

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017

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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, 2017



LERCH, VINCI & HIGGINS, LLP

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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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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 June 29, 2018 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 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
June 29, 2018

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 18,731,029	\$ 16,173,263
Cash - Change Funds	A-6	720	720
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-13	<u>276,984</u>	<u>328,013</u>
		<u>19,008,883</u>	<u>16,502,146</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-9	700,418	757,878
Tax Title Liens	A-10	4,736	3,547
Property Acquired for Taxes	A-11	72,900	72,900
Revenue Accounts Receivable	A-12	43,493	58,315
Due from Assessment Trust Fund	B-4	9,863	8,805
Due from Animal Control Fund	B-7	647	1,196
Due from General Capital Fund	C-5	585,000	740,629
Due from Swim Pool Utility Operating Fund	E-9	<u>33,196</u>	<u>-</u>
		<u>1,450,253</u>	<u>1,643,270</u>
		<u>\$ 20,459,136</u>	<u>\$ 18,145,416</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 1,084,213	\$ 874,015
Encumbrance Payable	A-15	306,150	287,655
Accounts Payable	A-16	112,052	179,393
Tax Appeal Judgements Payable	A-17	304,366	
Prepaid Taxes	A-18	1,898,923	542,980
Tax Overpayments	A-19		1,250
Sewer Fee Overpayments	A-20	10	7
Prepaid Licenses	A-21	1,000	800
Fees Payable	A-22	18,500	17,090
County Taxes Payable-Added Taxes	A-24	32,629	17,353
Local District School Tax Payable	A-25	5,161,355	4,940,810
Regional High School Tax Payable	A-26	2,735,266	2,685,827
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-8	81,655	78,882
Due to Other Trust Fund	B-9	286,250	158,558
Due to Swim Pool Utility Operating Fund	E-9		101
Reserve for Unappropriated Grants	A-27	51,137	29,800
Reserve for Appropriated Grants	A-28	324,572	355,734
Reserve for Tax Appeals Pending	A-29	2,358,323	2,956,267
Miscellaneous Reserves	A-30	<u>7,503</u>	<u>7,503</u>
		14,763,904	13,134,025
Reserve for Receivables	A	1,450,253	1,643,270
Fund Balance	A-1	<u>4,244,979</u>	<u>3,368,121</u>
		<u>\$ 20,459,136</u>	<u>\$ 18,145,416</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,900,000	\$ 1,900,000
Miscellaneous Revenue Anticipated	A-2	3,336,356	3,020,317
Receipts from Delinquent Taxes	A-2	749,614	1,108,378
Receipts from Current Taxes	A-2	52,471,059	52,567,125
Non-Budget Revenue	A-2	716,204	856,940
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	398,010	275,449
Appropriated Grant Reserves Cancelled	A-28	9,572	
Swim Pool Utility Fund - Prior Year			
Operating Deficit Funding Returned	E-9	20,047	17,023
Statutory Excess - Animal Control Fund	B-7	647	1,196
Escrow Deposit Balances Cancelled	B-9	7,740	23,306
Interfunds Returned	A	<u>156,178</u>	<u>178,161</u>
 Total Income		 <u>59,765,427</u>	 <u>59,947,895</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	6,731,025	6,429,036
Other Expenses	A-3	6,613,258	6,806,711
Capital Improvements	A-3	855,000	856,000
Deferred Charges and Statutory Expenditures	A-3	1,715,856	1,637,723
County Taxes	A-23	15,607,030	16,588,397
Due County For Added and Omitted Taxes	A-24	32,622	17,346
Local District School Tax	A-25	15,698,418	15,272,328
Regional High School Tax	A-26	9,700,356	9,603,394
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-8	750	1,500
Grants Receivable Cancelled	A-1	-	8,732
Prior Year Revenues Refunded	A-1		1,498
Interfunds Advanced	A	<u>34,254</u>	<u>183,498</u>
 Total Expenditures		 <u>56,988,569</u>	 <u>57,406,163</u>
 Statutory Excess to Fund Balance		 2,776,858	 2,541,732
 Fund Balance, January 1	A	 <u>3,368,121</u>	 <u>2,726,389</u>
		6,144,979	5,268,121
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,900,000</u>	<u>1,900,000</u>
 Fund Balance, December 31,	A	 <u>\$ 4,244,979</u>	 <u>\$ 3,368,121</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, 2017

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>\$ 1,900,000</u>	<u>\$ 1,900,000</u>	<u>-</u>
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-12	11,000	11,599	\$ 599
Other	A-2	20,000	33,293	13,293
Fees and Permits	A-2	50,000	221,223	171,223
Fines and Costs				
Municipal Court	A-12	250,000	253,647	3,647
Interest and Costs on Taxes	A-12	120,000	235,295	115,295
Energy Receipts Tax	A-12	1,304,214	1,288,629	(15,585)
Uniform Fire Safety Act Fees	A-12	7,000	18,315	11,315
Cable Television Franchise Fee	A-12	164,000	163,936	(64)
Uniform Construction Code Fees	A-12	280,000	491,062	211,062
Public and Private Revenues Offset				
With Appropriations				
Recycling Tonnage Grant	A-27	13,637	13,637	
Clean Communities Program - Reserve	A-27	23,023	23,023	
Alcohol Education and Rehabilitation - Reserve	A-27	2,599	2,599	
Safe and Secure Communities Program	A-13	60,000	60,000	
Municipal Alliance on Alcoholism	A-13	22,440	22,440	
NJDOT Safe Corridors	A-13	3,773	3,773	
Body Armor - Reserve	A-27	4,178	4,178	
Special Items of General Revenue				
Borough of Woodland Park - Construction Code Off.	A-12	98,000	73,500	(24,500)
Uniform Fire Safety Act Rebate	A-12	20,000	26,857	6,857
Hotel/Motel Tax	A-12	105,000	112,139	7,139
Sewer User Fees	A-12	<u>200,000</u>	<u>277,211</u>	<u>77,211</u>
Total Miscellaneous Revenues	A-1	<u>2,758,864</u>	<u>3,336,356</u>	<u>577,492</u>
Receipts from Delinquent Taxes	A-1,A-9	<u>500,000</u>	<u>749,614</u>	<u>249,614</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, 2017

	<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	\$ 11,906,808	\$ 12,570,017	\$ 663,209
Minimum Library Tax	A-9	<u>712,616</u>	<u>712,616</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>12,619,424</u>	 <u>13,282,633</u>	 <u>663,209</u>
 Budget Revenues	 A-3	 <u>\$ 17,778,288</u>	 19,268,603	 <u>\$ 1,490,315</u>
 Non-Budget Revenues	 A-1,A-2		 <u>716,204</u>	
			<u>\$ 19,984,807</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, 2017
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-9	\$ 52,971,059
Less: Reserve for Tax Appeals	A-29	<u>500,000</u>
Revenue Realized	A-1	52,471,059
Allocated to		
Local School, Regional High School and County Taxes	A-23,A-24,A-25,A-26	<u>41,038,426</u>
		11,432,633
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,850,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 13,282,633</u>
Licenses - Other		
Borough Clerk	A-12	\$ 14,797
Board of Health/Registrar of Vital Statistics	A-12	<u>18,496</u>
	A-2	<u>\$ 33,293</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,120
Board of Health/Registrar of Vital Statistics	A-12	22,904
Planning Board	A-12	81,708
Zoning Board of Adjustment	A-12	13,923
Police	A-12	440
Road Opening Permits	A-12	<u>98,128</u>
	A-2	<u>\$ 221,223</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Deposits		\$ 99,944
Rent		323,261
Host Community Fees		78,552
Interest on Assessments		9,863
Misc. Refunds/Reimbursements		17,455
Accident Reports		4,907
Administrative Fee - Police Outside Duty		152,975
Motor Vehicle Fees		14,811
Other		11,264
Copies		437
Administrative Fee - Sr. Citizens & Veterans Deductions		2,158
Administrative Fee - Homestead Rebate		<u>577</u>
	A-1,A-2	<u>\$ 716,204</u>
Cash Receipts	A-4	\$ 545,796
Due from Assessment Trust Fund	B-4	10,011
Due from Animal Control Fund	B-7	14
Due from Other Trust Fund	B-9	160,034
Due from General Capital Fund	C-5	321
Due from Public Assistance Trust Fund	F-2	<u>28</u>
	A-1,A-2	<u>\$ 716,204</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<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"					
GENERAL GOVERNMENT					
Mayor and Council					
Salaries & Wages	\$ 31,600	\$ 31,600	\$ 31,600		
Municipal Clerk					
Salaries & Wages	261,200	261,200	260,601	\$ 599	
Other Expenses	25,000	25,000	20,995	4,005	
Other Expenses-Codification of Ordinances	5,000	5,000	1,195	3,805	
Grant Professional - Other Expenses	25,000	25,000	25,000		
Elections					
Salaries & Wages	18,450	18,450	18,437	13	
Other Expenses	8,000	8,000	6,355	1,645	
Financial Administration					
Salaries & Wages	79,150	79,150	78,783	367	
Other Expenses	25,000	25,000	19,568	5,432	
Annual Audit	42,000	42,000	42,000		
Assessment of Taxes					
Salaries & Wages	97,550	97,550	97,546	4	
Other Expenses	35,000	43,000	42,010	990	
Collection of Taxes					
Salaries & Wages	49,900	49,900	49,892	8	
Other Expenses	12,000	12,000	10,515	1,485	
Legal Services & Costs					
Salaries & Wages	12,000	12,000	12,000		
Other Expenses	80,000	80,000	19,323	60,677	
Engineering Services & Costs					
Other Expenses	70,000	70,000	69,573	427	
Other Expenses-Rehabilitation/Redevelopment	30,000	30,000	-	30,000	
Municipal Land Use Law (NJS 40:55D-1)					
Planning Board					
Salaries & Wages	10,655	10,655	10,653	2	
Other Expenses	130,000	112,000	5,400	106,600	
Board of Adjustments					
Salaries & Wages	5,445	5,445	5,444	1	
Other Expenses	10,000	10,000	3,067	6,933	
Insurance					
Unemployment Compensation Insurance	14,000	14,000	14,000	-	
General Liability	195,500	195,500	167,617	27,883	
Workers Compensation	169,150	169,150	157,684	11,466	
Employee Group Health	1,240,000	1,240,000	1,227,770	12,230	

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, 2017
(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	\$ 6,945	\$ 6,945	\$ 6,941	\$ 4	
Other Expenses	132,000	132,000	55,441	76,559	
Uniform Fire Safety Act (Ch. 383 P.L. 1983)					
Fire Officials					
Salaries and Wages	131,800	131,800	131,800	-	
Other Expenses	1,000	1,000	713	287	
Police Dispatch/911					
Salaries and Wages	147,500	147,500	138,769	8,731	
Other Expenses	1,500	1,500	166	1,334	
Police					
Salaries & Wages	3,723,025	3,723,025	3,610,392	112,633	
Other Expenses	70,000	77,000	60,926	16,074	
Vehicle Purchases	89,000	92,000	91,578	422	
First Aid Squad					
Contribution	15,000	15,000	15,000		
Other Expenses	12,500	12,500		12,500	
Emergency Management Services					
Salaries and Wages	5,710	5,710	5,707	3	
Other Expenses	5,000	5,000	3,301	1,699	
Municipal Prosecutor					
Salaries and Wages	16,795	16,795	16,792	3	
Other Expenses	1,000	1,000		1,000	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	797,690	797,690	767,793	29,897	
Other Expenses	120,000	120,000	82,795	37,205	
Public Buildings and Grounds					
Salaries and Wages	27,420	27,420	26,416	1,004	
Other Expenses	30,000	30,000	20,023	9,977	
Vehicle Maintenance					
Salaries and Wages	6,155	6,155	6,153	2	
Other Expenses	120,000	120,000	51,034	68,966	
Sewer System					
Salaries & Wages	421,975	421,975	409,339	12,636	
Other Expenses	90,000	90,000	70,490	19,510	
Shade Tree Commission					
Salaries & Wages	2,755	2,755	2,751	4	
Other Expenses	20,000	20,000	365	19,635	

