

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF TOTOWA

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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, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Totowa, as of December 31, 2013 and 2012, 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, 2013, 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 principles 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. 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 of 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 and presented by the Borough of Totowa on the basis of financial accounting and reporting principles 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 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 requirement that the Borough of Totowa prepare and present its financial statements on the regulatory basis of accounting as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, 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, 2013 and 2012, or changes in financial position, or, where applicable, cash flows for the years then ended.

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, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2013 in accordance with the basis of financial accounting and reporting principles 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

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

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, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 April 22, 2014 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 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 0R00398

Fair Lawn, New Jersey
April 22, 2014

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	A-4	\$ 12,424,807	\$ 11,332,032
Cash - Change Funds	A-6	220	220
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-12	<u>69,670</u>	<u>276,654</u>
		<u>12,494,847</u>	<u>11,609,056</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-9	592,296	731,342
Property Acquired for Taxes	A-10	72,900	72,900
Revenue Accounts Receivable	A-11	38,553	47,153
Due from Assessment Trust Fund	B-4	2,489	2,730
Due from Animal Control Fund	B-8	1,157	2,398
Due from General Capital Fund	C-5	1,154,707	1,251,828
Due from Water Utility Operating Fund	D-11	111,546	71,659
Due from Swim Pool Utility Operating Fund	E-10	39,862	7,787
Due from Public Assistance Fund	F-5	<u>10,002</u>	<u>-</u>
		<u>2,023,512</u>	<u>2,187,797</u>
Deferred Charges			
Special Emergency Authorization	A-13	<u>122,800</u>	<u>173,000</u>
		<u>\$ 14,641,159</u>	<u>\$ 13,969,853</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, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 1,409,956	\$ 652,444
Encumbrance Payable	A-15	410,042	523,622
Accounts Payable	A-16	242,319	181,369
Prepaid Taxes	A-17	140,620	218,921
Tax Overpayments	A-18	974	8,255
Fees Payable	A-19	10,642	11,243
County Taxes Payable-Added Taxes	A-21	7,653	7,400
Local District School Tax Payable	A-22	4,160,253	3,939,736
Regional High School Tax Payable	A-23	2,560,801	2,670,890
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-8	75,905	64,484
Due to Other Trust Fund	B-10	81,640	53,023
Reserve for Unappropriated Grants	A-24	35,320	37,999
Reserve for Appropriated Grants	A-25	177,543	243,100
Reserve for Tax Appeals Pending	A-26\	795,028	693,630
Miscellaneous Reserves	A-27	<u>7,503</u>	<u>7,503</u>
		10,116,199	9,313,619
Reserve for Receivables	A	2,023,512	2,187,797
Fund Balance	A-1	<u>2,501,448</u>	<u>2,468,437</u>
		<u>\$ 14,641,159</u>	<u>\$ 13,969,853</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,800,000	\$ 1,828,000
Miscellaneous Revenue Anticipated	A-2	3,061,673	3,182,766
Receipts from Delinquent Taxes	A-2	724,026	523,575
Receipts from Current Taxes	A-2	47,726,243	48,053,226
Non-Budget Revenue	A-2	563,613	397,993
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	281,468	352,121
Swim Pool Utility Fund - Prior Year			
Operating Deficit Returned	E-10	38,655	24,788
Statutory Excess - Animal Control Fund	B-8	1,156	1,283
Cancelled Accounts Payable	A-16	30,630	
Cancelled Escrow Balances	B-10	57,226	
Interfunds Returned	A	<u>16,639</u>	<u>-</u>
Total Income		<u>54,301,329</u>	<u>54,363,752</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	6,066,579	6,147,320
Other Expenses	A-3	6,895,572	6,252,470
Capital Improvements	A-3	840,000	802,000
Municipal Debt Service	A-3		39,365
Deferred Charges and Statutory Expenditures	A-3	1,395,644	1,622,581
County Taxes	A-20	14,095,981	14,770,698
Due County For Added and Omitted Taxes	A-21	7,646	7,393
Local District School Tax	A-22	13,775,651	13,448,163
Regional High School Tax	A-23	9,387,246	9,497,284
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-8	3,750	7,750
Refund of Prior Year Revenues	A-4	249	
Interfunds Created	A-1	<u>-</u>	<u>158,590</u>
Total Expenditures		<u>52,468,318</u>	<u>52,753,614</u>
Statutory Excess to Fund Balance		1,833,011	1,610,138
Fund Balance, January 1	A	<u>2,468,437</u>	<u>2,686,299</u>
		4,301,448	4,296,437
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,800,000</u>	<u>1,828,000</u>
Fund Balance, December 31,	A	<u>\$ 2,501,448</u>	<u>\$ 2,468,437</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, 2013

