for Regional High School Tax		
Tax Paid		\$ 10,291,073
Tax Payable at December 31, 2019		<u>3,144,222</u>
		13,435,295
Less: Tax Payable at December 31, 2018		<u>2,825,766</u>
Amount Charged to 2019 Operations		<u>\$ 10,609,529</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2018</u>	<u>Received</u>	Anticipated in 2019 <u>Budget</u>	Balance, December 31, <u>2019</u>
Clean Communities Program	\$ 18,716	\$ 20,888	\$ 18,716	\$ 20,888
Body Armor Replacement Fund	3,888	3,048	3,888	3,048
Alcohol Ed & Rehabilitation Fund	3,662	1,849	3,662	1,849
State Forestry Grant - Green Communities		2,125		2,125
Recycling Tonnage Grant	-	19,738	-	19,738
	<u>\$ 26,266</u>	<u>\$ 47,648</u>	<u>\$ 26,266</u>	<u>\$ 47,648</u>

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2018</u>	Transferred From 2018 Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2019</u>
Clean Communities Program	\$ 65,576	\$ 19,560	\$ 30,909	\$ 54,227
Alcohol Ed & Rehabilitation Fund	9,533	2,702	2,747	9,488
Body Armor Replacement Fund	979		443	536
Drunk Driving Enforcement Fund	16,585	7,860	2,900	21,545
FEMA - Firefighters Equipment - Local	4,608			4,608
FEMA - Firefighters Equipment - Federal	3,543			3,543
Soldiveri - Recreation	617		208	409
Municipal Alliance	8,865	3,319		12,184
Muchuga	105		105	-
Safe Corridors - Federal	26,770			26,770
NJ DOT Highway Safety		2,894		2,894
Recycling Tonnage Grant		14,502		14,502
Fire Prevention - FM Global		320		320
FEMA - Hazard Mitigation - Federal	190,764		18,480	172,284
FEMA - Hazard Mitigation - Local	21,196	-	21,196	-
	<u>\$ 349,141</u>	<u>\$ 51,157</u>	<u>\$ 76,988</u>	<u>\$ 323,310</u>

**BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR TAX APPEALS PENDING**

Balance, December 31, 2018	\$ 2,000,000
Increased by:	
Transfer from Current Year Tax Collections	<u>63,588</u>
	2,063,588
Decreased by:	
Tax Appeal Refunds	<u>63,588</u>
Balance, December 31, 2019	<u>\$ 2,000,000</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Codification of Ordinances	<u>\$ 7,503</u>	<u>\$ 7,503</u>
	<u>\$ 7,503</u>	<u>\$ 7,503</u>

TRUST FUND

**BOROUGH OF TOTOWA
STATEMENT OF CASH - TREASURER**

	<u>Assessments</u>	<u>Animal Control</u>	<u>Other</u>
Balance, December 31, 2018	\$ 6,351	\$ 3,734	\$ 4,297,433
Increased by:			
Interest on Deposits	\$ 350	\$ 60	\$ 65,377
Assessments Receivable	60,797		
Interest on Assessments	6,049		
Miscellaneous Reserves			1,013,317
Received from Current Fund			369,159
Received for Current Fund			181,210
Received from Water Utility Operating Fund			6,959
Escrow Deposits			512,234
Premiums Received from Tax Sale			5,550
Dog License Fees Collected		1,095	
Due State of NJ - Dog Registration Fees		267	
Employee Unemployment Contributions			9,833
Net Pay and Payroll Deduction Deposits	-	-	9,103,412
	<u>67,196</u>	<u>1,422</u>	<u>11,267,051</u>
	73,547	5,156	15,564,484
Decreased by Disbursements:			
Due State of NJ - Dog Registration Fees		259	
Reserve for Animal Control Expenditures		355	
Miscellaneous Reserves			997,438
Unemployment Claims Due to State			10,544
Escrow Deposits Payable			437,715
Tax Sale Premiums Refunded			23,450
Payments for Current Fund			2,000
Payments made to Current Fund	7,544	1,323	182,173
Payments made to General Capital Fund	60,000		
Payroll Disbursements	-	-	9,103,404
	<u>67,544</u>	<u>1,937</u>	<u>10,756,724</u>
Balance , December 31, 2019	<u>\$ 6,003</u>	<u>\$ 3,219</u>	<u>\$ 4,807,760</u>

**BOROUGH OF TOTOWA
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, <u>2019</u>
Due to Current Fund	\$ 6,115
Due to General Capital Fund	198,718
Unfinanced Assessments	
Ord. 03-10 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd. - Phase II	<u>(198,830)</u>
	<u>\$ 6,003</u>

EXHIBIT B-3

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, <u>2018</u>	<u>Collected</u>	Balance December 31, <u>2019</u>	Balance <u>Pledged to</u> Due General Capital Fund
03-10	Replacement of Sidewalks, Curbs and Driveways on Union Blvd. - Phase II	\$ 259,627	\$ 60,797	\$ 198,830	\$ 198,830
		<u>\$ 259,627</u>	<u>\$ 60,797</u>	<u>\$ 198,830</u>	<u>\$ 198,830</u>

EXHIBIT B-4

**STATEMENT OF DUE TO CURRENT FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2018	\$ 7,260
Increased by:	
Interest on Deposits	\$ 350
Interest on Assessment	<u>6,049</u>
	<u>6,399</u>
	13,659
Decreased by:	
Payments Made to Current Fund	<u>7,544</u>
Balance, December 31, 2019	<u>\$ 6,115</u>

**BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL FUND**

Balance, December 31, 2018		\$ 2,463
Increased by:		
Dog License Fees Collected		<u>1,095</u>
		3,558
Decreased by:		
Disbursements for Expenditures Under R.S. 4: 19~ 15.11	\$ 355	
Statutory Excess Due Current Fund	<u>755</u>	
		<u>1,110</u>
Balance, December 31, 2019		<u><u>\$ 2,448</u></u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, December 31, 2018		\$ 4
Increased by:		
Dog License Registration Fees Collected		<u>267</u>
		271
Decreased by:		
Payments		<u>259</u>
Balance, December 31, 2019		<u><u>\$ 12</u></u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Balance, December 31, 2018		\$ 1,267
Increased by:		
Interest Earnings Due to Current Fund	\$ 60	
Statutory Excess in Reserve for Animal Control Expenditures	<u>755</u>	
		<u>815</u>
		2,082
Decreased by:		
Payments to Current Fund		<u>1,323</u>
Balance, December 31, 2019		<u><u>\$ 759</u></u>

**BOROUGH OF TOTOWA
STATEMENT OF ESCROW DEPOSITS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 1,509,739
Increased by:	
Cash Receipts	<u>512,234</u>
	2,021,973
Decreased by:	
Cash Disbursements	<u>437,715</u>
Balance, December 31, 2019	<u>\$ 1,584,258</u>

**STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 380,653
Increased by:	
2019 Budget Appropriation	
Unemployment Compensation Insurance	\$ 14,000
Transferred from 2018 Appropriation Reserves:	
Accumulated Absences Reserve	37,923
Expenditures Paid for Current Fund	2,000
Payments to Current Fund	<u>182,173</u>
	<u>236,096</u>
	616,749
Decreased by:	
Receipts from Current Fund	369,159
Expenditures Paid by Current Fund - Miscellaneous Reserves	7,454
Receipts for Current Fund - Police Outside Duty Admin. Fees	181,210
Interest on Deposits	<u>30,920</u>
	<u>588,743</u>
Balance, December 31, 2019	<u>\$ 28,006</u>

**BOROUGH OF TOTOWA
STATEMENT OF PREMIUMS RECEIVED AT TAX SALE
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 85,900
Increased by:	
Cash Receipts	<u>5,550</u>
	91,450
Decreased by:	
Payments	<u>23,450</u>
Balance, December 31, 2019	<u><u>\$ 68,000</u></u>

EXHIBIT B-11

**STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 9,325
Increased by:	
Net Pay	\$ 5,545,546
Payroll Deductions	<u>3,557,866</u>
	<u>9,103,412</u>
	9,112,737
Decreased by:	
Payroll Disbursements	<u>9,103,404</u>
Balance, December 31, 2019	<u><u>\$ 9,333</u></u>

EXHIBIT B-12

**STATEMENT OF DUE TO STATE - UNEMPLOYMENT CLAIMS
OTHER TRUST FUND**

Increased by:	
Unemployment Claims Charged to Reserve	\$ 10,544
Decreased by:	
Payments to State	<u><u>\$ 10,544</u></u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE
OTHER TRUST FUND

Balance, December 31, 2018				\$	176,694
Increased by:					
2019 Budget Appropriations:					
Due From Current Fund	\$	14,000			
Water Utility Operating Fund		<u>3,500</u>			
			\$	17,500	
Employee Payroll Deductions				9,833	
Interest on Deposits				<u>1,707</u>	
					<u>29,040</u>
					205,734
Decreased by:					
Unemployment Claims Due to State					<u>10,544</u>
Balance, December 31, 2019				\$	<u>195,190</u>

EXHIBIT B-14

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
Reserve for Recycling Program Fees	\$ 160,015	\$ 10,540	\$ 614	\$ 169,941
Reserve for Centennial Club Donations	22,805			22,805
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	63,926	1,500	6,954	58,472
Reserve for Recreation Program Fees	35,939	111,630	74,154	73,415
Reserve for Polling Place Deposit	146			146
Reserve for Affordable Housing Fees	1,538,284	83,501	23,611	1,598,174
Reserve for Police Outside Duty Fees	13,978	746,140	755,207	4,911
Reserve for Accumulated Absence Liability	783,059	40,457	33,614	789,902
Reserve for Storm Recovery Costs	264,093		19,149	244,944
Reserve for Outside Lienholders Deposits		88,612	88,589	23
Reserve for Hickory Hill II Deposit	192			192
Reserve for Senior Citizens Donations		2,000	2,000	
Reserve for POAA Fees	9,443	1,995	1,000	10,438
Reserve for Disposal of Forfeited Property	<u>10,565</u>	<u>149</u>	<u>-</u>	<u>10,714</u>
	<u>\$ 2,903,387</u>	<u>\$ 1,086,524</u>	<u>\$ 1,004,892</u>	<u>\$ 2,985,019</u>
Interest on Deposits		\$ 32,750		
Cash Receipts		1,013,317		
Due from Current Fund		37,923		
Due from Water Utility Operating Fund		2,534		
Due to Current Fund			\$ 7,454	
Cash Disbursements		<u>-</u>	<u>997,438</u>	
		<u>\$ 1,086,524</u>	<u>\$ 1,004,892</u>	

GENERAL CAPITAL FUND

**BOROUGH OF TOTOWA
STATEMENT OF CASH - TREASURER**

Balance, December 31, 2018		\$ 1,717,576
Increased by:		
Interest Earnings	\$ 1,798	
Grant Receipts	333,736	
Reserve for Capital Improvements and Acquisitions	1,004,322	
Reserve for Sewer Connection Charges	1,000	
Received from Assessment Trust Fund	<u>60,000</u>	
		<u>1,400,856</u>
		3,118,432
Decreased by:		
Improvement Authorizations	341,895	
Encumbrances Payable	66,868	
Payments to Current Fund	<u>718,641</u>	
		<u>1,127,404</u>
Balance, December 31, 2019		<u>\$ 1,991,028</u>

**BOROUGH OF TOTOWA
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2019</u>
Fund Balance	\$ 822
Capital Improvement Fund	200,519
Encumbrances Payable	1,896,473
Due from Current Fund	(1,981,189)
Due from Assessment Trust Fund	(198,718)
Grants Receivable	(722,691)
Reserve for Sewer Connection Charges	1,000
Reserve for Capital Improvements and Acquisitions	1,004,377
Reserve for Land Sale Proceeds	850
Improvement Authorizations:	
Ordinance	
<u>Number</u> <u>Description</u>	
08-12/ 06-13/	
10-13/ 05-14/	
09-15/12-16/	
07-17/ 12-18	Various Sanitary Sewer, Storm Sewer, and Road Improvements 57,874
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV) (234,693)
12-13	Flood Acquisition Project (1,509)
08-15	Improvements to Lincoln Field 23,107
10-15	Various Road Improvements 140
16-15	Purchase and Installation of a Generator 2,733
11-16	Various Capital Improvements 20,046
13-16	Installation of Tennis Courts at Lincoln Field 9,633
06-17	Various Capital Improvements and Acquisitions 42,342
08-17	Various Road Improvements (218,045)
02-18	Various Park Improvements 163,209
11-18/ 14-18	Various Capital Improvements and Acquisitions 812,759
15-18	Acquisition of Property (358,762)
07-19	Various Capital Improvements and Acquisitions <u>1,470,751</u>
	<u>\$ 1,991,028</u>

BOROUGH OF TOTOWA
STATEMENT OF GRANT RECEIVABLE

Ord. No.	Agency	Balance, December 31, 2018	Grant Award	Collections	Balance, December 31, 2019	Balance Pledged to:	
						Improvement Authorization	Reserve for Grants Receivable
08-12/							
06-13/							
10-13	Community Development Block Grant	\$ 20,392			\$ 20,392	\$ 20,392	
12-13	Community Development Block Grant	90,752			90,752		\$ 90,752
12-13	Green Acres Grant	90,740			90,740		90,740
05-14	Community Development Block Grant	10,581			10,581	10,581	
08-15	Passaic County Open Space	23,107			23,107	23,107	
10-15	Dept. of Transportation Grant	71,250			71,250	71,250	
12-16	Community Development Block Grant	101,066		\$ 101,066	-		
13-16	Passaic County Open Space	9,633			9,633	9,633	
07-17	Community Development Block Grant	100,000		66,562	33,438	33,438	
08-17	Dept. of Transportation - Furler Street	235,000		166,635	68,365	68,365	
08-17	Dept. of Transportation - Jefferson Pl	200,000		150,000	50,000	50,000	
02-18	Passaic County Open Space	166,800		166,108	692	692	
12-18	Community Development Block Grant	80,000			80,000	80,000	
07-09	Dept. of Transportation		\$ 270,000		270,000	270,000	
07-19	Community Development Block Grant	-	85,233	-	85,233	85,233	-
		<u>\$ 1,199,321</u>	<u>\$ 355,233</u>	<u>\$ 650,371</u>	<u>\$ 904,183</u>	<u>\$ 722,691</u>	<u>\$ 181,492</u>
	Cash Receipts			\$ 333,736			
	Due from Current Fund			<u>316,635</u>			
				<u>\$ 650,371</u>			