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, 2017
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balances</u> <u>Canceled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC WORKS (Continued)					
Garbage and Trash Removal					
Contractual	\$ 265,000	\$ 265,000	\$ 263,636	\$ 1,364	
Recycling Program					
Salaries & Wages	31,165	31,165	31,160	5	
Other Expenses	130,000	130,000	118,000	12,000	
Solid Waste Transfer Fees	320,000	320,000	320,000	-	
Leaf/Grass Removal					
Other Expenses	118,000	118,000	117,073	927	
Condo Services Act					
Other Expenses	15,000	15,000		15,000	
HEALTH AND WELFARE					
Board of Health					
Salaries & Wages	105,220	105,220	104,834	386	
Other Expenses	30,000	30,000	24,134	5,866	
Animal Control					
Other Expenses	20,000	20,000	15,000	5,000	
Administration of Public Assistance					
Salaries and Wages	14,475	14,475	14,473	2	
Other Expenses	1,000	1,000	41	959	
Hepatitis B Vaccine					
Other Expense	1,200	1,200		1,200	
RECREATION AND EDUCATION					
Parks and Playgrounds					
Salaries & Wages	104,275	104,275	83,792	20,483	
Other Expenses	30,000	30,000	24,200	5,800	
Celebration of Public Events					
Other Expenses	6,000	6,000	4,871	1,129	
Senior Citizen Program					
Salaries and Wages	27,655	27,655	19,476	8,179	
Other Expenses	7,000	7,000	4,014	2,986	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	175,840	175,840	172,068	3,772	
Other Expenses	20,000	20,000	12,885	7,115	
Public Defender (P.L. 1997, C.256)					
Salaries and Wages	9,655	9,655	9,651	4	
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, 2017
(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	\$ 274,020	\$ 274,020	\$ 269,939	\$ 4,081	
Other Expenses	34,000	34,000	31,593	2,407	
UNCLASSIFIED AND BULK PURCHASES					
Utilities:					
Electricity and Natural Gas	200,000	200,000	157,691	42,309	
Street Lighting	160,000	160,000	147,699	12,301	
Gasoline	100,000	100,000	71,769	28,231	
Telephone	50,000	50,000	26,384	23,616	-
Total Operations Within "CAPS"	10,928,875	10,928,875	10,016,096	912,779	-
Detail:					
Salaries & Wages	6,596,025	6,596,025	6,393,202	202,823	-
Other Expenses	4,332,850	4,332,850	3,622,894	709,956	-
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Deferred Charges					
Anticipated Deficit in Swim Pool Operations	69,135	69,135	55,986		\$ 13,149
Statutory Charges					
Social Security System (O.A.S.I.)	280,000	280,000	257,132	22,868	
Public Employees Retirement System	353,369	353,369	299,220	54,149	
Police and Fireman's Retirement System	846,501	846,501	846,501	-	-
Total Deferred Charges & Statutory					
Expenditures - Municipal Within "CAPS"	1,549,005	1,549,005	1,458,839	77,017	13,149
Total General Appropriations for Municipal					
Purposes Within "CAPS"	12,477,880	12,477,880	11,474,935	989,796	13,149
OPERATIONS - EXCLUDED FROM "CAPS"					
Passaic Valley Sewerage - Contractual	1,268,765	1,268,765	1,266,419	2,346	
Recycling Tax	15,000	15,000	13,062	1,938	
Reserve for Tax Appeals	170,000	170,000	170,000	-	
Maintenance of Free Public Library	712,616	712,616	712,616	-	-
Total Operations Excluded from "CAPS"	2,166,381	2,166,381	2,162,097	4,284	-

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, 2017
(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	\$ 75,000	\$ 75,000	\$ 56,250	\$ 18,750	
Other Expenses	23,000	23,000	14,796	8,204	-
Total Interlocal Municipal Service Agreements	98,000	98,000	71,046	26,954	-
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	22,440	22,440	14,211	8,229	
Body Armor	4,178	4,178		4,178	
Recycling Tonnage Grant	13,637	13,637	13,637	-	
Clean Communities Grant Program	23,023	23,023		23,023	
Alcohol Education and Rehabilitation Fund	2,599	2,599		2,599	
NJ DOT - Safe Corridors - State	3,773	3,773		3,773	
Matching Funds for Grants	21,377	21,377	-	21,377	-
Total Public and Private Programs	151,027	151,027	87,848	63,179	-
Offset by Revenues					
Total Operations Excluded from "CAPS"	2,415,408	2,415,408	2,320,991	94,417	-
Detail:					
Salaries & Wages	135,000	135,000	116,250	18,750	
Other Expenses	2,280,408	2,280,408	2,204,741	75,667	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	855,000	855,000	855,000	-	-
Total Capital Improvements - Excluded from "CAPS"	855,000	855,000	855,000	-	-

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 - EXCLUDED FROM "CAPS"					
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Deferred Charges Unfunded Ord. No. 03-2013	\$ 180,000	\$ 180,000	\$ 180,000	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	180,000	180,000	180,000	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,450,408	3,450,408	3,355,991	\$ 94,417	-
Subtotal General Appropriations	15,928,288	15,928,288	14,830,926	1,084,213	\$ 13,149
Reserve for Uncollected Taxes	1,850,000	1,850,000	1,850,000	-	-
Total General Appropriations	\$ 17,778,288	\$ 17,778,288	\$ 16,680,926	\$ 1,084,213	\$ 13,149
	<u>Reference</u>	A-2	A-3	A-1	A,A-1
Cash Disbursed	A-4		\$ 13,249,790		
Encumbrance Payable	A-15		306,150		
Due to Other Trust Fund	B-9		14,000		
Due to General Capital Fund	C-5		1,035,000		
Due to Swim Pool Utility Operating Fund	E-9		55,986		
Reserve for Tax Appeals	A-29		170,000		
Reserve for Uncollected Taxes	A-2		1,850,000		
	A-3		\$ 16,680,926		

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-1,B-2	\$ 537	\$ 5,303
Assessments Receivable	B-3	<u>361,044</u>	<u>425,220</u>
		<u>361,581</u>	<u>430,523</u>
ANIMAL CONTROL FUND			
Cash	B-1	<u>3,128</u>	<u>3,794</u>
OTHER TRUST FUND			
Cash	B-1	3,134,169	3,079,780
Due from Current Fund	B-9	286,250	158,558
Due from Water Utility Operating Fund	D-13	3,500	3,500
Due from Swim Pool Utility Operating Fund	E-10	<u>100</u>	<u>100</u>
		<u>3,424,019</u>	<u>3,241,938</u>
		<u><u>\$ 3,788,728</u></u>	<u><u>\$ 3,676,255</u></u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-4	\$ 9,863	\$ 8,805
Due to General Capital Fund	C-6	<u>351,718</u>	<u>421,718</u>
		<u>361,581</u>	<u>430,523</u>
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-6	6	14
Due to Current Fund	B-7	647	1,196
Reserve for Animal Control Expenditures	B-5	<u>2,475</u>	<u>2,584</u>
		<u>3,128</u>	<u>3,794</u>
OTHER TRUST FUND			
Escrow Deposits Payable	B-8	1,476,155	1,427,685
Premium Received at Tax Sale	B-10	105,100	191,600
Payroll Deductions Payable	B-11	8,274	10,423
Reserve for Unemployment Insurance	B-13	163,050	131,101
Miscellaneous Reserves and Deposits	B-14	<u>1,671,440</u>	<u>1,481,129</u>
		<u>3,424,019</u>	<u>3,241,938</u>
		<u>\$ 3,788,728</u>	<u>\$ 3,676,255</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 1,803,448	\$ 1,137,667
Grants Receivable	C-4	952,521	1,198,072
Due from Assessment Trust Fund	C-6	351,718	421,718
Deferred Charges to Future Taxation			
Unfunded	C-7	<u>1,639,438</u>	<u>1,795,796</u>
		<u>\$ 4,747,125</u>	<u>\$ 4,553,253</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable	C-8	\$ 698,291	\$ 765,476
Due to Current Fund	C-5	585,000	740,629
Improvement Authorizations			
Funded	C-14	1,408,608	1,238,477
Unfunded	C-14	1,043,236	679,697
Capital Improvements Fund	C-9	694,853	479,853
Reserve for:			
Sewer Connection Charges	C-10	18,000	14,000
Capital Improvements and Acquisitions	C-11	22,077	16,703
Fire Truck	C-12	94,644	94,644
Land Sale Proceeds	C-13	850	850
Grants Receivable	C-4	181,492	522,850
Fund Balance	C-1	<u>74</u>	<u>74</u>
		<u>\$ 4,747,125</u>	<u>\$ 4,553,253</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 of \$2,000,482 and \$2,221,016 respectively (See Exhibit C-15).

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1	C	\$ <u>74</u>	\$ <u>74</u>
Balance, December 31	C	\$ <u>74</u>	\$ <u>74</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 724,913	\$ 1,020,663
		<u>724,913</u>	<u>1,020,663</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-8	612,250	591,437
Water Utility Liens Receivable	D-9	<u>647</u>	<u>463</u>
		<u>612,897</u>	<u>591,900</u>
Total Operating Fund		<u>1,337,810</u>	<u>1,612,563</u>
CAPITAL FUND			
Cash	D-5,D-7	196,240	5,932
Fixed Capital	D-10	4,484,816	4,315,961
Fixed Capital Authorized and Uncompleted	D-11	<u>597,952</u>	<u>219,825</u>
Total Capital Fund		<u>5,279,008</u>	<u>4,541,718</u>
		<u>\$ 6,616,818</u>	<u>\$ 6,154,281</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016
(Continued)

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-12	\$ 76,990	\$ 77,209
Encumbrances Payable	D-14	354,383	369,948
Accounts Payable	D-15	42,878	277
Water Rent Overpayments	D-16	3,636	6,128
Due to Other Trust Fund	D-13	<u>3,500</u>	<u>3,500</u>
		481,387	457,062
Reserve for Receivables	D	612,897	591,900
Fund Balance	D-1	<u>243,526</u>	<u>563,601</u>
Total Operating Fund		<u>1,337,810</u>	<u>1,612,563</u>
CAPITAL FUND			
Encumbrances Payable	D-17	64,240	13,269
Improvement Authorizations			
Funded	D-18	87,952	87,952
Unfunded	D-18	445,760	
Capital Improvement Fund	D-19	92,108	72,108
Reserve for Amortization	D-20	4,484,816	4,132,384
Deferred Reserve for Amortization	D-21	87,952	219,825
Reserve for Water Tower Fees	D-22	14,219	14,219
Fund Balance	D-2	<u>1,961</u>	<u>1,961</u>
Total Capital Fund		<u>5,279,008</u>	<u>4,541,718</u>
		<u>\$ 6,616,818</u>	<u>\$ 6,154,281</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 of \$510,000 and \$183,577, respectively. (See Exhibit D-23)

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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 339,000	\$ 357,000
Water Usage Charges	D-3	2,649,676	2,770,453
Miscellaneous Fees	D-3	294,250	298,763
Interest on Delinquent Accounts	D-3	29,195	37,036
Interest on Investments	D-3	6,114	4,950
Non-Budget Revenues	D-3	20,310	31,155
Other Credits			
Appropriation Reserves Lapsed	D-12	71,294	45,867
Accounts Payable Cancelled	D-15	<u>277</u>	<u>2,765</u>
Total Income		<u>3,410,116</u>	<u>3,547,989</u>
EXPENDITURES			
Operating	D-4	2,995,180	2,883,524
Capital Improvements	D-4	60,000	140,000
Deferred Charges and Statutory Expenditures	D-4	<u>336,011</u>	<u>353,650</u>
Total Expenditures		<u>3,391,191</u>	<u>3,377,174</u>
Statutory Excess to Fund Balance		18,925	170,815
Fund Balance, January 1,	D	<u>563,601</u>	<u>749,786</u>
		582,526	920,601
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-3	<u>339,000</u>	<u>357,000</u>
Balance, December 31,	D	<u>\$ 243,526</u>	<u>\$ 563,601</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1,	D	\$ <u>1,961</u>	\$ <u>1,961</u>
Balance, December 31,	D	\$ <u><u>1,961</u></u>	\$ <u><u>1,961</u></u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 339,000	\$ 339,000	
Water Usage Charges	D-1,D-3	2,770,191	2,649,676	\$ (120,515)
Miscellaneous Fees	D-1,D-3	260,000	294,250	34,250
Interest on Delinquent Accounts	D-1,D-6	20,000	29,195	9,195
Interest on Investments	D-1,D-5	<u>2,000</u>	<u>6,114</u>	<u>4,114</u>
 Budget Revenues	 D-4	 <u>\$ 3,391,191</u>	 3,318,235	 <u>\$ (72,956)</u>
 Non-Budget Revenues	 D-1, D-3		 <u>20,310</u>	
			<u>\$ 3,338,545</u>	
 <u>Analysis of Realized Revenue</u>				
Water Usage Charges:				
Cash Receipts-Rents	D-8		\$ 2,643,548	
Overpayments Applied	D-8		<u>6,128</u>	
	D-3		<u>\$ 2,649,676</u>	
Miscellaneous Fees				
Consumer Accounts Receivable Collected				
Sprinkler Fees			\$ 276,854	
Special Readings			12,976	
New Water Meters			<u>4,420</u>	
	D-3, D-8		<u>\$ 294,250</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Service Line Charge			\$ 15,420	
Miscellaneous			<u>4,890</u>	
	D-3, D-5		<u>\$ 20,310</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, 2017

	<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	\$ 706,195	\$ 681,195	\$ 677,149	\$ 4,046
Other Expenses	<u>2,288,985</u>	<u>2,313,985</u>	<u>2,248,448</u>	<u>65,537</u>
Total Operating	<u>2,995,180</u>	<u>2,995,180</u>	<u>2,925,597</u>	<u>69,583</u>
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	20,000	20,000	20,000	-
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>34,772</u>	<u>5,228</u>
Total Capital Improvements	<u>60,000</u>	<u>60,000</u>	<u>54,772</u>	<u>5,228</u>
DEFERRED CHARGES AND STATUTORY				
Deferred Charges				
Cost of Improvements - Ord. 12-01	183,577	183,577	183,577	
Statutory Expenditures				
Contribution to				
Public Employees Retirement System	93,934	93,934	93,934	
Social Security System (O.A.S.I.)	55,000	55,000	52,821	2,179
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>336,011</u>	<u>336,011</u>	<u>333,832</u>	<u>2,179</u>
	<u>\$ 3,391,191</u>	<u>\$ 3,391,191</u>	<u>\$ 3,314,201</u>	<u>\$ 76,990</u>

	<u>Reference</u>	D-3	D-4	D-1	D, D-1
Disbursed	D-5			\$ 2,956,318	
Encumbrances Payable	D-14			354,383	
Due to Other Trust Fund	D-13			<u>3,500</u>	
				<u>\$ 3,314,201</u>	

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 50,485	\$ 22,207
Due from Current Fund	E-9	<u>-</u>	<u>101</u>
Total Operating Fund		<u>50,485</u>	<u>22,308</u>
CAPITAL FUND			
Cash	E-5,E-6	192	192
Fixed Capital	E-7	<u>243,277</u>	<u>240,812</u>
Total Capital Fund		<u>243,469</u>	<u>241,004</u>
		<u>\$ 293,954</u>	<u>\$ 263,312</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-8	\$ 16,121	\$ 20,147
Encumbrances Payable	E-11	49	1,452
Accounts Payable	E-12	410	
Due to Current Fund	E-9	33,196	
Due to Other Trust Fund	E-10	<u>100</u>	<u>100</u>
		49,876	21,699
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>50,485</u>	<u>22,308</u>
CAPITAL FUND			
Reserve for Amortization	E-13	243,277	240,812
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>243,469</u>	<u>241,004</u>
		<u>\$ 293,954</u>	<u>\$ 263,312</u>

There were no bonds and notes authorized but not issued on December 31, 2017 and 2016.