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,800,000	\$ 1,800,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-11	11,000	11,594	\$ 594
Other	A-2	20,000	29,237	9,237
Fees and Permits	A-2	40,000	133,553	93,553
Fines and Costs				
Municipal Court	A-11	270,000	295,334	25,334
Interest and Costs on Taxes	A-11	120,000	173,491	53,491
Consolidated Municipal Property				
Tax Relief Aid	A-11	7,005	7,005	
Energy Receipts Tax	A-11	1,297,209	1,297,209	
Uniform Fire Safety Act Fees	A-11	6,000	9,817	3,817
Cable Television Franchise Fee	A-11	142,000	142,120	120
Uniform Construction Code Fees	A-11	124,000	230,907	106,907
Public and Private Revenues Offset				
With Appropriations				
Recycling Tonnage Grant - Reserve	A-24	17,455	17,455	
Clean Communities Program - Reserve	A-24	15,037	15,037	
Alcohol Education and Rehabilitation - Reserve	A-24	2,051	2,051	
Securing the Cities - Reserve	A-24	591	591	
Safe and Secure Communities Program	A-12	60,000	60,000	
Municipal Alliance on Alcoholism	A-12	24,625	24,625	
NJDOT Safe Corridors	A-12	7,717	7,717	
Body Armor - Reserve	A-24	2,865	2,865	
Body Armor	A-12	7,154	7,154	
Special Items of General Revenue				
Uniform Fire Safety Act	A-11	20,000	29,188	9,188
Hotel/Motel Tax	A-11	100,000	128,064	28,064
Sewer User Fees	A-11	410,000	436,659	26,659
Total Miscellaneous Revenues	A-1	2,704,709	3,061,673	356,964
Receipts from Delinquent Taxes	A-1,A-9	375,000	724,026	349,026

**BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-9	\$11,253,860	\$11,394,064	\$ 140,204
Minimum Library Tax	A-9	<u>715,655</u>	<u>715,655</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>11,969,515</u>	 <u>12,109,719</u>	 <u>140,204</u>
 Budget Revenues	 A-3	 <u>\$16,849,224</u>	 17,695,418	 <u>\$ 846,194</u>
 Non-Budget Revenues	 A-1,A-2		 <u>563,613</u>	
			<u>\$18,259,031</u>	

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-9	\$ 48,447,243
Less: Reserve for Tax Appeals	A-26	<u>721,000</u>
Revenue Realized	A-1	47,726,243
Allocated to		
Local School, Regional High School and County Taxes	A-20,A-21,A-22,A-23	<u>37,266,524</u>
		10,459,719
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,650,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 12,109,719</u>
Licenses - Other		
Borough Clerk	A-11	\$ 16,657
Board of Health/Registrar of Vital Statistics	A-11	<u>12,580</u>
	A-2	<u>\$ 29,237</u>
Fees and Permits		
Borough Clerk	A-11	\$ 3,350
Board of Health/Registrar of Vital Statistics	A-11	17,241
Planning Board	A-11	105,374
Zoning Board of Adjustment	A-11	6,800
Police	A-11	<u>788</u>
	A-2	<u>\$ 133,553</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, 2013
(Continued)**