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO/FROM CURRENT FUND**

Balance, December 31, 2018 (Due To)	\$ 117,422
Increased by:	
Interest Earnings	\$ 1,798
General Capital Encumbrances paid by Current Fund	<u>599,867</u>
	<u>601,665</u>
	719,087
Decreased by:	
Grant Receipts Deposited in Current Fund	\$ 316,635
2019 Budget Appropriation:	
Capital Improvement Fund	1,485,000
Deferred Charge - Ord 03-13	180,000
Payments to Current Fund	<u>718,641</u>
	<u>2,700,276</u>
Balance, December 31, 2019 (Due From)	<u>\$ 1,981,189</u>

STATEMENT OF DUE FROM ASSESSMENT TRUST FUND

Balance, December 31, 2018	\$ 258,718
Decreased by:	
Received from Assessment Trust Fund	<u>60,000</u>
Balance, December 31, 2019	<u>\$ 198,718</u>

BOROUGH OF TOTOWA
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2018</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2019</u>	Analysis of Balance <u>December 31, 2019</u>	
					<u>Expenditures</u>	Unexpended Improvement <u>Authorizations</u>
	<u>General Improvements</u>					
03-13	Replacement of 24" Sanitary Sewer Force Main	\$ 540,000	\$ 180,000	\$ 360,000	\$ 234,693	\$ 125,307
12-13	Flood Acquisition Project	181,492		181,492	1,509	179,983
08-17	Various Road Improvements	365,000		365,000	218,045	146,955
15-18	Acquisition of Property	<u>380,000</u>	<u>-</u>	<u>380,000</u>	<u>358,762</u>	<u>21,238</u>
		<u>\$ 1,466,492</u>	<u>\$ 180,000</u>	<u>\$ 1,286,492</u>	<u>\$ 813,009</u>	<u>\$ 473,483</u>

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018		\$ 1,849,260
Increased by:		
Charged to Improvement Authorizations		<u>713,948</u>
		2,563,208
Decreased by:		
Cash Disbursements	\$ 66,868	
General Capital Encumbrances paid by Current Fund	<u>599,867</u>	
		<u>666,735</u>
Balance, December 31, 2019		<u>\$ 1,896,473</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018		\$ 519
Increased by:		
2019 Budget Appropriation Due from Current Fund		<u>1,485,000</u>
		1,485,519
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>1,285,000</u>
Balance, December 31, 2019		<u>\$ 200,519</u>

**BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES**

Increased by:	
Cash Receipts	\$ <u>1,000</u>
Balance, December 31, 2019	\$ <u><u>1,000</u></u>

EXHIBIT C-11

STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS AND ACQUISITIONS

Balance, December 31, 2018	\$ 55
Increased by:	
NJDC Contribution	\$ 1,000,000
Other Contributions	<u>4,322</u>
	<u>1,004,322</u>
Balance, December 31, 2019	\$ <u><u>1,004,377</u></u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR LAND SALE PROCEEDS

Balance, December 31, 2018	\$ <u>850</u>
Balance, December 31, 2019	\$ <u><u>850</u></u>

BOROUGH OF TOTOWA
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

100

		2019 Authorizations							
Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2018		Capital Improvement Fund	Grant Awards	Paid or Charged	Balance, December 31, 2019	
			Funded	Unfunded				Funded	Unfunded
General Improvements									
08-12/ 06-13/									
10-13/ 05-14/									
09-15/ 12-16/									
07-17/ 12-18	Various Sanitary Sewer, Storm Sewer and Road Improvements	\$1,108,429	\$ 183,347				\$ 125,473	\$ 57,874	
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)	1,110,000		\$ 125,307					\$ 125,307
12-13	Flood Acquisition Project	1,250,000		179,983					179,983
08-15	Improvements to Lincoln Field	127,677	23,107					23,107	
10-15	Various Road Improvements	858,000	140					140	
16-15	Purchase and Installation of a Generator	52,000	2,733					2,733	
11-16	Various Capital Improvements and Acquisitions	641,000	141,043				120,997	20,046	
13-16	Installation of Tennis Courts at Lincoln Field	132,720	9,633					9,633	
06-17	Various Capital Improvements and Acquisitions	640,000	297,398				255,056	42,342	
08-17	Various Road Improvements	800,000	73,991	365,000			292,036		146,955
02-18	Various Park Improvements	391,800	164,187				978	163,209	
11-18/ 14-18	Various Capital Improvements and Acquisitions	2,118,000	904,580				91,821	812,759	
15-18	Acquisition of Property	400,000		21,238					21,238
07-19	Various Capital Improvements and Acquisitions	1,640,233	-	-	1,285,000	355,233	169,482	1,470,751	-
			<u>\$1,800,159</u>	<u>\$ 691,528</u>	<u>\$ 1,285,000</u>	<u>\$355,233</u>	<u>\$ 1,055,843</u>	<u>\$ 2,602,594</u>	<u>\$ 473,483</u>
Cash Disbursements							\$ 341,895		
Encumbrances Payable							<u>713,948</u>		
							<u>\$ 1,055,843</u>		

BOROUGH OF TOTOWA
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Purpose	Balance, December 31, 2018	Funded by Assessments Collected	Funded by Budget Appropriation	Balance, December 31, 2019	
					Capital Fund	Trust Fund
<u>Local Improvements</u>						
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	\$ 259,627	\$ 60,797			\$ 198,830
<u>General Improvements</u>						
03-13	Replacement of 24" Sanitary Sewer Force Main	540,000		\$ 180,000	\$ 360,000	
12-13	Flood Acquisition Project	181,492			181,492	
08-17	Various Road Improvements	365,000			365,000	
15-18	Acquisition of Property	380,000	-	-	380,000	-
		\$ 1,726,119	\$ 60,797	\$ 180,000	\$ 1,286,492	\$ 198,830

WATER UTILITY FUND

**BOROUGH OF TOTOWA
STATEMENT OF CASH - WATER TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2018	\$ 900,985	\$ 177,833
Increased by Receipts:		
Collector	\$ 3,662,821	
Interest Earned	19,730	\$ 1,297
Non-Budget Revenues	8,690	
Receipts from Water Utility Operating Fund		279,556
Receeps for Water Utility Operating Fund	<u>-</u>	<u>4,540</u>
	<u>3,691,241</u>	<u>285,393</u>
	4,592,226	463,226
Decreased by Disbursements:		
2019 Budget Appropriations	2,495,540	
2018 Appropriation Reserves	1,770	
Improvement Authorizations		103,189
Encumbrances Payable	318,106	350,389
Payments to Current Fund	19,266	
Payments to Water Utility Capital Fund	279,556	
Payments Made to Other Trust Fund	<u>6,959</u>	<u>-</u>
	<u>3,121,197</u>	<u>453,578</u>
Balance, December 31, 2019	<u>\$ 1,471,029</u>	<u>\$ 9,648</u>