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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Swimming Pool Fees	E-3	\$ 65,000	\$ 57,612
Non-Budget Revenue	E-3	5,149	64
Other Credits to Income			
Accounts Payable Cancelled	E-1	<u>-</u>	<u>395</u>
Total Income		<u>70,149</u>	<u>58,071</u>
EXPENDITURES			
Operating	E-4	105,835	100,600
Capital Improvements	E-4	15,000	15,000
Deferred Charges and Statutory Expenditures	E-4	<u>5,300</u>	<u>4,600</u>
Total Expenditures		<u>126,135</u>	<u>120,200</u>
Deficit in Revenue		(55,986)	(62,129)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>55,986</u>	<u>62,129</u>
Statutory Excess to Fund Balance		-	-
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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</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, 2017**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Swim Pool Fees	E-1,E-3	\$ 57,000	\$ 65,000	\$ 8,000
Deficit (General Budget)	E-1, E-9	<u>69,135</u>	<u>55,986</u>	<u>(13,149)</u>
Budget Revenues	E-4	<u>\$ 126,135</u>	120,986	<u>\$ (5,149)</u>
Non-Budget Revenues	E-1,E-3		<u>5,149</u>	
			<u>\$ 126,135</u>	
<u>Analysis of Realized Swim Pool Fees:</u>				
Cash Receipts				
Membership Fees			\$ 48,096	
Guest Fees			10,031	
Concession Stand Sales			<u>6,873</u>	
	E-3, E-5		<u>\$ 65,000</u>	
<u>Analysis of Non-Budget Revenues</u>				
Interest on Investments			\$ 68	
Miscellaneous			<u>5,081</u>	
	E-3, E-5		<u>\$ 5,149</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, 2017

	<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	\$ 61,335	\$ 67,035	\$ 66,942	\$ 93
Other Expenses	<u>45,000</u>	<u>38,800</u>	<u>35,378</u>	<u>3,422</u>
Total Operating	<u>106,335</u>	<u>105,835</u>	<u>102,320</u>	<u>3,515</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>2,465</u>	<u>12,535</u>
Total Capital Improvements	<u>15,000</u>	<u>15,000</u>	<u>2,465</u>	<u>12,535</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Expenditures				
Contribution to				
Social Security System (O.A.S.I.)	4,700	5,200	5,129	71
Unemployment Compensation				
Insurance (NJSA 43:21-3 et seq.)	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>4,800</u>	<u>5,300</u>	<u>5,229</u>	<u>71</u>
	<u>\$ 126,135</u>	<u>\$ 126,135</u>	<u>\$ 110,014</u>	<u>\$ 16,121</u>
	<u>Reference</u>	<u>E-3</u>	<u>E-4</u>	<u>E-1</u>
Cash Disbursed	E-5		\$ 109,865	
Encumbrances Payable	E-11		49	
Due to Other Trust Fund	E-10		<u>100</u>	
			<u>\$ 110,014</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, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	F-1	<u>\$ 9,404</u>	<u>\$ 20,388</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance	F-3	<u>\$ 9,404</u>	<u>\$ 20,388</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Land	\$ 25,236,686	\$ 25,236,686
Buildings and Building Improvements	15,123,079	15,123,079
Machinery and Equipment	<u>6,924,787</u>	<u>6,588,384</u>
	<u>\$ 47,284,552</u>	<u>\$ 46,948,149</u>
 Investment in Fixed Assets	 <u>\$ 47,284,552</u>	 <u>\$ 46,948,149</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2016 balances to conform to the December 31, 2017 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, 2017 AND 2016**

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, 2017 AND 2016**

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.

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, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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, 19__ 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 represent 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, 2017 AND 2016

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 2017 and 2016 the Borough Council did not increase the original budget. However, the governing body approved several budget transfers during 2017 and 2016.

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, 2017 AND 2016

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, 2017 and 2016, the book value of the Borough's deposits were \$24,654,415 and \$21,470,059 and bank and brokerage firm balances of the Borough's deposits amounted to \$24,779,977 and \$22,266,270, 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>2017</u>	<u>2016</u>
Insured	\$ 24,779,977	\$ 22,266,270

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, 2017 and 2016, 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, 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, Local Government investment pools, 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, 2017 and 2016 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, 2017 AND 2016

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 700,418		\$ 700,418
Tax Title Liens	4,736		4,736
Water Utility Charges and Fees		\$ 612,250	612,250
Water Utility Liens	-	647	647
	<u>\$ 705,154</u>	<u>\$ 612,897</u>	<u>\$ 1,318,051</u>

In 2017, the Borough collected \$749,614 and \$591,253 from delinquent taxes and utility charges and fees, which represented 98% and 100% of the delinquent tax and water charges and fees receivable at December 31, 2016.

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2016</u>			
Property Taxes	\$ 757,878		\$ 757,878
Tax Title Liens	3,547		3,547
Water Utility Charges and Fees		\$ 591,437	591,437
Water Utility Liens	-	463	463
	<u>\$ 761,425</u>	<u>\$ 591,900</u>	<u>\$ 1,353,325</u>

In 2016, the Borough collected \$1,106,878 and \$583,654 from delinquent taxes and utility charges and fees, which represented 100% and 100% of the delinquent tax and water charges and fees receivable at December 31, 2015.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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>2017</u>		<u>2016</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	\$ 628,706	\$ 286,250	\$ 750,630	\$ 158,659
Trust Funds:				
Assessment Trust		361,581		430,523
Animal Control		647		1,196
Other Trust	289,850		162,158	
General Capital Fund	351,718	585,000	421,718	740,629
Water Utility Operating Fund		3,500		3,500
Swim Pool Utility Operating Fund	-	33,296	101	100
Total	<u>\$ 1,270,274</u>	<u>\$ 1,270,274</u>	<u>\$ 1,334,607</u>	<u>\$ 1,334,607</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 fund.

The Borough expects all interfund balances to be liquidated within one year except the general capital fund.

NOTE 6 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 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, 2017 and 2016 are as follows:

	<u>Local District School</u>		<u>Regional High School</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 8,186,621	\$ 7,966,076	\$ 4,828,275	\$ 4,778,836
Deferred	<u>3,025,266</u>	<u>3,025,266</u>	<u>2,093,009</u>	<u>2,093,009</u>
Taxes Payable	<u>\$ 5,161,355</u>	<u>\$ 4,940,810</u>	<u>\$ 2,735,266</u>	<u>\$ 2,685,827</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Funds 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:

	2017		2016	
	<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	\$ 3,967,995	\$ 2,220,000	\$ 3,040,108	\$ 1,900,000
Non-Cash Surplus	<u>276,984</u>	<u>-</u>	<u>328,013</u>	<u>-</u>
	<u>\$ 4,244,979</u>	<u>\$ 2,220,000</u>	<u>\$ 3,368,121</u>	<u>\$ 1,900,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 243,526	\$ 115,000	\$ 563,601	\$ 339,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 243,526</u>	<u>\$ 115,000</u>	<u>\$ 563,601</u>	<u>\$ 339,000</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, 2017 AND 2016

NOTE 8 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, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 25,236,686			\$ 25,236,686
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>6,588,384</u>	<u>\$ 336,403</u>	<u>-</u>	<u>6,924,787</u>
	<u>\$ 46,948,149</u>	<u>\$ 336,403</u>	<u>\$ -</u>	<u>\$ 47,284,552</u>

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land	\$ 24,337,100	\$ 899,586		\$ 25,236,686
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>6,305,980</u>	<u>282,404</u>	<u>-</u>	<u>6,588,384</u>
	<u>\$ 45,766,159</u>	<u>\$ 1,181,990</u>	<u>\$ -</u>	<u>\$ 46,948,149</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8 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, 2017 and 2016.

<u>Water Utility Fund</u>	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Fixed Capital				
System and System Improvements	\$ 4,158,742	\$ 139,933		\$ 4,298,675
Vehicles and Equipment	<u>157,219</u>	<u>28,922</u>	<u>-</u>	<u>186,141</u>
	<u>\$ 4,315,961</u>	<u>\$ 168,855</u>	<u>\$ -</u>	<u>\$ 4,484,816</u>

<u>Water Utility Fund</u>	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Fixed Capital				
System and System Improvements	\$ 4,128,960	\$ 29,782		\$ 4,158,742
Vehicles and Equipment	<u>114,419</u>	<u>42,800</u>	<u>-</u>	<u>157,219</u>
	<u>\$ 4,243,379</u>	<u>\$ 72,582</u>	<u>\$ -</u>	<u>\$ 4,315,961</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets (Continued)

<u>Swim Pool Utility Fund</u>	Balance December 31, 2016	Increases	Decreases	Balance, December 31, 2017
<u>2017</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 240,812	\$ 2,465	-	\$ 243,277
	<u>\$ 240,812</u>	<u>\$ 2,465</u>	<u>\$ -</u>	<u>\$ 243,277</u>
<u>Swim Pool Utility Fund</u>	Balance December 31, 2015	Increases	Decreases	Balance, December 31, 2016
<u>2016</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 239,770	\$ 1,042	-	\$ 240,812
	<u>\$ 239,770</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 240,812</u>

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been 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>2017</u>	<u>2016</u>
Authorized But Not Issued		
General		
Bonds and Notes	\$ 2,000,482	\$ 2,221,016
Water Utility		
Bonds and Notes	<u>510,000</u>	<u>183,577</u>
Total Authorized But Not Issued	<u>\$ 2,510,482</u>	<u>\$ 2,404,593</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 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 .092% and .102% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 2,000,482		\$ 2,000,482
School Debt	5,041,547	\$ 5,041,547	
Utility Debt	<u>510,000</u>	<u>510,000</u>	<u>-</u>
Total	<u>\$ 7,552,029</u>	<u>\$ 5,551,547</u>	<u>\$ 2,000,482</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 2,221,016		\$ 2,221,016
School Debt	9,088,000	\$ 9,088,000	
Utility Debt	<u>183,577</u>	<u>183,577</u>	<u>-</u>
Total	<u>\$ 11,492,593</u>	<u>\$ 9,271,577</u>	<u>\$ 2,221,016</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>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 75,835,691	\$ 75,925,075
Net Debt	<u>2,000,482</u>	<u>2,221,016</u>
Remaining Borrowing Power	<u>\$ 73,835,209</u>	<u>\$ 73,704,059</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017</u>		
Hobart Place and Gordon Avenue Improvement	\$204,321	2018
2017 Road Improvement Project	276,766	2018
Purchase of Pick-up Trucks-Sewer Dept.	72,881	2018
<u>2016</u>		
Hobart Place Improvement Project	\$194,816	2017
2015 Road Improvement Project	133,218	2017
Purchase of Sewer Jet Vac	198,600	2017

NOTE 11 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 sick leave 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 \$783,059 and \$791,010 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2017 and 2016, the Borough has reserved in the Other Trust Fund \$532,907 and \$433,852, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11 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, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 791,010	\$ 143,928	\$ 151,879	\$ 783,059	\$ 50,000
Net Pension Liability - PERS	14,877,147		3,033,646	11,843,501	
Net Pension Liability - PFRS	<u>19,832,613</u>	<u>-</u>	<u>4,141,794</u>	<u>15,690,819</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 35,500,770</u>	<u>\$ 143,928</u>	<u>\$ 7,327,319</u>	<u>\$ 28,317,379</u>	<u>\$ 50,000</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 694,492	\$ 129,114	\$ 32,596	\$ 791,010	\$ 50,000
Net Pension Liability - PERS	11,828,797	3,494,600	446,250	14,877,147	
Net Pension Liability - PFRS	<u>16,133,247</u>	<u>4,545,867</u>	<u>846,501</u>	<u>19,832,613</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 28,656,536</u>	<u>\$ 8,169,581</u>	<u>\$ 1,325,347</u>	<u>\$ 35,500,770</u>	<u>\$ 50,000</u>