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Investments and Deposits		\$ 38,468
Rent		223,257
Host Community Fees		65,284
Interest on Assessments		2,487
Misc. Refunds/Reimbursements		600
Accident Reports		4,242
Administrative Fee - Police Outside Duty		79,045
Motor Vehicle Fees		7,528
Other		12,039
Copies		475
State of NJ - FEMA Storm Reimbursements - Sandy		122,039
Bail Forfeitures		5,242
Administrative Fee - Sr. Citizens & Veterans Deductions		<u>2,907</u>
	A-1,A-2	<u>\$ 563,613</u>
Cash Receipts	A-4	\$ 557,933
Due from Assessment Trust Fund	B-4	2,535
Due from Animal Control Fund	B-8	11
Due from Other Trust Fund	B-10	2,957
Due from General Capital Fund	C-5	159
Due from Public Assistance Trust Fund	F-5	<u>18</u>
	A-1,A-2	<u>\$ 563,613</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriations				Unexpended
		Budget		Expended	Balances
	Budget	After	Paid or	Reserved	Canceled
		Modification	Charged		
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Mayor and Council					
Salaries & Wages	\$ 32,128	\$ 32,128	\$ 32,040	\$ 88	
Municipal Clerk					
Salaries & Wages	238,310	238,310	238,162	148	
Other Expenses	25,000	25,000	18,251	6,749	
Other Expenses-Codification of Ordinances	5,000	5,000	3,153	1,847	
Grant Professional - Other Expenses	25,000	25,000	24,996	4	
Elections					
Salaries & Wages	16,828	16,828	16,828		
Other Expenses	7,000	7,000	5,851	1,149	
Financial Administration					
Salaries & Wages	66,424	66,424	64,270	2,154	
Other Expenses	25,000	25,000	20,653	4,347	
Annual Audit	37,500	37,500	37,500		
Assessment of Taxes					
Salaries & Wages	90,693	90,693	90,693		
Other Expenses	45,000	45,000	23,600	21,400	
Collection of Taxes					
Salaries & Wages	46,367	46,367	46,008	359	
Other Expenses	12,000	12,000	10,115	1,885	
Legal Services & Costs					
Salaries & Wages	12,000	12,000	12,000		
Other Expenses	80,000	80,000	50,087	29,913	
Engineering Services & Costs					
Other Expenses	70,000	70,000	24,358	45,642	
Municipal Land Use Law (NJS 40:55D-1)					
Planning Board					
Salaries & Wages	10,006	10,006	10,006		
Other Expenses	60,000	60,000	13,861	46,139	
Board of Adjustments					
Salaries & Wages	5,130	5,130	5,130		
Other Expenses	7,500	7,500	1,990	5,510	
Insurance					
Unemployment Compensation Insurance	14,000	14,000	14,000		
General Liability	206,564	206,564	204,019	2,545	
Workers Compensation	224,291	224,291	223,872	419	
Employee Group Health	1,129,473	1,129,473	1,122,519	6,954	
Employee Group Health - Waiver	4,000	4,000	4,000		

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, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
		Budget		Paid or	Balances
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 6,450	\$ 6,450	\$ 6,450		
Other Expenses	115,000	128,000	63,108	\$ 64,892	
Uniform Fire Safety Act (Ch. 383 P.L. 1983)					
Fire Officials					
Salaries and Wages	122,483	122,483	122,483		
Other Expenses	1,000	1,000		1,000	
Police Dispatch/911					
Salaries and Wages	131,064	133,064	132,871	193	
Other Expenses	1,000	1,000	465	535	
Police					
Salaries & Wages	3,168,342	3,158,342	3,110,311	48,031	
Other Expenses	60,000	68,000	61,740	6,260	
Vehicle Purchases	60,000	60,000	49,377	10,623	
First Aid Squad					
Contribution	15,000	15,000	15,000		
Other Expenses	18,500	18,500		18,500	
Emergency Management Services					
Salaries and Wages	5,304	5,304	5,304		
Other Expenses	5,000	5,000		5,000	
Municipal Prosecutor					
Salaries and Wages	15,606	15,606	15,606		
Other Expenses	1,000	1,000		1,000	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	981,291	956,791	925,592	31,199	
Other Expenses	80,000	115,000	111,617	3,383	
Public Buildings and Grounds					
Salaries and Wages	58,065	58,065	56,863	1,202	
Other Expenses	30,000	30,000	16,501	13,499	
Vehicle Maintenance					
Salaries and Wages	5,718	5,718	5,718		
Other Expenses	125,000	125,000	78,212	46,788	
Sewer System					
Salaries & Wages	350,817	338,817	334,737	4,080	
Other Expenses	60,000	72,000	70,138	1,862	
Shade Tree Commission					
Salaries & Wages	2,557	2,557	2,557		
Other Expenses	5,000	5,000	2,770	2,230	