**BOROUGH OF TOTOWA
STATEMENT OF CASH - WATER COLLECTOR
WATER UTILITY OPERATING FUND**

Received in 2019	
Consumer Accounts Receivable - Water Usage Charges	\$ 3,270,264
Consumer Accounts Receivable - Miscellaneous Fees	358,773
Interest on Delinquent Accounts	28,946
Water Utility Liens	722
Overpayments	<u>4,116</u>
	\$ 3,662,821
Decreased by:	
Payment to Treasurer	<u>\$ 3,662,821</u>

EXHIBIT D-7

**ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2019</u>
Fund Balance	\$ 1,961
Capital Improvement Fund	137,108
Reserve for Water Tower Fees	14,219
Due to Water Utility Operating Fund	210,393
Encumbrances Payable	18,015
Improvement Authorizations:	
<u>Ord. No.</u>	<u>Description</u>
02-08	Acquisition of Pump for Shepherds Lane
15-13	Abandonment of Shepherds Lane Pump Station
04-16	Repair of Water Main
09-17	Furler St Water Main Replacement
	<u>(460,000)</u>
	<u>\$ 9,648</u>

**BOROUGH OF TOTOWA
STATEMENT OF CONSUMERS' ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018			\$ 649,644
Increased by:			
Water Usage Charges Levied		\$ 3,260,905	
Miscellaneous Fees and Charges		<u>365,176</u>	
			<u>3,626,081</u>
Decreased by:			4,275,725
Collections:			
Water Usage Charges	\$ 3,270,264		
Due from Current Fund - Water Usage Charges	3,707		
Due from Water Utility Capital Fund - Water Usage Charges	4,540		
Overpayments Applied - Water Usage Charges	<u>2,802</u>		
		3,281,313	
Miscellaneous Fees		<u>358,773</u>	
			<u>3,640,086</u>
Balance, December 31, 2019			<u>\$ 635,639</u>

**STATEMENT OF WATER UTILITY LIENS
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018		\$ 722
Decreased by:		
Cash Receipts		<u>722</u>

**BOROUGH OF TOTOWA
STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2018</u>	<u>Additions</u> Budget <u>Capital Outlay</u>	Balance, December 31, <u>2019</u>
Distribution Mains, Lines and Accessories	\$ 2,117,222	\$ 15,978	\$ 2,133,200
Pump Stations	971,218		971,218
Water Tanks and Towers	933,756		933,756
Water Meters and Hydrants	299,039	5,285	304,324
Vehicles and Heavy Equipment	88,319		88,319
Billing and Accounting Systems	31,011		31,011
Telemetry Machine	22,300		22,300
Supervisory Control and Data Acquisition System	49,800		49,800
Leak Detection System	14,930	-	14,930
	<u>\$ 4,527,595</u>	<u>\$ 21,263</u>	<u>\$ 4,548,858</u>
2019 Budget Appropriations		<u>\$ 21,263</u>	

EXHIBIT D-11

**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY CAPITAL FUND**

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
02-08	Acquisition of Pump for Shepards Lane	\$ 3,885	\$ 3,885
15-13	Abandonment of Shepherds Lane Pump Station	40,940	40,940
04-16	Repair of Water Main	43,127	43,127
09-17	Furler St Water Main Replacement	<u>510,000</u>	<u>510,000</u>
		<u>\$ 597,952</u>	<u>\$ 597,952</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2018 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, December 31, <u>2018</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING					
Salaries and Wages	\$ 2,020	\$ 348	\$ 2,368	\$ 2,368	
Other Expenses	<u>195,824</u>	<u>-</u>	<u>195,824</u>	<u>1,770</u>	<u>\$ 194,054</u>
	<u>197,844</u>	<u>348</u>	<u>198,192</u>	<u>4,138</u>	<u>194,054</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	<u>2,449</u>	<u>-</u>	<u>2,449</u>	<u>-</u>	<u>2,449</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to Social Security System (O.A.S.I)	<u>166</u>	<u>-</u>	<u>166</u>	<u>166</u>	<u>-</u>
	<u>166</u>	<u>-</u>	<u>166</u>	<u>166</u>	<u>-</u>
	<u>\$ 200,459</u>	<u>\$ 348</u>	<u>\$ 200,807</u>	<u>\$ 4,304</u>	<u>\$ 196,503</u>
Cash Disbursements				\$ 1,770	
Due to Other Trust Fund - Accumulated Absence Reserve				<u>2,534</u>	
				<u>\$ 4,304</u>	

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO CURRENT FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 20,000
Increased by:	
Payments Made by Current Fund	<u>20,000</u>
	40,000
Decreased by:	
Water Utility Operating Fund Receipts Deposited in Current Fund - Water Usage Fees	\$ 3,707
Payments to Current Fund	<u>19,266</u>
	<u>22,973</u>
Balance, December 31, 2019	<u>\$ 17,027</u>

**STATEMENT OF DUE TO OTHER TRUST FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 6,959
Increased by:	
2019 Budget Appropriations - Unemployment Compensation Insurance	\$ 3,500
2018 Appropriation Reserves - Accumulated Absences Reserves	<u>2,534</u>
	<u>6,034</u>
	12,993
Decreased by:	
Cash Disbursed	<u>6,959</u>
Balance, December 31, 2019	<u>\$ 6,034</u>

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 318,454
Increased by:	
Charges to 2019 Budget Appropriations	<u>293,554</u>
	612,008
Decreased by:	
Cash Disbursements	\$ 318,106
Cancellations Restored to Appropriation Reserves	<u>348</u>
	<u>318,454</u>
Balance, December 31, 2019	<u>\$ 293,554</u>

**STATEMENT OF ACCOUNTS PAYABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018	<u>\$ 108</u>
Balance, December 31, 2019	<u>\$ 108</u>

**STATEMENT OF WATER RENT OVERPAYMENTS
WATER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 2,802
Increased by:	
Overpayments Received in 2019 Rents	<u>4,116</u>
	6,918
Decreased by:	
Overpayments Applied to 2019 Rents	<u>2,802</u>
Balance, December 31, 2019	<u>\$ 4,116</u>

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2018	\$ 368,404
Decreased by:	
Cash Disbursements	<u>350,389</u>
Balance, December 31, 2019	<u>\$ 18,015</u>

**STATEMENT OF DUE TO WATER UTILITY OPERATING FUND
WATER UTILITY CAPITAL FUND**

Increased by:		
Interest Earned	\$ 1,297	
Water Operating Fund Receipts Deposited in Water Utility Capital Fund	4,540	
Receipts from Water Utility Operating Fund	<u>279,556</u>	
		\$ 285,393
Decreased by:		
2019 Budget Appropriation:		
Deferred Charges - Cost of Improvements - Ord 09-17	50,000	
Capital Improvement Fund	<u>25,000</u>	
		<u>75,000</u>
Balance, December 31, 2019		<u>\$ 210,393</u>