NOTE 12 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 with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. 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 State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial 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.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, 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>
2017	\$ 846,501	\$ 446,250	\$ 587
2016	787,315	453,029	None
2015	675,808	433,929	None

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

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$11,843,501 and \$14,877,147, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .05088 percent, which was an increase of .00065 percent from its proportionate share measured as of June 30, 2016 of .05023 percent.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$824,033 and \$1,364,431, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$446,250 and \$453,029, respectively. At December 31, 2017 and 2016, 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:

	<u>2017</u>		<u>2016</u>	
	<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	\$ 278,874		\$ 276,670	
Changes of Assumptions	2,386,057	\$ 2,377,310	3,081,750	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	80,646		567,279	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>193,525</u>	<u>313,513</u>	<u>110,266</u>	<u>\$ 401,331</u>
Total	<u>\$ 2,939,102</u>	<u>\$ 2,690,823</u>	<u>\$ 4,035,965</u>	<u>\$ 401,331</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 246,534
2019	393,362
2020	204,466
2021	(365,141)
2022	<u>(230,942)</u>
	<u>\$ 248,279</u>

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

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

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, 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 (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 14,692,667</u>	<u>\$ 11,843,501</u>	<u>\$ 9,469,793</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 18,230,207</u>	<u>\$ 14,877,147</u>	<u>\$ 12,108,905</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016

NOTE 12 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, 2017 and 2016, the Borough reported a liability of \$15,690,819 and \$19,832,613, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .10164 percent, which was a decrease of .00218 percent from its proportionate share measured as of June 30, 2016 of .10382 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,546,427 and \$2,304,976, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$846,501 and \$787,315, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 101,793	\$ 92,092		\$ 130,006
Changes of Assumptions	1,934,853	2,569,697	\$ 2,746,980	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	299,418		1,389,631	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,169,539</u>	<u>722,050</u>	<u>1,559,225</u>	<u>655,353</u>
Total	<u>\$ 3,505,603</u>	<u>\$ 3,383,839</u>	<u>\$ 5,695,836</u>	<u>\$ 785,359</u>

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 326,873
2019	609,238
2020	211,751
2021	(667,120)
2022	(358,978)
	<u>\$ 121,764</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

BOROUGH OF TOTOWA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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:

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, 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 (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 20,673,946</u>	<u>\$ 15,690,819</u>	<u>\$ 11,596,613</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 25,572,700</u>	<u>\$ 19,832,613</u>	<u>\$ 15,151,917</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016**

NOTE 12 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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,757,504 and \$1,665,448, respectively. For the years ended December 31, 2017 and 2016, 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 \$214,982 and \$212,717, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$87,883 and \$63,815, respectively. 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, 2017 AND 2016

NOTE 13 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 fund 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>
2017	\$ 35,200	\$ 9,352	\$ 12,896	\$ 163,050
2016	17,600	8,218	14,281	131,101
2015	None	10,222	27,050	119,442

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 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.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. 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, 2017 and 2016, the Borough reserved \$2,358,323 and \$2,956,267, 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, 2017 and 2016, 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 15 SUBSEQUENT EVENTS

Debt Authorized

On January 9, 2018 the Borough approved a resolution authorizing the issuance of a non-recourse redevelopment area bond (NJDC project) of the Borough in an aggregate principal amount of \$300,000 to fund certain costs of the NJDC redevelopment project. As of the date of this report the Borough has not issued nor awarded the sale of said bond.

SUPPLEMENTAL SCHEDULES

CURRENT FUND

BOROUGH OF TOTOWA
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2016		\$ 16,173,263
Increased by Receipts:		
Tax Collector	\$ 55,206,041	
Non-Budget Revenue	545,796	
Revenue Accounts Receivable	2,970,611	
Grants Receivable	81,904	
NJ Senior Citizens' and Veterans' Deductions	107,893	
Sewer Fee Overpayments	10	
Prepaid Licenses	1,000	
Fees Payable	41,295	
Reserve for Unappropriated Grants	64,774	
Received from Assessment Trust Fund	8,953	
Received from Animal Control Fund	1,210	
Received from Public Assistance Trust Fund	<u>28</u>	
		<u>59,029,515</u>
		75,202,778
Decreased by Disbursements:		
2017 Budget Appropriations	13,249,790	
2016 Appropriation Reserves	108,489	
Fees Payable	39,885	
Encumbrances Payable	282,798	
Accounts Payable	105,166	
Refund of Tax Overpayments	1,250	
Refund of Sewer Fee Overpayments	7	
Reserve for Appropriated Grants	14,800	
Reserve for Tax Appeals	963,578	
County Taxes Payable	15,607,030	
Added County Taxes Payable	17,346	
Local District School Tax	15,477,873	
Regional High School Tax	9,650,917	
Payments made to Other Trust Fund	4,534	
Payments made to General Capital Fund	879,050	
Payments made to Swim Pool Utility Operating Fund	<u>69,236</u>	
		<u>56,471,749</u>
Balance, December 31, 2017		<u>\$ 18,731,029</u>

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

Received:

Taxes Receivable	\$ 53,071,823	
Interest and Cost on Taxes	235,295	
Prepaid Taxes	<u>1,898,923</u>	
		\$ 55,206,041

Decreased by:

Payments to Treasurer		<u>\$ 55,206,041</u>
-----------------------	--	----------------------

STATEMENT OF CHANGE FUNDS

<u>Title</u>	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</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>

STATEMENT OF PETTY CASH FUNDS

<u>Office</u>	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</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, 2016		\$ 78,882
Increased by:		
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Current Year	\$ 2,130	
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Prior Year	750	
Received in Cash from the State	<u>107,893</u>	
		<u>110,773</u>
		189,655
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed		
Per Tax Billings	105,500	
Senior Citizens' and Veterans' Deductions		
Allowed by the Tax Collector - Current Year	<u>2,500</u>	
		<u>108,000</u>
Balance, December 31, 2017		<u><u>\$ 81,655</u></u>

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

<u>Year</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>	<u>2017 Levy</u>	<u>Senior</u> <u>Citizens' and</u> <u>Veterans'</u> <u>Deductions</u> <u>Disallowed</u>	<u>Collections</u> <u>2016</u> <u>2017</u>	<u>Senior</u> <u>Citizens' and</u> <u>Veterans'</u> <u>Deductions</u> <u>Allowed</u>	<u>Cancelled</u>	<u>Transferred</u> <u>to Tax</u> <u>Title Liens</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
2016	\$ 757,878		\$ 750	\$ 749,614				\$ 9,014
2017	<u>-</u>	<u>\$ 53,744,212</u>	<u>2,130</u>	<u>\$ 542,980</u> <u>52,322,209</u>	<u>\$ 108,000</u>	<u>\$ 80,560</u>	<u>\$ 1,189</u>	<u>691,404</u>
	<u>\$ 757,878</u>	<u>\$ 53,744,212</u>	<u>\$ 2,880</u>	<u>\$ 542,980</u> <u>\$53,071,823</u>	<u>\$ 108,000</u>	<u>\$ 80,560</u>	<u>\$ 1,189</u>	<u>\$ 700,418</u>

Analysis of 2017 Property Tax Levy

Tax Yield

General Purpose Tax

\$53,628,437

Added Taxes (RS 54:4-36.1 et seq.)

115,775

\$53,744,212

Tax Levy

Regional High School Taxes

\$ 9,700,356

Local District School Taxes

15,698,418

County Taxes

County Tax

\$ 15,394,229

Open Space Tax

212,801

Due County for Added Tax

32,622

15,639,652

Local Tax for Municipal Purposes

11,906,808

Minimum Library Tax

712,616

Add: Additional Tax Levied

86,362

12,705,786

\$53,744,212

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

Balance, December 31, 2016	\$ 3,547
Increased by:	
Transfers from Taxes Receivable	<u>1,189</u>
Balance, December 31, 2017	<u>\$ 4,736</u>

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

Balance, December 31, 2016	<u>\$ 72,900</u>
Balance, December 31, 2017	<u>\$ 72,900</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>2016</u>	Accrued In <u>2017</u>	<u>Collected by</u>		Balance, December 31, <u>2017</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Borough Clerk					
Licenses					
Alcoholic Beverages		\$ 11,599	\$ 11,599		
Other		14,797	14,797		
Fees and Permits		4,120	4,120		
Tax Collector					
Interest and Costs on Taxes	\$ 27,203	225,265		\$ 235,295	\$ 17,173
Board of Health/Registrar of Vital Statistics					
Licenses		18,496	18,496		
Fees and Permits		22,904	22,904		
Planning Board					
Fees and Permits		81,708	81,708		
Zoning Board of Adjustments					
Fees and Permits		13,923	13,923		
Building Department					
Uniform Construction Code Fees		491,062	491,062		
Police Department					
Fees and Permits		440	440		
Road Opening Permits - Fees and Permits		98,128	98,128		
Municipal Court					
Fines and Costs	18,683	253,174	253,647		18,210
Energy Receipts Tax		1,288,629	1,288,629		
Fire Inspection Official					
Uniform Fire Safety Act Fees		18,315	18,315		
Uniform Fire Safety Act Rebate		26,857	26,857		
Sewer User Fees	12,429	272,892	277,211		8,110
Cable Television Franchise Fee		163,936	163,936		
Borough of Woodland Park -					
Construction Code Official		73,500	73,500		
Hotel/Motel Tax	-	112,139	112,139	-	-
	<u>\$ 58,315</u>	<u>\$ 3,191,884</u>	<u>\$ 2,971,411</u>	<u>\$ 235,295</u>	<u>\$ 43,493</u>
Cash Receipts			\$ 2,970,611	\$ 235,295	
Prepaid Licenses Applied			800	-	
			<u>\$ 2,971,411</u>	<u>\$ 235,295</u>	

**BOROUGH OF TOTOWA
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2016</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Municipal Alliance Program	\$ 47,098	\$ 22,440	\$ 18,131	\$ 40,187	\$ 11,220
Passaic County Open Space - Lincoln Field	4,717			4,717	
Safe & Secure Communities		60,000	60,000		
NJ DOT Safe Corridors	10,434	3,773	3,773	10,434	
FEMA - Hazard Mitigation Grant Program	<u>265,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,764</u>
	<u>\$ 328,013</u>	<u>\$ 86,213</u>	<u>\$ 81,904</u>	<u>\$ 55,338</u>	<u>\$ 276,984</u>
Reserve for Appropriated Grants				<u>\$ 55,338</u>	

BOROUGH OF TOTOWA
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, December 31, <u>2016</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						
Municipal Clerk	\$ 319			\$ 319	\$ 319	
Elections	25			25	25	
Financial Administration	12			12	12	
Fire	5			5	5	
Police Dispatch/911	8,272			8,272	8,272	
Police	12,413			12,413	12,413	
Emergency Management Services	4			4	4	
Road Repairs and Maintenance	30,592			30,592	30,592	
Public Buildings and Grounds	9,600			9,600	9,600	
Vehicle Maintenance	4			4	4	
Sewer System	421			421	421	
Board of Health	169			169	169	
Administration of Public Assistance	4			4	4	
Parks and Playgrounds	6,763			6,763	6,763	
Senior Citizen Program	5,760			5,760	5,760	
Municipal Court	24,057			24,057	24,057	
Construction Code Official	712	-	-	712	712	-
	<u>99,132</u>	<u>-</u>	<u>-</u>	<u>99,132</u>	<u>99,132</u>	<u>-</u>
OTHER EXPENSES						
Municipal Clerk	2,669		\$ 253	2,922	298	\$ 2,624
Codification of Ordinances	3,805			3,805		3,805
Elections	1,409			1,409		1,409
Assessment of Taxes	3,582		2,076	5,658		5,658
Financial Administration	5,641			5,641	65	5,576
Collection of Taxes	586			586	65	521
Legal Services and Costs	38,987			38,987	31,688	7,299
Engineering Services & Costs	39,329			39,329		39,329
Rehabilitation/Redevelopment	27,985			27,985		27,985
Planning Board	13,950			13,950	3,753	10,197
Board of Adjustment	4,013	\$ 2,000		6,013	3,390	2,623
Insurance						
Unemployment Compensation Insurance	14,000			14,000	14,000	
General Liability	46,874			46,874		46,874
Workers Compensation	10,000			10,000		10,000
Employee Group Health	1,959	5,000		6,959	200	6,759
Fire	65,040			65,040	52,995	12,045
Fire Officials	475			475		475
Police Dispatch/911	1,200			1,200		1,200
Police	23,371			23,371	7,549	15,822
Vehicle Purchases	429			429		429
First Aid Squad	12,500			12,500	10,180	2,320
Emergency Management Services	1,717			1,717		1,717
Municipal Prosecutor	1,000			1,000		1,000
Road Repairs and Maintenance	50,406			50,406	49,718	688
Public Buildings and Grounds	9,132			9,132	653	8,479
Vehicle Maintenance	38,738			38,738	5,667	33,071
Sewer System	34,980			34,980	34,189	791
Shade Tree Commission	943			943		943
Garbage and Trash Removal	6,523			6,523		6,523
Solid Waste Transfer Fees	24,177			24,177		24,177
Leaf Grass Removal	5,485			5,485		5,485
Condo Services Act	15,000			15,000		15,000
Board of Health	6,457			6,457	6,212	245