**BOROUGH OF TOTOWA
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2018		Paid or Charged	Balance, December 31, 2019	
			Funded	Unfunded		Funded	Unfunded
02-08	Acquisition of Pump for Shepherds Lane	\$ 200,000	\$ 3,885			\$ 3,885	
15-13	Abandonment of Shepherds Lane Pump Station	110,000	40,940			40,940	
04-16	Repair of Water Main	175,000	43,127			43,127	
09-17	Furler St Water Main Replacement	510,000	-	\$ 103,189	\$ 103,189	-	-
			<u>\$ 87,952</u>	<u>\$ 103,189</u>	<u>\$ 103,189</u>	<u>\$ 87,952</u>	<u>\$ -</u>
			Cash Disbursements		<u>\$ 103,189</u>		

**STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2018	\$ 112,108
Increased by:	
2019 Budget Appropriation	<u>25,000</u>
Balance, December 31, 2019	<u>\$ 137,108</u>

**BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2018 \$ 4,527,595

Increased by:

Capital Outlay

2019 Budget Appropriation \$ 21,263

Cost of Improvements (Ord 09-17) 50,000

71,263

Balance, December 31, 2019 \$ 4,598,858

EXHIBIT D-23

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Ord. No. <u>Improvement Description</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
02-08 Acquisition of Pump for Shepherds Lane	\$ 3,885	\$ 3,885
15-13 Abandonment of Shepherds Lane Pump Station	40,940	40,940
04-16 Repair of Water Main	<u>43,127</u>	<u>43,127</u>
	<u>\$ 87,952</u>	<u>\$ 87,952</u>

EXHIBIT D-24

**STATEMENT OF RESERVE FOR WATER TOWER FEES
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2018 \$ 14,219

Balance, December 31, 2019 \$ 14,219

BOROUGH OF TOTOWA
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER UTILITY CAPITAL FUND

Ord. <u>No.</u>	<u>Purpose</u>	Balance, December 31, <u>2018</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2019</u>
09-17	Furler St Water Main Replacement	\$ 510,000	\$ 50,000	\$ 460,000
		<u>\$ 510,000</u>	<u>\$ 50,000</u>	<u>\$ 460,000</u>

SWIM POOL UTILITY FUND

**BOROUGH OF TOTOWA
STATEMENT OF SWIM POOL UTILITY CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2018	\$ 6,249	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 61,831	
Non-Budget Revenues	<u>172</u>	<u>-</u>
	<u>62,003</u>	<u>-</u>
	68,252	192
Decreased by Disbursements:		
2019 Budget Appropriations	65,946	
2018 Appropriation Reserves	1,945	
Encumbrances Payable	<u>296</u>	
	<u>68,187</u>	<u>-</u>
Balance, December 31, 2019	<u>\$ 65</u>	<u>\$ 192</u>

EXHIBIT E-6

ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH

	Balance, December 31, <u>2019</u>
Fund Balance	<u>\$ 192</u>

**BOROUGH OF TOTOWA
STATEMENT OF FIXED CAPITAL
SWIM POOL UTILITY CAPITAL FUND**

<u>Description</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Improvement of Municipal Swimming Pool	\$ 120,143	\$ 120,143
Various Improvements on the Site of Existing Swimming Pool Facility	<u>126,594</u>	<u>126,594</u>
	<u>\$ 246,737</u>	<u>\$ 246,737</u>

**STATEMENT OF 2018 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2018</u>	Balance After <u>Transfer</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 38,265	\$ 38,265		\$ 38,265
Other Expenses	18,365	18,365	\$ 1,945	16,420
 CAPITAL IMPROVEMENTS				
Capital Outlay	11,540	11,540		11,540
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to Social Security System (O.A.S.I.)	<u>2,965</u>	<u>2,965</u>	<u>-</u>	<u>2,965</u>
	<u>\$ 71,135</u>	<u>\$ 71,135</u>	<u>\$ 1,945</u>	<u>\$ 69,190</u>
		Due to Current Fund		<u>\$ 69,190</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE FROM CURRENT FUND
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2018		\$ 61,945
Increased by:		
Anticipated Revenue - Deficit (General Budget)		<u>82,543</u>
		144,488
Decreased by:		
2018 Appropriation Reserves Cancelled - Prior Year Deficit Funding Returned	\$ 69,190	
Payments made by Current Fund for Swim Pool Operating Fund	<u>42,776</u>	
		<u>111,966</u>
Balance, December 31, 2019		<u><u>\$ 32,522</u></u>

**STATEMENT OF DEFERRED CHARGES - OPERATING DEFICIT
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 3,895
Decreased by:	
Amount in 2019 Budget	<u><u>3,895</u></u>

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 296
Increased by:	
Charges to 2019 Budget Appropriations	<u>114</u>
	410
Decreased by:	
Cash Disbursed	<u>296</u>
Balance, December 31, 2019	<u><u>\$ 114</u></u>

**STATEMENT OF ACCOUNTS PAYABLE
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 49
Decreased by:	
Accounts Payable Cancelled	<u>49</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2018	<u>\$ 246,737</u>
Balance, December 31, 2019	<u><u>\$ 246,737</u></u>

PUBLIC ASSISTANCE FUND

BOROUGH OF TOTOWA
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2018	\$ 18,270	\$ 7,331	\$ 10,939
Increased by:			
State Aid	28,100		28,100
Interest Earned	<u>171</u>	<u>59</u>	<u>112</u>
	<u>28,271</u>	<u>59</u>	<u>28,212</u>
	<u>46,541</u>	<u>7,390</u>	<u>39,151</u>
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	26,866		26,866
Payments to Current Fund	<u>56</u>	<u>56</u>	<u>-</u>
	<u>26,922</u>	<u>56</u>	<u>26,866</u>
Balance, December 31, 2019	<u>\$ 19,619</u>	<u>\$ 7,334</u>	<u>\$ 12,285</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO CURRENT FUND**

Increased by:		
Interest Earnings		\$ 59
Decreased by:		
Payments to Current Fund		<u>56</u>
Balance, December 31, 2019		<u>\$ 3</u>

EXHIBIT F-3

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2018	\$ 18,270	\$ 7,331	\$ 10,939
Increased by:			
Revenues	<u>28,212</u>	<u>-</u>	<u>28,212</u>
	46,482	7,331	39,151
Decreased by:			
Expenditures	<u>26,866</u>	<u>-</u>	<u>26,866</u>
Balance, December 31, 2019	<u>\$ 19,616</u>	<u>\$ 7,331</u>	<u>\$ 12,285</u>

EXHIBIT F-4

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 28,100		\$ 28,100
Interest Earnings	<u>112</u>	<u>-</u>	<u>112</u>
Total Revenues	28,212	-	28,212
Interest Earnings - Due to Current Fund	<u>59</u>	<u>\$ 59</u>	<u>-</u>
Total Receipts	<u>\$ 28,271</u>	<u>\$ 59</u>	<u>\$ 28,212</u>

BOROUGH OF TOTOWA
STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Current Year Assistance (State Matching)			
Maintenance	\$ 18,150		\$ 18,150
Temporary Rental Assistance	<u>8,716</u>	<u>-</u>	<u>8,716</u>
 Total Expenditures	 26,866	 -	 26,866
 Due to Current Fund	 <u>56</u>	 <u>\$ 56</u>	 <u>-</u>
 Total Disbursements	 <u>\$ 26,922</u>	 <u>\$ 56</u>	 <u>\$ 26,866</u>

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS

LMH LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Totowa
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 Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Totowa'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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Totowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Totowa'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 Borough'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.

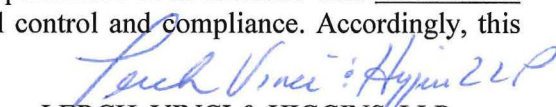
Compliance and Other Matters

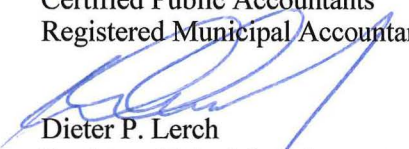
As part of obtaining reasonable assurance about whether the Borough of Totowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Totowa in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 Borough of Totowa'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 Borough of Totowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
September 29, 2020

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Program</u>		<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Award Amount</u>	<u>2019 Grant Receipts</u>	<u>Balance December 31, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance December 31, 2019</u>	<u>Cumulative Expended</u>
U.S. Dept. of Housing and Urban Development												
Community Development Block Grant												
(Passed through the County of Passaic)			14.218									
Sewer Main Improvements Ord. 10-2013	Capital	N/A		2013	\$ 7,100		\$ 1,914				\$ 1,914	\$ 5,186
Flood Acquisition Project Ord. 12-2013	Capital	N/A		2013	925,000		90,752				90,752	834,248
Sewer Main Improvements Ord. 05-2014	Capital	N/A		2014	105,432		10,581				10,581	94,851
Sewer Main Improvements Ord. 12-2016	Capital	N/A		2016	101,066	\$ 101,066	101,066	\$ 101,066			-	101,066
Sewer Main Improvements Ord. 07-2017	Capital	N/A		2017	100,000	66,562	100,000		66,562		33,438	66,562
Sewer Main Improvements Ord. 12-2018	Capital	N/A		2018	80,000		80,000				80,000	-
Sewer Main Improvements Ord. 7-2019	Capital	N/A		2019	85,233		-	\$ 85,233	-	-	85,233	-
Total Community Development Block Grant Cluster							384,313	85,233	167,628	-	301,918	1,101,913
U.S. Dept. of Homeland Security - FEMA												
Assistance to Firefighters	Current	N/A	97.044		87,566		3,543				3,543	84,023
Hazard Mitigation Grant - Hurricane Sandy	Capital	HMGP-DR-4086-NJ-0153	97.039	2015	265,764	75,000	190,764		18,480		172,284	93,480
Public Assistance Grant -												
Severe Winter Storm/Snow Storm Quinn	Capital	066-1200-100-C27	97.036		2,614	2,614	-	-	-	-	-	2,614
Total U.S. Dept. of Homeland Security - FEMA							194,307	-	18,480	-	175,827	180,117
U.S. Dept. of Transportation												
(Passed through the State Dept. of Transportation)												
Highway Planning and Construction:			20.205									
Safe Corridors Program	Current	078-6100-100-051		2018	3,773		3,773				3,773	-
				2016	5,205		5,205				5,205	-
				2014	8,797		8,797				8,797	-
				2012	8,995		8,995	-	-	-	8,995	-
Total Safe Corridors Cluster							26,770	-	-	-	26,770	-
State Forestry Services	Current	042-4870-100-038	10.664	2019	2,125	2,125						
							\$ 605,390	\$ 85,233	\$ 186,108	\$ -	\$ 504,515	

Note: The Federal Award programs are not subject to an audit in accordance with U.S. Uniform Guidance.

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2019 Grant Receipts</u>	<u>Balance, December 31, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Cancelled</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expended</u>
Drug and Alcohol Municipal Alliance	N/A	2019	\$ 20,593	\$ 1,845		\$ 20,593	\$ 16,180			\$ 4,413	\$ 16,180
		2018	22,440	16,675	\$ 3,319					3,319	19,121
		2017	22,440		8,229					8,229	14,211
		2016	22,440		636	-	-	-	-	636	21,804
Total Municipal Alliance Cluster					12,184	20,593	16,180	-	-	16,597	71,316
Clean Communities Grant Program	042-4900-765-004	2019	20,888	20,888							
		2018	18,716			18,716				18,716	-
		2017	19,560		19,560					19,560	-
		2016	23,023		23,023					23,023	-
		2015	20,138		20,138		8,494			11,644	8,494
		2014	16,557		16,557		16,557			-	16,557
		2013	17,654		5,858	-	5,858	-	-	-	17,654
Total Clean Communities Cluster					85,136	18,716	30,909	-	-	72,943	42,705
Drunk Driving Enforcement Fund	1110-448-031020-22	2017	7,860		7,860					7,860	-
		2016	51,092		15,089		1,404			13,685	37,407
		2003	647		647		647			-	647
		2000	1,429		81		81			-	1,429
		1998	4,399		660		660			-	4,399
		1997	2,926		108	-	108	-	-	-	2,926
Total Drunk Driving Enforcement Cluster					24,445	-	2,900	-	-	21,545	46,808
Alcohol Education and Rehabilitation	098-9735-760-001	2019	1,849	1,849							
		2018	3,662			3,662				3,662	-
		2017	2,702		2,702					2,702	-
		2016	2,599		2,599					2,599	-
		2015	4,243		4,243		56			4,187	56
		2014	2,777		1,027		1,027			-	2,777
		2013	3,325		1,664	-	1,664	-	-	-	3,325
Total Alcohol Education and Rehabilitation Cluster					12,235	3,662	2,747	-	-	13,150	6,158
Safe and Secure Communities Program	066-1020-100-232	2019	60,000	60,000		60,000	60,000			-	60,000
DOT Highway Safety Fund	078-6100-100-051	2017	2,894		2,894					2,894	-