BOROUGH OF TOTOWA
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, December 31, 2016	Transfers	Encumbrance Payable Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER EXPENSES: (Continued)						
Animal Control	\$ 5,000			\$ 5,000		\$ 5,000
Administration of Public Assistance	882			882	\$ 9	873
Hepatitis B Vaccine	1,200			1,200	125	1,075
Parks and Playgrounds	10,469			10,469	9,700	769
Celebration of Public Events	636			636		636
Senior Citizen Program	2,981			2,981	253	2,728
Municipal Court	2,642			2,642	71	2,571
Public Defender	2,850			2,850		2,850
Construction Code Official	3,856			3,856	98	3,758
Utilities						
Street Lighting	9,938		\$ 1,296	11,234		11,234
Electricity and Natural Gas	49,320		1,232	50,552		50,552
Gasoline	62,700	\$ (7,000)		55,700	55,000	700
Telephone	7,779			7,779		7,779
Social Security System (O.A.S.I.)	37,694			37,694	37,694	
Recycling Tax	1,416			1,416		1,416
Drunk Driving Enforcement Grant	22,184			22,184	22,184	
Clean Communities Grant Program	20,138			20,138	20,138	
Drug and Alcohol Municipal Alliance	3,531			3,531	3,531	
Body Armor	2,857			2,857	2,857	
Alcohol Education and Rehabilitation Fund	4,243			4,243	4,243	
NJ DOT - Safe Corridors	5,205			5,205	5,205	
Matching Funds for Grants	5,000	-	-	5,000	-	5,000
	<u>774,883</u>	<u>-</u>	<u>4,857</u>	<u>779,740</u>	<u>381,730</u>	<u>398,010</u>
	<u>\$ 874,015</u>	<u>\$ -</u>	<u>\$ 4,857</u>	<u>\$ 878,872</u>	<u>\$ 480,862</u>	<u>\$ 398,010</u>
Cash Disbursed					\$ 108,489	
Due to Other Trust Fund:						
Accumulated Absence Reserve					137,000	
Snow Removal Reserve					135,000	
Unemployment Insurance Reserve					14,000	
Transferred to:						
Accounts Payable					37,825	
Reserve for Appropriated Grants					<u>48,548</u>	
					<u>\$ 480,862</u>	

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2016	\$ 287,655
Increased by:	
Charges to 2017 Budget Appropriations	<u>306,150</u>
	593,805
Decreased by:	
Payments	\$ 282,798
Cancellations Restored to Appropriation Reserves	<u>4,857</u>
	<u>287,655</u>
Balance, December 31, 2017	<u>\$ 306,150</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2016	\$ 179,393
Increased by:	
Transferred from 2016 Appropriation Reserves	<u>37,825</u>
	217,218
Decreased by:	
Payments	<u>105,166</u>
Balance, December 31, 2017	<u>\$ 112,052</u>

STATEMENT OF TAX APPEAL JUDGEMENTS PAYABLE

Increased by:	
Charges to Reserve for Tax Appeals Pending	<u>\$ 304,366</u>
Balance, December 31, 2017	<u>\$ 304,366</u>

**BOROUGH OF TOTOWA
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2016	\$ 542,980
Increased by:	
Collection of 2018 Taxes	<u>1,898,923</u>
	2,441,903
Decreased by:	
Application to 2017 Taxes Receivable	<u>542,980</u>
Balance, December 31, 2017	<u>\$ 1,898,923</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2016	\$ 1,250
Decreased by:	
Refunds	<u>\$ 1,250</u>

STATEMENT OF SEWER FEE OVERPAYMENTS

Balance, December 31, 2016	\$ 7
Increased by:	
Overpayments in 2017	<u>10</u>
	17
Decreased by:	
Refunds	<u>7</u>
Balance, December 31, 2017	<u>\$ 10</u>

STATEMENT OF PREPAID LICENSES

Balance, December 31, 2016	\$ 800
Increased by:	
Collection of 2018 Licenses	<u>1,000</u>
	1,800
Decreased:	
Applied to 2017 Revenue Accounts Receivable	<u>800</u>
Balance, December 31, 2017	<u>\$ 1,000</u>

**BOROUGH OF TOTOWA
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2016</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2017</u>
Due to State				
Construction Code Training Fees	\$ 13,638	\$ 39,420	\$ 38,077	\$ 14,981
Elevator Inspection Fees	2,292		258	2,034
Marriage License Fees	<u>1,160</u>	<u>1,875</u>	<u>1,550</u>	<u>1,485</u>
	<u>\$ 17,090</u>	<u>\$ 41,295</u>	<u>\$ 39,885</u>	<u>\$ 18,500</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:	
2017 Levy	
General County	\$ 15,394,229
County Open Space Preservation	<u>212,801</u>
	\$ 15,607,030
Decreased by:	
Payments	<u>\$ 15,607,030</u>

STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES

Balance, December 31, 2016	\$ 17,353
Increased by:	
County Share of 2017 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>32,622</u>
	49,975
Decreased by:	
Payments	<u>17,346</u>
Balance, December 31, 2017	<u>\$ 32,629</u>

BOROUGH OF TOTOWA
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance, December 31, 2016		
School Tax Payable	\$ 4,940,810	
School Tax Deferred	<u>3,025,266</u>	
		\$ 7,966,076
Increased by:		
Levy - School Year July 1, 2017 to June 30, 2018		<u>15,698,418</u>
		23,664,494
Decreased by:		
Payments		<u>15,477,873</u>
Balance, December 31, 2017		
School Tax Payable	5,161,355	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 8,186,621</u>
<u>Analysis of Amount Charged to Operations</u>		
2017 Liability for Local District School Tax		
Tax Paid		\$ 15,477,873
Tax Payable at December 31, 2017		<u>5,161,355</u>
		20,639,228
Less: Tax Payable at December 31, 2016		<u>4,940,810</u>
Amount Charged to 2017 Operations		<u>\$ 15,698,418</u>

BOROUGH OF TOTOWA
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, December 31, 2016		
School Tax Payable	\$ 2,685,827	
School Tax Deferred	<u>2,093,009</u>	
		\$ 4,778,836
Increased by:		
Levy - School Year July 1, 2017 to June 30, 2018		<u>9,700,356</u>
		14,479,192
Decreased by:		
Payments		<u>9,650,917</u>
Balance, December 31, 2017		
School Tax Payable	2,735,266	
School Tax Deferred	<u>2,093,009</u>	
		<u>\$ 4,828,275</u>
<u>Analysis of Amount Charged to Operations</u>		
2017 Liability for Regional High School Tax		
Tax Paid		\$ 9,650,917
Tax Payable at December 31, 2017		<u>2,735,266</u>
		12,386,183
Less: Tax Payable at December 31, 2016		<u>2,685,827</u>
Amount Charged to 2017 Operations		<u>\$ 9,700,356</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2016</u>	<u>Received</u>	Anticipated in 2017 <u>Budget</u>	Balance, December 31, <u>2017</u>
Clean Communities	\$ 23,023	\$ 19,560	\$ 23,023	\$ 19,560
Body Armor	4,178	4,519	4,178	4,519
Alcohol Ed & Rehabilitation	2,599	2,702	2,599	2,702
Drunk Driving Enforcement Fund		7,860		7,860
Recycling Tonnage Grant	<u>-</u>	<u>30,133</u>	<u>13,637</u>	<u>16,496</u>
	<u>\$ 29,800</u>	<u>\$ 64,774</u>	<u>\$ 43,437</u>	<u>\$ 51,137</u>

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2016</u>	Transferred From 2016 Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Clean Communities Program	\$ 41,102	\$ 20,138	\$ 9,808		\$ 51,432
Alcohol Ed & Rehabilitation	3,691	4,243	1,000		6,934
Body Armor Replacement Fund	7,220	342	3,541		4,021
Drunk Driving Enforcement Fund	2,496	15,089			17,585
Open Space Grant - Lincoln Field	14,289			\$ 14,289	
FEMA - Firefighters Equipment - Local	4,608				4,608
FEMA - Firefighters Equipment - Federal	3,543				3,543
Soldiveri - Recreation	617				617
Municipal Alliance	37,292	3,531		40,187	636
Muchuga	690		451		239
Safe Corridors - Federal	28,226	5,205		10,434	22,997
FEMA - Hazard Mitigation - Federal	190,764				190,764
FEMA - Hazard Mitigation - Local	<u>21,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,196</u>
	<u>\$ 355,734</u>	<u>\$ 48,548</u>	<u>\$ 14,800</u>	<u>\$ 64,910</u>	<u>\$ 324,572</u>
		Grants Receivable		\$ 55,338	
		Credited to Operations		<u>9,572</u>	
				<u>\$ 64,910</u>	

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR TAX APPEALS PENDING

Balance, December 31, 2016		\$ 2,956,267
Increased by:		
2017 Budget Appropriation	\$ 170,000	
Transfer from Current Year Tax Collections	<u>500,000</u>	
		<u>670,000</u>
		3,626,267
Decreased by:		
Tax Appeal Refunds	963,578	
Tax Appeal Judgements Payable	<u>304,366</u>	
		<u>1,267,944</u>
Balance, December 31, 2017		<u>\$ 2,358,323</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</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, 2016	\$ 5,303	\$ 3,794	\$ 3,079,780
Increased by:			
Interest on Deposits	\$ 148	\$ 14	\$ 16,380
Assessments Receivable	64,176		
Interest on Assessments	9,863		
Miscellaneous Reserves			817,464
Received from Current Fund			4,534
Received for Current Fund			152,975
Received from Water Utility Operating Fund			7,000
Received from Swim Pool Utility Operating Fund			200
Escrow Deposits			318,568
Premiums Received from Tax Sale			148,700
Dog License Fees Collected		1,193	
Due State of NJ - Dog Registration Fees		264	
Employee Unemployment Contributions			9,352
Net Pay and Payroll Deduction Deposits	-	-	8,798,116
	<u>74,187</u>	<u>1,471</u>	<u>10,273,289</u>
	79,490	5,265	13,353,069
Decreased by Disbursements:			
Due State of NJ - Dog Registration Fees		272	
Reserve for Animal Control Expenditures		655	
Miscellaneous Reserves			908,181
Unemployment Claims Due to State			12,896
Escrow Deposits Payable			262,358
Tax Sale Premiums Refunded			235,200
Payments made to Current Fund	8,953	1,210	
Payments made to General Capital Fund	70,000		
Payroll Disbursements	-	-	8,800,265
	<u>78,953</u>	<u>2,137</u>	<u>10,218,900</u>
Balance , December 31, 2017	<u>\$ 537</u>	<u>\$ 3,128</u>	<u>\$ 3,134,169</u>

**BOROUGH OF TOTOWA
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, <u>2017</u>
Due to Current Fund	\$ 9,863
Due to General Capital Fund	351,718
Unfinanced Assessments	
Ord. 03-10 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd. - Phase II	<u>(361,044)</u>
	<u>\$ 537</u>

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, <u>2016</u>	<u>Collected</u>	Balance December 31, <u>2017</u>	Balance <u>Pledged to</u> Due General <u>Capital Fund</u>
03-10	Replacement of Sidewalks, Curbs and Driveways on Union Blvd. - Phase II	\$ 425,220	\$ 64,176	\$ 361,044	\$ 361,044
		<u>\$ 425,220</u>	<u>\$ 64,176</u>	<u>\$ 361,044</u>	<u>\$ 361,044</u>

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

Balance, December 31, 2016	\$ 8,805
Increased by:	
Interest on Deposits	\$ 148
Interest on Assessment	<u>9,863</u>
	<u>10,011</u>
	18,816
Decreased by:	
Payments Made to Current Fund	<u>8,953</u>
Balance, December 31, 2017	<u>\$ 9,863</u>

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

Balance, December 31, 2016		\$ 2,584
Increased by:		
Dog License Fees Collected		<u>1,193</u>
		3,777
Decreased by:		
Disbursements for Expenditures Under R.S. 4: 19~ 15.11	\$ 655	
Statutory Excess Due Current Fund	<u>647</u>	
		<u>1,302</u>
Balance, December 31, 2017		<u><u>\$ 2,475</u></u>

EXHIBIT B-6

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

Balance, December 31, 2016		\$ 14
Increased by;		
Dog License Registration Fees Collected		<u>264</u>
		278
Decreased by:		
Payments		<u>272</u>
Balance, December 31, 2017		<u><u>\$ 6</u></u>

EXHIBIT B-7

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

Balance, December 31, 2016		\$ 1,196
Increased by:		
Interest Earnings Due to Current Fund	\$ 14	
Statutory Excess in Reserve for Animal Control Expenditures	<u>647</u>	
		<u>661</u>
		1,857
Decreased by:		
Payments to Current Fund		<u>1,210</u>
Balance, December 31, 2017		<u><u>\$ 647</u></u>

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

Balance, December 31, 2016		\$ 1,427,685
Increased by:		
Cash Receipts		<u>318,568</u>
		1,746,253
Decreased by:		
Cash Disbursements	\$ 262,358	
Cancelled Escrow Balances - Due to Current Fund	<u>7,740</u>	
		<u>270,098</u>
Balance, December 31, 2017		<u>\$ 1,476,155</u>