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2019 Grant Receipts</u>	<u>Balance, December 31, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Adjustment/ (Cancelled)</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expended</u>
Body Armor Replacement Fund	066-1020-718-001	2019	\$ 3,048	\$ 3,048							
		2018	3,888			\$ 3,888	\$ 3,888				\$ 3,888
		2017	4,519		\$ 4,519		4,519				4,519
		2016	3,754		979	-	443	-	-	\$ 536	3,218
Total Body Armor Replacement Cluster					5,498	3,888	8,850	-	-	536	11,625
Recycling Tonnage Grant	042-4900-752-001	2019	19,738	19,738							
		2018	16,253	16,253		16,253	2,169			14,084	2,169
		2015	16,496		16,496	-	1,994	-	-	14,502	1,994
Total Recycling Cluster					16,496	16,253	4,163	-	-	28,586	4,163
Department of Transportation-Local Municipal Aid, NJTPA											
Hobart Place Improvements (Ord. 10-15)	078-6320-480-ALW	2015	140,000		35,000					35,000	105,000
Hobart Pl & Gordon Ave - Final Phase (Ord. 10-15)	078-6320-480-AL5	2015	145,000		36,250					36,250	108,750
Furler Street Improvements (Ord 08-17)	078-6320-480-xxx	2017	235,000	166,635	235,000		166,635			68,365	-
Jefferson Street Improvements (Ord 08-17)	078-6320-480-xxx	2017	200,000	150,000	200,000		150,000			50,000	-
Various Road Improvements (Ord 07-19)	078-6320-480-xxx	2019	270,000		-	270,000	-	-	-	270,000	270,000
Total Department of Transportation Cluster					506,250	270,000	316,635	-	-	459,615	483,750
Green Acres Grant (Ord. 12-2014)	042-4800-582-02	2013	325,000		90,740					90,740	234,260
Department of Human Services General Assistance	054-7550-100-250	2019	28,100	28,100	10,939	28,100	26,866	\$ 112	-	12,285	26,866
					\$ 766,817	\$ 421,212	\$ 469,250	\$ 112	\$ -	\$ 718,891	

Note: The State Financial Assistance Programs are not subject to an audit in accordance with NJ OMB Circular 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

BOROUGH OF TOTOWA
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Totowa. The Borough is defined in Note 1(A) to the Borough'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 schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund		\$ 123,112	\$ 123,112
General Capital Fund	\$ 85,233	270,000	355,233
Public Assistance Fund	<u>-</u>	<u>28,100</u>	<u>28,100</u>
Total Financial Awards	<u>\$ 85,233</u>	<u>\$ 421,212</u>	<u>\$ 506,445</u>

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 Borough's fiscal year and grant program year.

NOTE 5 DE MINIMIS INDIRECT COST RATE

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

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Unmodified - Regulatory Basis</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	<u> </u> yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u>
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

There are none.

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part 3 – Schedule of Federal and State Award Findings and Responses

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, as amended.

CURRENT YEAR FEDERAL AWARDS

NOT APPLICABLE.

CURRENT YEAR STATE AWARDS

NOT APPLICABLE.

**BOROUGH OF TOTOWA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

Finding 2018-001

We noted certain unrecorded contract awards at year end for which a purchase order was not issued to encumber available funds.

Status

Corrective action has been taken.

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2019</u>			<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 2,945,000	4.66 %		\$ 2,220,000	3.58 %
Miscellaneous - From Other Than Local					
Property Tax Levies	4,185,297	6.63		4,522,469	7.30
Collection of Delinquent Taxes	686,672	1.09		674,113	1.09
Collection of Current Tax Levy	54,631,610	86.51		53,474,431	86.29
Other Credits to Income	<u>698,753</u>	<u>1.11</u>		<u>1,076,279</u>	<u>1.74</u>
Total Income	<u>63,147,332</u>	<u>100.00 %</u>		<u>61,967,292</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	18,114,201	30.01 %		16,641,825	28.50 %
County Taxes	15,104,179	25.02		15,618,557	26.75
Local and Regional School Taxes	27,145,466	44.97		26,102,362	44.70
Other Expenditures	<u>5,511</u>	<u>-</u>		<u>28,370</u>	<u>0.05</u>
Total Expenditures	<u>60,369,357</u>	<u>100.00 %</u>		<u>58,391,114</u>	<u>100.00 %</u>
Excess in Revenues	2,777,975			3,576,178	
Adjustment to Income before Surplus:					
Expenditures included above which are by Statute					
Deferred Charges to Budget of Succeeding Year	<u>-</u>			<u>15,000</u>	
Statutory Excess to Fund Balance	2,777,975			3,591,178	
Fund Balance, January 1	<u>5,616,157</u>			<u>4,244,979</u>	
	8,394,132			7,836,157	
Less Utilization as Anticipated Revenue	<u>2,945,000</u>			<u>2,220,000</u>	
Fund Balance, December 31	<u>\$ 5,449,132</u>			<u>\$ 5,616,157</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
WATER UTILITY OPERATING FUND**

	<u>Year 2019</u>			<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 175,000	4.30 %	\$	115,000	3.21 %
Collection of Water Usage Charges	3,282,035	80.62		2,992,063	83.47
Miscellaneous - From Other Than					
Water Usage Charges	417,436	10.25		407,950	11.38
Other Credits to Income	<u>196,503</u>	<u>4.83</u>		<u>69,448</u>	<u>1.94</u>
Total Income	<u>4,070,974</u>	<u>100.00</u> %		<u>3,584,461</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	3,238,723	91.94 %		3,142,415	93.50 %
Capital Improvements	65,000	1.85		60,000	1.79
Deferred Charges and Statutory Expenditures	<u>218,934</u>	<u>6.21</u>		<u>158,369</u>	<u>4.71</u>
Total Expenditures	<u>3,522,657</u>	<u>100.00</u> %		<u>3,360,784</u>	<u>100.00</u> %
Excess in Revenues	548,317			223,677	
Fund Balance, January 1	<u>352,203</u>			<u>243,526</u>	
	900,520			467,203	
Less Utilization as Anticipated Revenue	<u>175,000</u>			<u>115,000</u>	
Fund Balance, December 31	<u>\$ 725,520</u>			<u>\$ 352,203</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
SWIM POOL UTILITY OPERATING FUND**

	<u>Year 2019</u>			<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Collection of Swimming Pool Fees	\$ 61,831	99.64 %	\$ 54,987	94.63 %	
Miscellaneous	172	0.28	2,708	4.66	
Other Credits to Income	49	0.08	410	0.71	
	<u>62,052</u>	<u>100.00 %</u>	<u>58,105</u>	<u>100.00 %</u>	
Total Income					
EXPENDITURES					
Budget Expenditures					
Operating	120,000	82.99 %	116,390	84.96 %	
Capital Improvements	15,000	10.37	15,000	10.95	
Deferred Charges and Statutory Expenditures	9,595	6.64	5,600	4.09	
	<u>144,595</u>	<u>100.00 %</u>	<u>136,990</u>	<u>100.00 %</u>	
Total Expenditures					
Deficit in Revenues	(82,543)		(78,885)		
Adjustments to Income Before Fund Balance					
Realized from General Budget for Anticipated Deficit	<u>82,543</u>		<u>74,990</u>		
Statutory Excess to Fund Balance	-				
Operating Deficit to be Raised in Budget of Succeeding Year			<u>\$ (3,895)</u>		
Statutory Excess to Fund Balance					
Fund Balance, January 1	<u>\$ 609</u>		<u>\$ 609</u>		
Fund Balance, December 31	<u>\$ 609</u>		<u>\$ 609</u>		

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.388</u>	<u>\$2.383</u>	<u>\$2.359</u>

Apportionment of Tax Rate

Municipal	.533	.522	.524
Library	.030	.031	.031
County	.642	.672	.677
County – Open Space	.010	.010	.009
Local District School	.715	.710	.691
Regional High School	.458	.438	.427

Assessed Valuation

2019	<u>\$2,313,320,600</u>	
2018	<u>\$2,275,245,400</u>	
2017		<u>\$2,273,354,614</u>

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 55,466,888	\$ 54,695,198	98.61%
2018	54,647,114	53,899,433	98.63%
2017	53,744,212	52,971,059	98.56%

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2019	\$ 726,336	\$ 63,215	\$ 789,551	1.42%
2018	698,882	48,233	747,115	1.37%
2017	700,418	4,736	705,154	1.31%

Property Acquired by Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$72,900
2018	72,900
2017	72,900

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2019	\$3,626,081	\$3,640,086	100.39%
2018	3,385,675	3,348,206	98.89%
2017	2,964,923	2,943,926	99.29%

*Includes collection of prior year receivables.

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$5,449,132	\$3,383,000
	2018	5,616,157	2,945,000
	2017	4,244,979	2,220,000
	2016	3,368,121	1,900,000
	2015	2,726,389	1,900,000
Water Utility Fund	2019	\$725,520	\$175,000
	2018	352,203	175,000
	2017	243,526	115,000
	2016	563,601	339,000
	2015	749,786	357,000
Swim Pool Utility Operating Fund	2019	\$609	0
	2018	609	0
	2017	609	0
	2016	609	0
	2015	609	0

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
John Coiro	Mayor		
Debra Andriani	Councilwoman		
William Bucher	Councilman		
John Capo	Councilman		
Louis D'Angelo	Councilman		
Lisa Palazzo	Councilwoman		
Anthony Picarelli	Councilman		
Joseph Wassel	Borough Clerk		
	Unconfirmed Assessment Search Officer		
	Certifying Agent - Retirement Systems		
John Waryas	Deputy Water Registrar		
Bernadette Lawler	Tax Collector (6/1/2019-12/31/2019)		
Elaine Reddin	Tax Collector (1/1/2019-5/31/2019)	(a)	
Lisa Nash	Treasurer/CFO	(a)	
Kathryn Wasilewski	Deputy Borough Clerk		
Jennifer Bernardo	Water Registrar	(a)	
Curt T. Masklee	Tax Assessor		
Allan Burghardt	Construction Official, Building Sub-Code Official		
Ernest Paese	Sewer Plant Superintendent		
Michael Baker	Plumbing Sub-Code Official		
Robert Corrado	Attorney		
Donald De Dio	Prosecutor		
Ramsey Merhi	Public Defender		
Alaimo Engineering	Borough Engineer and Consulting Engineer		
Thomas Watkins	Treasurer of Library	(a)	
Mario Batelli	Judge	(a)	
Maryann Coral	Court Administrator	(a)	
Sue D'Aiuto	Bd. of Health Clerk and Registrar		
Robert W. Coyle	Chief of Police		

(a) Public Employee Dishonesty Coverage was issued by the Garden State Municipal Joint Insurance Fund in the amount of \$1,000,000 per loss covering the selected employees.

All surety Bonds were presented for examination and were properly executed.

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Our general comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

Prior Year Findings Unresolved

The following general findings were reported in the prior year's audit and is reported as well in the current year's audit.

Our audit of the recreation department revealed that a cash receipt ledger was not properly detailed and appears to be incomplete. It is recommended that a detailed and complete cash receipts journal be maintained for amounts collected by the recreation department.

Our audit of the Swim Pool revenue collections revealed cash register tape totals for collections at the pool facility were not in agreement with the amounts deposited. It is recommended that greater care be taken with Swim Pool revenue collected at the pool facility to ensure deposits are in agreement with cash register tapes.

Current Year Findings

Our audit of the open purchase orders revealed various outstanding purchase orders from prior years in the Current Fund that appear to be invalid at year end. It is recommended that the Borough review the outstanding open purchase orders at year end for validity and all old invalid orders be cleared of record in the Current Fund.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year.

The minutes indicate that bids were requested by public advertising for the following items:

Solid Waste Collection
DPW and SCPS Generator Improvements
2018 Road Program

Improvements to Jefferson Place and Raphael Road
Sanitary Sewer Main Rehabilitation –
Phases VII and VIII

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS (Continued)

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

Our examination of expenditures did not reveal any payments, contracts or agreements in excess of \$17,500 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

Collection of Interest of Delinquent Taxes, Assessments and Water Charges

The statute provides the method for authorizing interest and the maximum rate to be charged for the-non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 1, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes and water accounts:

"BE IT RESOLVED, by the Borough Council of the Borough of Totowa that the Tax Collector is hereby authorized and directed to charge interest on delinquent taxes and assessments accounts as follows:

First 10 Days of Tax Payments	No Penalty
Thereafter, from the Due Date of	
Tax Payments for the 1st \$1,500	8%
Thereafter, the Balance in Excess	
of \$1,500	18%
Additional Penalty for Delinquency	
Over \$10,000 If Not Paid Prior to	
End of Calendar Year	6%

BE IT RESOLVED, by the Borough Council of Totowa that the Water Registrar is hereby authorized and directed to charge interest on delinquent water accounts as follows:

First 30 Days of Payment	No Penalty
Thereafter the First \$1,500	8%
In Excess of \$1,500	18%
Additional Penalty for Delinquency	
Over \$10,000 If Not Paid Prior to	
End of Calendar Year	6%

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution.

**BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 24, 2019.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	4
2018	4
2017	1

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

APPRECIATION

We desire to express our appreciation to the Borough Clerk, Treasurer/CFO and the other Borough staff who assisted us during the course of our audit.

Suggestions to Management

- The Borough continue its review of both water purchases from Passaic Valley Water Commission and water consumption billed to its customers in the Water Utility Operating Fund.
- Improvement authorizations in the General Capital and Water Utility Capital Funds be reviewed and old and inactive account balances be cleared of record.

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

RECOMMENDATIONS

It is recommended that:

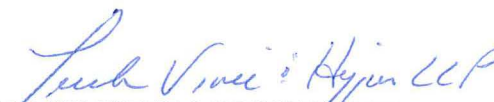
- * 1. A detailed and complete cash receipts journal be maintained for amounts collected by the recreation department.
- * 2. Greater care be taken with Swim Pool revenue collected at the pool facility to ensure deposits are in agreement with cash register tapes.
- 3. The Borough review the outstanding open purchase orders at year end for validity and all old invalid orders be cleared of record in the Current Fund.

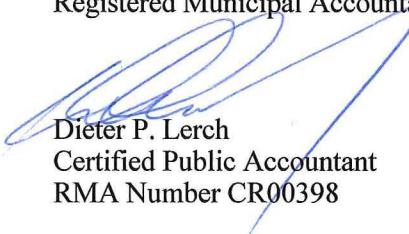
* * * * *

A review was performed on all prior year recommendations and corrective action was taken on all, except the recommendation denoted with an asterisk (*).

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Certified Public Accountant
RMA Number CR00398