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

Balance, December 31, 2016		\$ 158,558
Increased by:		
Transferred from 2016 Appropriation Reserves:		
Accumulated Absences Reserve	\$ 137,000	
Snow Removal Reserve	135,000	
Unemployment Insurance Reserve	<u>14,000</u>	
	\$ 286,000	
Transferred from 2017 Budget Appropriations - Unemployment Insurance Reserve	<u>14,000</u>	
		<u>300,000</u>
		458,558
Decreased by:		
Receipts from Current Fund	4,534	
Receipts for Current Fund - Police Outside Duty Admin. Fees	152,975	
Interest on Deposits	7,059	
Cancelled Escrow Balances	<u>7,740</u>	
		<u>172,308</u>
Balance, December 31, 2017		<u>\$ 286,250</u>

Analysis of Balance

Escrow Account (Due From)	\$ 272,250
Unemployment Compensation Insurance Account (Due From)	<u>14,000</u>
	<u>\$ 286,250</u>

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

Balance, December 31, 2016	\$ 191,600
Increased by:	
Cash Receipts	<u>148,700</u>
	340,300
Decreased by:	
Payments	<u>235,200</u>
Balance, December 31, 2017	<u><u>\$ 105,100</u></u>

EXHIBIT B-11

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

Balance, December 31, 2016	\$ 10,423
Increased by:	
Net Pay	\$ 5,217,577
Payroll Deductions	<u>3,580,539</u>
	<u>8,798,116</u>
	8,808,539
Decreased by:	
Payroll Disbursements	<u>8,800,265</u>
Balance, December 31, 2017	<u><u>\$ 8,274</u></u>

EXHIBIT B-12

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

Increased by:	
Unemployment Claims	\$ 12,896
Decreased by:	
Payments to State	<u>\$ 12,896</u>

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

Balance, December 31, 2016				\$	131,101
Increased by:					
2017 Budget Appropriations:					
Due from Current Fund	\$	14,000			
Due from Water Utility Operating Fund		3,500			
Due from Pool Utility Operating Fund		<u>100</u>			
			\$	17,600	
2016 Appropriation Reserves:					
Due from Current Fund		14,000			
Due from Water Utility Operating Fund		3,500			
Due from Pool Utility Operating Fund		<u>100</u>			
				17,600	
Employee Payroll Deductions				9,352	
Interest on Deposits				<u>293</u>	
					<u>44,845</u>
					175,946
Decreased by:					
Unemployment Claims Due to State					<u>12,896</u>
Balance, December 31, 2017				\$	<u>163,050</u>

EXHIBIT B-14

STATEMENT OF MISCELLANEOUS RESERVES AND DPOSITS
OTHER TRUST FUND

	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Reserve for Recycling Program Fees	\$ 125,501	\$ 45,316	\$ 18,586	\$ 152,231
Reserve for Centennial Club Donations	22,805			22,805
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	59,826	5,550	3,050	62,326
Reserve for Recreation Program Fees	29,814	40,561	42,423	27,952
Reserve for Polling Place Deposit	146			146
Reserve for Affordable Housing Fees	607,162	19,451	68,331	558,282
Reserve for Police Outside Duty Fees	4,900	623,970	609,107	19,763
Reserve for Accumulated Absence Liability	433,852	137,000	37,945	532,907
Reserve for Snow Removal Costs	140,000	135,000		275,000
Reserve for Outside Lienholders Deposits	47,676	80,063	127,739	-
Reserve for Hickory Hill II Deposit	192			192
Reserve for POAA Fees	7,276	2,111	1,000	8,387
Reserve for Disposal of Forfeited Material Deposits	<u>1,037</u>	<u>9,470</u>	<u>-</u>	<u>10,507</u>
	<u>\$ 1,481,129</u>	<u>\$ 1,098,492</u>	<u>\$ 908,181</u>	<u>\$ 1,671,440</u>
Interest on Deposits		\$ 9,028		
Cash Receipts		817,464		
Due from Current Fund - 2016 Appropriation Reserves		272,000		
Cash Disbursements		<u>-</u>	<u>\$ 908,181</u>	
		<u>\$ 1,098,492</u>	<u>\$ 908,181</u>	

GENERAL CAPITAL FUND

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

Balance, December 31, 2016		\$ 1,137,667
Increased by:		
Interest Earnings	\$ 321	
Grant Receipts	780,551	
Reserve for Sewer Connection Charges	4,000	
Reserve for Capital Improvements and Acquisitions	5,374	
Received from Current Fund	879,050	
Received from Assessment Trust Fund	<u>70,000</u>	
		<u>1,739,296</u>
		2,876,963
Decreased by:		
Improvement Authorizations	308,039	
Contracts Payable	<u>765,476</u>	
		<u>1,073,515</u>
Balance, December 31, 2017		<u>\$ 1,803,448</u>

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

	Balance, December 31, <u>2017</u>
Fund Balance	\$ 74
Capital Improvement Fund	694,853
Contracts Payable	698,291
Due to Current Fund	585,000
Due from Assessment Trust Fund	(351,718)
Grants Receivable	(771,029)
Reserve for Sewer Connection Charges	18,000
Reserve for Capital Improvements and Acquisitions	22,077
Reserve for Fire Truck	94,644
Reserve for Land Sale Proceeds	850
Improvement Authorizations:	
Ordinance	
<u>Number</u>	<u>Description</u>
08-04	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase I
03-10	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase II
08-12/ 06-13/ 10-13/ 05-14/ 09-15/12-16/	
07-17	Various Sanitary Sewer, Storm Sewer, and Road Improvements
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)
12-13	Flood Acquisition Project
08-15	Improvements to Lincoln Field
10-15	Various Road Improvements
15-15	Various Capital Improvements
16-15	Purchase and Installation of a Generator
11-16	Various Capital Improvements
13-16	Installation of Tennis Courts at Lincoln Field
06-17	Various Capital Improvements and Acquisitions
08-17	Various Road Improvements
	<u>377,200</u>
	<u>\$ 1,803,448</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANT RECEIVABLE**

Ord. No.	Agency	Balance, December 31, 2016	Grant Award	Collections	Balance, December 31, 2017	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	197,850		\$ 107,098	90,752		\$ 90,752
12-13	Green Acres Grant	325,000		234,260	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	
09-15	Community Development Block Grant	68,606		68,606	-	-	
10-15	Dept. of Transportation Grant	318,750		247,500	71,250	71,250	
12-16	Community Development Block Grant	101,066			101,066	101,066	
13-16	Passaic County Open Space	132,720		123,087	9,633	9,633	
07-17	Community Development Block Grant		\$ 100,000		100,000	100,000	
08-17	Dept. of Transportation - Furler Street		235,000		235,000	235,000	
08-17	Dept. of Transportation - Jefferson Pl	-	200,000	-	200,000	200,000	-
		<u>\$ 1,198,072</u>	<u>\$ 535,000</u>	<u>\$ 780,551</u>	<u>\$ 952,521</u>	<u>\$ 771,029</u>	<u>\$ 181,492</u>

STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2016	\$ 740,629
Increased by:	
Interest Earnings	\$ 321
Receipts from Current Fund	<u>879,050</u>
	<u>879,371</u>
	1,620,000
Decreased by:	
2017 Budget Appropriation:	
Capital Improvement Fund	855,000
Deferred Charge - Ord 03-13	<u>180,000</u>
	<u>1,035,000</u>
Balance, December 31, 2017	<u>\$ 585,000</u>

STATEMENT OF DUE FROM ASSESSMENT TRUST FUND

Balance, December 31, 2016	\$ 421,718
Decreased by:	
Received from Assessment Trust Fund	<u>70,000</u>
Balance, December 31, 2017	<u>\$ 351,718</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2016	2017 Authorizations	Grant Proceeds Received	Funded by Budget Appropriation	Balance, December 31, 2017	Analysis of Balance December 31, 2017	
							Expenditures	Unexpended Improvement Authorizations
	<u>General Improvements</u>							
03-13	Replacement of 24" Sanitary Sewer Force Main	\$ 900,000			\$ 180,000	\$ 720,000	\$ 594,693	\$ 125,307
12-13	Flood Acquisition Project	522,850		\$ 341,358		181,492	1,509	179,983
08-17	Various Road Improvements		\$ 365,000			365,000		365,000
	<u>Local Improvements</u>							
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	136,664				136,664		136,664
03-10	Replacement of Sidewalks, Curbs and Drive Aprons - Union Blvd. Phase II	236,282	-	-	-	236,282	-	236,282
		<u>\$ 1,795,796</u>	<u>\$ 365,000</u>	<u>\$ 341,358</u>	<u>\$ 180,000</u>	<u>\$ 1,639,438</u>	<u>\$ 596,202</u>	<u>\$ 1,043,236</u>
	Due from Current Fund				<u>\$ 180,000</u>			
					Improvement Authorizations - Unfunded			<u>\$ 1,043,236</u>

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2016	\$ 765,476
Increased by:	
Charged to Improvement Authorizations	<u>698,291</u>
	1,463,767
Decreased by:	
Cash Disbursements	<u>765,476</u>
Balance, December 31, 2017	<u><u>\$ 698,291</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2016	\$ 479,853
Increased by:	
2017 Budget Appropriation Due from Current Fund	<u>855,000</u>
	1,334,853
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>640,000</u>
Balance, December 31, 2017	<u><u>\$ 694,853</u></u>

STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES

Balance, December 31, 2016	\$ 14,000
Increased by:	
Cash Receipts	<u>4,000</u>
Balance, December 31, 2017	<u><u>\$ 18,000</u></u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS AND ACQUISITIONS

Balance, December 31, 2016	\$ 16,703
Increased by:	
Cash Receipts	<u>5,374</u>
Balance, December 31, 2017	<u>\$ 22,077</u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR FIRE TRUCK

Balance, December 31, 2016	<u>\$ 94,644</u>
Balance, December 31, 2017	<u>\$ 94,644</u>

EXHIBIT C-13

STATEMENT OF RESERVE FOR LAND SALE PROCEEDS

Balance, December 31, 2016	<u>\$ 850</u>
Balance, December 31, 2017	<u>\$ 850</u>

BOROUGH OF TOTOWA
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

		2017 Authorizations								
Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2016		Capital Improvement Fund	Grant Awards	Deferred Charges to Future Taxation	Paid or Charged	Balance, December 31, 2017	
			Funded	Unfunded					Funded	Unfunded
<u>General Improvements</u>										
08-12/ 06-13/ 10-13/ 05-14/ 09-15/ 12-16/										
07-17	Various Sanitary Sewer, Storm Sewer and Road Improvements	\$ 1,028,429	\$ 173,346			\$ 100,000		\$ 1,911	\$ 271,435	
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		181,444				1,461		179,983
08-15	Improvements to Lincoln Field	127,677	23,107						23,107	
10-15	Various Road Improvements	858,000	235,085					234,945	140	
15-15	Various Capital Improvements and Acquisitions	600,000	103,999					100,095	3,904	
16-15	Purchase and Installation of a Generator	52,000	2,733						2,733	
11-16	Various Capital Improvements and Acquisitions	641,000	481,418					280,277	201,141	
13-16	Installation of Tennis Courts at Lincoln Field	132,720	131,945					122,312	9,633	
06-17	Various Capital Improvements and Acquisitions	640,000			\$ 640,000			207,529	432,471	
08-17	Various Road Improvements	800,000				435,000	\$ 365,000	57,800	377,200	365,000
<u>Local Improvements</u>										
08-04	Replacements of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	488,000	35,970	136,664					35,970	136,664
03-10	Replacements of Sidewalks, Curbs and Aprons-Union Blvd.	970,000	50,874	236,282	-	-	-	-	50,874	236,282
			<u>\$ 1,238,477</u>	<u>\$ 679,697</u>	<u>\$ 640,000</u>	<u>\$ 535,000</u>	<u>\$ 365,000</u>	<u>\$ 1,006,330</u>	<u>\$ 1,408,608</u>	<u>\$ 1,043,236</u>
Cash Disbursements								\$ 308,039		
Encumbrances Payable								698,291		
								\$ 1,006,330		

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

Ord. No.	Purpose	Balance, December 31, 2016	2017 Authorizations	Funded by Assessments Collected	Grant Proceeds Received	Funded by Budget Appropriation	Balance, December 31, 2017	
							Capital Fund	Trust Fund
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	\$ 136,664					\$ 136,664	
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	661,502		\$ 64,176			236,282	\$ 361,044
03-13	Replacement of 24" Sanitary Sewer Force Main	900,000				\$ 180,000	720,000	
12-13	Flood Acquisition Project	522,850			\$ 341,358		181,492	
08-17	Various Road Improvements	-	\$ 365,000	-	-	-	365,000	-
		<u>\$ 2,221,016</u>	<u>\$ 365,000</u>	<u>\$ 64,176</u>	<u>\$ 341,358</u>	<u>\$ 180,000</u>	<u>\$ 1,639,438</u>	<u>\$ 361,044</u>

WATER UTILITY FUND

BOROUGH OF TOTOWA
STATEMENT OF CASH - WATER TREASURER

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2016	\$ 1,020,663	\$ 5,932
Increased by Receipts:		
Collector	\$ 2,970,629	
Interest Earned	6,114	
Non-Budget Revenues	20,310	
2017 Budget Appropriation:		
Capital Improvement Fund		\$ 20,000
Cost of Improvements	-	183,577
	<u>2,997,053</u>	<u>203,577</u>
	4,017,716	209,509
Decreased by Disbursements:		
2017 Budget Appropriations	2,956,318	
2016 Appropriation Reserves	2,415	
Encumbrances Payable	327,070	13,269
Payments Made to Other Trust Fund	7,000	-
	<u>3,292,803</u>	<u>13,269</u>
Balance, December 31, 2017	<u>\$ 724,913</u>	<u>\$ 196,240</u>

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

Received in 2017	
Consumer Accounts Receivable	\$ 2,937,798
Interest on Delinquent Accounts	29,195
Overpayments	<u>3,636</u>
	\$ 2,970,629
Decreased by:	
Payment to Treasurer	<u>\$ 2,970,629</u>

**ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2017</u>
Fund Balance	\$ 1,961
Capital Improvement Fund	92,108
Reserve for Water Tower Fees	14,219
Contracts Payable	64,240
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>(64,240)</u>
	<u>\$ 196,240</u>

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

Balance, December 31, 2016			\$ 591,437
Increased by:			
Water Usage Charges Levied		\$ 2,665,058	
Miscellaneous Fees and Charges		<u>299,865</u>	
			<u>2,964,923</u>
Decreased by:			3,556,360
Collections:			
Water Usage Charges	\$ 2,643,548		
Miscellaneous Fees	<u>294,250</u>		
		2,937,798	
Overpayments Applied - Water Usage Charges		6,128	
Transferred to Water Utility Liens		<u>184</u>	
			<u>2,944,110</u>
Balance, December 31, 2017			<u>\$ 612,250</u>

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

Balance, December 31, 2016		\$ 463
Increased by:		
Transferred from Consumers' Accounts Receivable		<u>184</u>
Balance, December 31, 2017		<u>\$ 647</u>

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

	Balance, December 31, <u>2016</u>	<u>Additions</u>		Balance, December 31, <u>2017</u>
		<u>Budget Capital Outlay</u>	<u>Ordinance</u>	
Distribution Mains, Lines and Accessories	\$ 1,985,349		\$ 131,873	\$ 2,117,222
Pump Stations	971,218			971,218
Water Tanks and Towers	933,756			933,756
Water Meters and Hydrants	268,419	\$ 8,060		276,479
Vehicles and Heavy Equipment	61,108	13,992		75,100
Billing and Accounting Systems	31,011			31,011
Telemetry Machine	22,300			22,300
Supervisory Control and Data Acquisition System	42,800			42,800
Leak Detection System	-	14,930	-	14,930
	<u>\$ 4,315,961</u>	<u>\$ 36,982</u>	<u>\$ 131,873</u>	<u>\$ 4,484,816</u>
2017 Budget Appropriations		\$ 34,772		
2016 Appropriation Reserves		2,210		
		<u>\$ 36,982</u>		

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

Ord. <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2016</u>	<u>2017 Authorizations</u> <u>Deferred Charges</u> <u>to Future</u> <u>Revenue</u>	<u>Costs to</u> <u>Fixed</u> <u>Capital</u>	Balance, December 31, <u>2017</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	175,000		\$ 131,873	43,127
09-17	Furler St Water Main Replacement	-	\$ 510,000	-	510,000
		<u>\$ 219,825</u>	<u>\$ 510,000</u>	<u>\$ 131,873</u>	<u>\$ 597,952</u>

BOROUGH OF TOTOWA
STATEMENT OF 2016 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND

	Balance, December 31, <u>2016</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Salaries and Wages	\$ 21,237	\$ 21,237		\$ 21,237
Other Expenses	<u>24,457</u>	<u>24,457</u>	\$ 205	<u>24,252</u>
	<u>45,694</u>	<u>45,694</u>	<u>205</u>	<u>45,489</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>25,185</u>	<u>25,185</u>	<u>2,210</u>	<u>22,975</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to				
Social Security System (O.A.S.I)	2,830	2,830		2,830
Unemployment Compensation Insurance	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
	<u>6,330</u>	<u>6,330</u>	<u>3,500</u>	<u>2,830</u>
	<u>\$ 77,209</u>	<u>\$ 77,209</u>	<u>\$ 5,915</u>	<u>\$ 71,294</u>
Cash Disbursements			\$ 2,415	
Due to Other Trust Fund			<u>3,500</u>	
			<u>\$ 5,915</u>	

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

Balance, December 31, 2016		\$ 3,500
Increased by:		
2017 Budget Appropriations - Unemployment Compensation Insurance	\$ 3,500	
2016 Appropriation Reserves - Unemployment Compensation Insurance	<u>3,500</u>	
		<u>7,000</u>
		10,500
Decreased by:		
Cash Disbursed		<u>7,000</u>
Balance, December 31, 2017		<u>\$ 3,500</u>

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

Balance, December 31, 2016		\$ 369,948
Increased by:		
Charges to 2017 Budget Appropriations		<u>354,383</u>
		724,331
Decreased by:		
Cash Disbursements	\$ 327,070	
Transferred to Accounts Payable	<u>42,878</u>	
		<u>369,948</u>
Balance, December 31, 2017		<u>\$ 354,383</u>

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

Balance, December 31, 2016	\$ 277
Increased by:	
Transfer From Encumbrances Payable	<u>42,878</u>
	43,155
Decreased by:	
Accounts Payable Cancelled	<u>277</u>
Balance, December 31, 2017	<u>\$ 42,878</u>

EXHIBIT D-16

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

Balance, December 31, 2016	\$ 6,128
Increased by:	
Overpayments Received in 2017 Rents	<u>3,636</u>
	9,764
Decreased by:	
Overpayments Applied to 2017 Rents	<u>6,128</u>
Balance, December 31, 2017	<u>\$ 3,636</u>

EXHIBIT D-17

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

Balance, December 31, 2016	\$ 13,269
Increased by:	
Charges to Improvement Authorizations	<u>64,240</u>
	77,509
Decreased by:	
Cash Disbursements	<u>13,269</u>
Balance, December 31, 2017	<u>\$ 64,240</u>

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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2016		2017 Authorizations Deferred Charges to Future Revenue		Paid or Charged		Balance, December 31, 2017	
			Funded	Unfunded					Funded	Unfunded
02-08	Acquisition of Pump for Shepherds Lane		\$ 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	-	-	\$ 510,000	\$ 64,240			-	\$ 445,760
			<u>\$ 87,952</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ 64,240</u>			<u>\$ 87,952</u>	<u>\$ 445,760</u>
					Encumbrances Payable	<u>\$ 64,240</u>				

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

Balance, December 31, 2016	\$ 72,108
Increased by:	
2017 Budget Appropriation	<u>20,000</u>
Balance, December 31, 2017	<u>\$ 92,108</u>

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

Balance, December 31, 2016			\$ 4,132,384
Increased by:			
2017 Budget Appropriation - Cost of Improvements		\$ 183,577	
Capital Outlay			
2017 Budget Appropriation	\$ 34,772		
2016 Appropriation Reserves	<u>2,210</u>		
		36,982	
Transfer from Deferred Reserve for Amortization		<u>131,873</u>	
			<u>352,432</u>
Balance, December 31, 2017			<u>\$ 4,484,816</u>

EXHIBIT D-21

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2016</u>	Transfer to Reserve for <u>Amortization</u>	Balance, December 31, <u>2017</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>175,000</u>	<u>\$ 131,873</u>	<u>43,127</u>
		<u>\$ 219,825</u>	<u>\$ 131,873</u>	<u>\$ 87,952</u>

EXHIBIT D-22

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

Balance, December 31, 2016	<u>\$ 14,219</u>
Balance, December 31, 2017	<u>\$ 14,219</u>

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>2016</u>	2017 <u>Authorizations</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2017</u>
12-01	Construction of Water Line @ Totowa Villages	\$ 183,577		\$ 183,577	
09-17	Furler St Water Main Replacement	<u>-</u>	<u>\$ 510,000</u>	<u>-</u>	<u>\$ 510,000</u>
		<u>\$ 183,577</u>	<u>\$ 510,000</u>	<u>\$ 183,577</u>	<u>\$ 510,000</u>

SWIM POOL UTILITY FUND

BOROUGH OF TOTOWA
STATEMENT OF SWIM POOL UTILITY CASH - TREASURER

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2016	\$ 22,207	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 65,000	
Received from Current Fund	69,236	
Non-Budget Revenues	<u>5,149</u>	<u>-</u>
	<u>139,385</u>	<u>-</u>
	161,592	192
Decreased by Disbursements:		
2017 Budget Appropriations	109,865	
Encumbrances Payable	1,042	
Payments Made to Other Trust Fund	<u>200</u>	<u>-</u>
	<u>111,107</u>	<u>-</u>
Balance, December 31, 2017	<u><u>\$ 50,485</u></u>	<u><u>\$ 192</u></u>

ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH

	Balance, December 31, <u>2017</u>
Fund Balance	<u><u>\$ 192</u></u>

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

<u>Description</u>	Balance, December 31, <u>2016</u>	<u>Additions</u> Budget <u>Capital Outlay</u>	Balance, December 31, <u>2017</u>
Improvement of Municipal Swimming Pool	\$ 120,143		\$ 120,143
Various Improvements on the Site of Existing Swimming Pool Facility	<u>120,669</u>	<u>\$ 2,465</u>	<u>123,134</u>
	<u>\$ 240,812</u>	<u>\$ 2,465</u>	<u>\$ 243,277</u>

EXHIBIT E-8

**STATEMENT OF 2016 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2016</u>	Balance After <u>Transfer</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses	\$ 5,418	\$ 5,418		\$ 5,418
 CAPITAL IMPROVEMENTS				
Capital Outlay	13,958	13,958		13,958
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to				
Social Security System (O.A.S.I.)	671	671		671
Unemployment Compensation				
Insurance (NJ 43:21-3 et seq.)	<u>100</u>	<u>100</u>	<u>\$ 100</u>	<u>-</u>
	<u>\$ 20,147</u>	<u>\$ 20,147</u>	<u>\$ 100</u>	<u>\$ 20,047</u>
			<u>\$ 100</u>	
				<u>\$ 20,047</u>

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

Balance, December 31, 2016 (Due from)		\$ 101
Increased by:		
Anticipated Revenue - Deficit (General Budget)		<u>55,986</u>
		56,087
Decreased by:		
2016 Appropriation Reserves Cancelled - Prior Year Deficit Funding Returned	\$ 20,047	
Received from Current Fund	<u>69,236</u>	
		<u>89,283</u>
Balance, December 31, 2017 (Due to)		<u><u>\$ 33,196</u></u>

**STATEMENT OF DUE TO OTHER TRUST FUND
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2016		\$ 100
Increased by:		
2017 Budget Appropriations - Unemployment Compensation Insurance	\$ 100	
2016 Appropriation Reserves - Unemployment Compensation Insurance	<u>100</u>	
		<u>200</u>
		300
Decreased by:		
Cash Disbursed		<u>200</u>
Balance, December 31, 2017		<u><u>\$ 100</u></u>

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

Balance, December 31, 2016	\$ 1,452
Increased by:	
Charges to 2017 Budget Appropriations	<u>49</u>
	1,501
Decreased by:	
Cash Disbursed	\$ 1,042
Transferred to Accounts Payable	<u>410</u>
	<u>1,452</u>
Balance, December 31, 2017	<u><u>\$ 49</u></u>

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

Increased by:	
Transferred from Encumbrances Payable	<u>\$ 410</u>
Balance, December 31, 2017	<u><u>\$ 410</u></u>

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

Balance, December 31, 2016	\$ 240,812
Increased by:	
Capital Outlay - Operating Budget	<u>2,465</u>
Balance, December 31, 2017	<u><u>\$ 243,277</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, 2016	\$ 20,388	\$ 7,331	\$ 13,057
Increased by:			
State Aid	9,200		9,200
Refunds-State Matched Assistance	147		147
Interest Earned	<u>55</u>	<u>28</u>	<u>27</u>
	<u>9,402</u>	<u>28</u>	<u>9,374</u>
	<u>29,790</u>	<u>7,359</u>	<u>22,431</u>
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	20,358		20,358
Payments to Current Fund	<u>28</u>	<u>28</u>	<u>-</u>
	<u>20,386</u>	<u>28</u>	<u>20,358</u>
Balance, December 31, 2017	<u>\$ 9,404</u>	<u>\$ 7,331</u>	<u>\$ 2,073</u>

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

Increased by:	
Interest Earnings	\$ 28
Decreased by:	
Payments to Current Fund	<u>\$ 28</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, 2016	\$ 20,388	\$ 7,331	\$ 13,057
Increased by:			
Revenues	<u>9,374</u>	<u>-</u>	<u>9,374</u>
	29,762	7,331	22,431
Decreased by:			
Expenditures	<u>20,358</u>	<u>-</u>	<u>20,358</u>
Balance, December 31, 2017	<u>\$ 9,404</u>	<u>\$ 7,331</u>	<u>\$ 2,073</u>

EXHIBIT F-4

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 9,200		\$ 9,200
Refunds-State Matched Assistance	\$ 147		147
Interest Earnings	<u>27</u>	<u>-</u>	<u>27</u>
Total Revenues	9,374	-	9,374
Interest Earnings - Due to Current Fund	<u>28</u>	<u>\$ 28</u>	<u>-</u>
Total Receipts	<u>\$ 9,402</u>	<u>\$ 28</u>	<u>\$ 9,374</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	\$ 9,303		\$ 9,303
Temporary Rental Assistance	<u>11,055</u>	<u>-</u>	<u>11,055</u>
 Total Expenditures	 20,358	 -	 20,358
 Due to Current Fund	 <u>28</u>	 <u>\$ 28</u>	 <u>-</u>
 Total Disbursements	 <u>\$ 20,386</u>	 <u>\$ 28</u>	 <u>\$ 20,358</u>

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT



LERCH, VINCI & HIGGINS, LLP

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

INDEPENDENT AUDITOR'S REPORT

Honorable 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018. 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 no instances of noncompliance or other matters that are 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
June 29, 2018

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Program</u>		<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Award Amount</u>	<u>2017 Grant Receipts</u>	<u>Balance January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance December 31, 2017</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	\$ 107,098	197,850		\$ 107,098		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. 09-2015	Capital	N/A		2015	106,581	68,606	1,911		1,911		-	106,581
Sewer Main Improvements Ord. 12-2016	Capital	N/A		2016	101,066		101,066				101,066	-
Sewer Main Improvements Ord. 07-2017	Capital	N/A		2017	100,000		-	\$ 100,000	-	-	100,000	-
Total Community Development Block Grant Cluster							313,322	100,000	109,009	-	304,313	1,040,866
Assistance to Firefighters	Current	N/A	97.044		87,566		3,543				3,543	84,023
Hazard Mitigation Grant Program	Current	HMGP-DR-4086-NJ-0153	97.039	2015	265,764		190,764				190,764	75,000
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		2016	5,205		5,205				5,205	-
				2015	10,434		10,434			\$ 10,434	-	-
				2014	8,797		8,797				8,797	-
				2012	8,995		8,995	-	-	-	8,995	-
Total Safe Corridors Cluster							33,431	-	-	10,434	22,997	-
							\$ 541,060	\$ 100,000	\$ 109,009	\$ 10,434	\$ 521,617	

Note: The Federal Award programs are not subject to a Single Audit in accordance with U.S. Uniform Guidance.

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expended</u>
Drug and Alcohol Municipal Alliance	N/A	2017	\$ 22,440	\$ 11,220		\$ 22,440	\$ 14,211			\$ 8,229	\$ 14,211
		2016	22,440	6,911	\$ 3,531				\$ 2,895	636	18,909
		2015	22,440		11,410				11,410	-	11,030
		2014	23,533		3,520				3,520	-	20,013
		2013	24,625		16,256				16,256	-	8,369
		2012	25,163		3,356				3,356	-	21,807
		2011	25,163		2,258				2,258	-	22,905
		2010	27,200		492	-	-	-	492	-	26,708
Total Municipal Alliance Cluster					40,823	22,440	14,211	-	40,187	8,865	143,952
Clean Communities Grant Program	042-4900-765-004	2017	19,560	19,560							
		2016	23,023			23,023				23,023	-
		2015	20,138		20,138					20,138	-
		2014	16,557		16,557					16,557	-
		2013	17,654		17,654		2,917			14,737	2,917
		2012	15,037		6,891	-	6,891	-	-	-	15,037
Total Clean Communities Cluster					61,240	23,023	9,808	-	-	74,455	17,954
Drunk Driving Enforcement Fund	1110-448-031020-22	2017	7,860	7,860							
		2016	51,092		22,184		7,095			15,089	36,003
		2003	647		647					647	-
		2000	1,429		81					81	1,348
		1998	4,399		660					660	3,739
		1997	2,926		750					750	2,176
		1996	4,019		358	-	-	-	-	358	3,661
Total Drunk Driving Enforcement Cluster					24,680	-	7,095	-	-	17,585	46,927
Alcohol Education and Rehabilitation	098-9735-760-001	2017	2,702	2,702							
		2016	2,599			2,599				2,599	-
		2015	4,243		4,243					4,243	-
		2014	2,777		1,027					1,027	1,750
		2013	3,325		2,602		938			1,664	1,661
		2012	2,051		62	-	62	-	-	-	2,051
Total Alcohol Education and Rehabilitation Cluster					7,934	2,599	1,000	-	-	9,533	5,462
Safe and Secure Communities Program	066-1020-100-232	2017	60,000	60,000		60,000	60,000			-	60,000
DOT Highway Safety Fund	078-6100-100-051	2017	3,773	3,773		3,773				3,773	

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Adjustment/ (Cancelled)</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expended</u>
Body Armor Replacement Fund	066-1020-718-001	2017	\$ 4,519	\$ 4,519							
		2016	3,754			\$ 3,754				\$ 3,754	-
		2015	3,281		\$ 2,857	424	\$ 2,515			766	\$ 2,515
		2014	6,034		6,034		2,355			3,679	2,355
		2013	7,872		1,186	-	1,186	-	-	-	7,872
Total Body Armor Replacement Cluster					10,077	4,178	6,056	-	-	8,199	12,742
Recycling Tonnage Grant	042-4900-752-001	2015	16,496	16,496							
		2014	13,637	13,637	-	13,637	13,637	-	-	-	13,637
Total Recycling Cluster					-	13,637	13,637	-	-	-	13,637
Department of Transportation-Local Municipal Aid, NJTPA											
Gordan Ave. Improvements (Ord. 10-15)	078-6320-480-ALL	2015	135,000	33,750							135,000
Hobart Place Improvements (Ord. 10-15)	078-6320-480-ALW	2015	140,000	105,000	140,000		105,000			35,000	
Hobart Pl & Gordon Ave - Final Phase (Ord. 10-15)	078-6320-480-ALS	2015	145,000	108,750	145,000		108,750			36,250	
Furler Street Improvements (Ord 08-17)	078-6320-480-xxx	2017	235,000			235,000				235,000	235,000
Jefferson Street Improvements (Ord 08-17)	078-6320-480-xxx	2017	200,000		-	200,000	-	-	-	200,000	200,000
Total Department of Transportation Cluster					285,000	435,000	213,750	-	-	506,250	435,000
Green Acres Grant (Ord. 12-2014)	042-4800-582-02	2013	325,000	234,260	325,000		234,260			90,740	234,260
Department of Human Services General Assistance	054-7550-100-250	2017	9,200		13,057	9,200	20,358	\$ 174	-	2,073	20,358
					\$ 767,811	\$ 573,850	\$ 580,175	\$ 174	\$ 40,187	\$ 721,473	

Note: The State Financial Assistance Programs are not subject to a Single 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, 2017

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		\$ 129,650	\$ 129,650
General Capital Fund	\$ 100,000	435,000	535,000
Public Assistance Fund	<u>-</u>	<u>9,200</u>	<u>9,200</u>
Total Financial Awards	<u>\$ 100,000</u>	<u>\$ 573,850</u>	<u>\$ 673,850</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 QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 were none.

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, 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, 2017**

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 2016-001

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

Current 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, 2017**

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 1,900,000	3.18 %		\$ 1,900,000	3.17 %
Miscellaneous - From Other Than Local					
Property Tax Levies	4,052,560	6.78		3,877,257	6.47
Collection of Delinquent Taxes	749,614	1.25		1,108,378	1.85
Collection of Current Tax Levy	52,471,059	87.79		52,567,125	87.69
Other Credits to Income	<u>592,194</u>	<u>1.00</u>		<u>495,135</u>	<u>0.82</u>
Total Income	<u>59,765,427</u>	<u>100.00 %</u>		<u>59,947,895</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	15,915,139	27.93 %		15,729,470	27.60 %
County Taxes	15,639,652	27.44		16,605,743	29.14
Local and Regional School Taxes	25,398,774	44.57		24,875,722	43.65
Other Expenditures	<u>35,004</u>	<u>0.06</u>		<u>195,228</u>	<u>0.34</u>
Total Expenditures	<u>56,988,569</u>	<u>100.00 %</u>		<u>57,406,163</u>	<u>100.73 %</u>
Statutory Excess to Fund Balance	2,776,858			2,541,732	
Fund Balance, January 1	<u>3,368,121</u>			<u>2,726,389</u>	
	6,144,979			5,268,121	
Less Utilization as Anticipated Revenue	<u>1,900,000</u>			<u>1,900,000</u>	
Fund Balance, December 31	<u>\$ 4,244,979</u>			<u>\$ 3,368,121</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 339,000	9.94 %	\$	357,000	10.06 %
Collection of Water Usage Charges	2,649,676	77.70		2,770,453	78.09
Miscellaneous - From Other Than Water Usage Charges	349,869	10.26		371,904	10.48
Other Credits to Income	<u>71,571</u>	<u>2.10</u>		<u>48,632</u>	<u>1.37</u>
Total Income	<u>3,410,116</u>	<u>100.00</u> %		<u>3,547,989</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	2,995,180	88.32 %		2,883,524	85.38 %
Capital Improvements	60,000	1.77		140,000	4.14
Deferred Charges and Statutory Expenditures	<u>336,011</u>	<u>9.91</u>		<u>353,650</u>	<u>10.48</u>
Total Expenditures	<u>3,391,191</u>	<u>100.00</u> %		<u>3,377,174</u>	<u>100.00</u> %
Statutory Excess to Fund Balance	18,925			170,815	
Fund Balance, January 1	<u>563,601</u>			<u>749,786</u>	
	582,526			920,601	
Less Utilization as Anticipated Revenue	<u>339,000</u>			<u>357,000</u>	
Fund Balance, December 31	<u>\$ 243,526</u>			<u>\$ 563,601</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>		
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>	
REVENUE AND OTHER INCOME REALIZED						
Collection of Swimming Pool Fees	\$ 65,000	92.66 %	\$	57,612	99.21 %	
Miscellaneous	5,149	7.34		64	0.11	
Other Credits to Income	-	-		395	0.68	
	<u>-</u>	<u>-</u>		<u>395</u>	<u>0.68</u>	
Total Income	<u>70,149</u>	<u>100.00 %</u>		<u>58,071</u>	<u>100.00 %</u>	
EXPENDITURES						
Budget Expenditures						
Operating	105,835	83.91 %		100,600	83.69 %	
Capital Improvements	15,000	11.89		15,000	12.48	
Deferred Charges and Statutory Expenditures	5,300	4.20		4,600	3.83	
	<u>126,135</u>	<u>100.00 %</u>		<u>120,200</u>	<u>100.00 %</u>	
Total Expenditures	<u>126,135</u>	<u>100.00 %</u>		<u>120,200</u>	<u>100.00 %</u>	
Deficit in Revenue	(55,986)			(62,129)		
Adjustments to Income Before Fund Balance						
Realized from General Budget for Anticipated Deficit	<u>55,986</u>			<u>62,129</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>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.359</u>	<u>\$2.349</u>	<u>\$2.284</u>

Apportionment of Tax Rate

Municipal	.524	.511	.503
Library	.031	.032	.031
County	.677	.713	.698
County – Open Space	.009	.010	.010
Local District School	.691	.665	.638
Regional High School	.427	.418	.404

Assessed Valuation

2017	<u>\$2,273,354,614</u>	
2016	<u>\$2,296,097,333</u>	
2015		<u>\$2,308,222,024</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>
2017	\$ 53,744,212	\$ 52,971,059	98.56%
2016	53,991,677	53,067,125	98.28%
2015	52,733,276	51,377,955	97.42%

**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>
2017	\$ 700,418	\$ 4,736	\$ 705,154	1.31%
2016	757,878	3,547	761,425	1.41%
2015	1,106,878	2,363	1,109,241	2.10%

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>
2017	\$72,900
2016	72,900
2015	72,900

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2017	\$2,964,923	\$2,943,926	99.29%
2016	3,076,999	3,069,216	99.75%
2015	3,256,980	3,234,836	99.32%

*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	2017	\$4,244,979	\$2,220,000
	2016	3,368,121	1,900,000
	2015	2,726,389	1,900,000
	2014	2,594,168	1,895,000
	2013	2,501,448	1,895,000
Water Utility Fund	2017	\$243,526	\$115,000
	2016	563,601	339,000
	2015	749,786	357,000
	2014	424,139	282,384
	2013	298,604	200,000
Swim Pool Utility Operating Fund	2017	\$609	0
	2016	609	0
	2015	609	0
	2014	609	0
	2013	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		
Carolyn Fontanella	Councilwoman		
Anthony Picarelli	Councilman		
Joseph Wassel	Borough Clerk		
	Unconfirmed Assessment Search Officer		
	Certifying Agent - Retirement Systems		
John Waryas	Deputy Water Registrar		
Elaine Reddin	Tax Collector	(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 finding was 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.

Current Year Findings

Our audit of the Council on Affordable Housing (COAH) tracking and monitoring reports revealed that the 2017 annual report was not updated to include all financial transactions relating to COAH through year-end. It is recommended that COAH tracking and monitoring reports be updated to reflect all financial transactions recorded in the Borough records.

Our audit of the municipal court revealed that there were 346 tickets assigned but not issued for a period greater than 180 days. It is recommended that all tickets assigned but not issued greater than 180 days be recalled by the municipal court.

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:

Tennis Courts at Lincoln Field
2016 Road Program

Hobart Pl. and Gordon Ave. Improvements

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.

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.

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS (Continued)

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, 2017 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.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 26, 2017.

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>
2017	1
2016	1
2015	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.

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS (Continued)

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.

**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. COAH tracking and monitoring reports be updated to reflect all financial transactions recorded in the Borough records.
- 3. All tickets assigned but not issued greater than 180 days be recalled by the municipal court.

* * * * *

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