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, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Canceled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC WORKS (Continued)					
Garbage and Trash Removal					
Contractual	\$ 234,000	\$ 234,000	\$ 234,000		
Recycling Program					
Salaries & Wages	28,563	28,563	28,487	\$ 76	
Other Expenses	40,000	40,000	40,000		
Solid Waste Transfer Fees	400,000	400,000	311,100	88,900	
Leaf/Grass Removal					
Other Expenses	87,000	87,000	86,447	553	
Condo Services Act					
Other Expenses	30,000	30,000		30,000	
HEALTH AND WELFARE					
Board of Health					
Salaries & Wages	107,524	107,524	103,923	3,601	
Other Expenses	15,000	15,000	8,180	6,820	
Animal Control					
Other Expenses	20,000	20,000	15,327	4,673	
Administration of Public Assistance					
Salaries and Wages	13,451	13,451	13,451		
Other Expenses	1,000	1,000	129	871	
Hepatitis B Vaccine					
Other Expense	1,200	1,200		1,200	
RECREATION AND EDUCATION					
Parks and Playgrounds					
Salaries & Wages	95,320	95,320	85,267	10,053	
Other Expenses	20,000	20,000	15,984	4,016	
Celebration of Public Events					
Other Expenses	5,000	5,000	3,659	1,341	
Senior Citizen Program					
Salaries and Wages	20,222	20,222	16,303	3,919	
Other Expenses	6,000	6,000	4,022	1,978	
Contribution	3,000	3,000		3,000	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	172,615	172,615	166,397	6,218	
Other Expenses	13,000	13,000	11,828	1,172	
Public Defender (P.L. 1997, C.256)					
Salaries and Wages	8,969	8,969	8,969		
Other Expenses	3,000	3,000	1,500	1,500	

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, 2013
(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"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries & Wages	\$ 238,832	\$ 238,832	\$ 238,709	\$ 123	
Other Expenses	7,000	7,000	4,356	2,644	
UNCLASSIFIED AND BULK PURCHASES					
Utilities:					
Electricity and Natural Gas	240,000	240,000	216,622	23,378	
Street Lighting	135,000	135,000	125,339	9,661	
Gasoline	170,000	170,000	132,749	37,251	
Telephone	50,000	50,000	49,160	840	-
Total Operations Within "CAPS"	10,085,107	10,108,607	9,427,290	681,317	-
Detail:					
Salaries & Wages	6,051,079	6,006,579	5,895,135	111,444	
Other Expenses	4,034,028	4,102,028	3,532,155	569,873	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Anticipated Deficit in Swim Pool Operations	78,275	78,275	76,846		\$ 1,429
Statutory Charges					
Social Security System (O.A.S.I.)	255,000	256,500	256,467	33	
Public Employees Retirement System	309,810	284,810	284,810	-	
Police and Fireman's Retirement System	727,288	727,288	727,288	-	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	1,370,373	1,346,873	1,345,411	33	1,429
Total General Appropriations for Municipal Purposes Within "CAPS"	11,455,480	11,455,480	10,772,701	681,350	1,429
OPERATIONS - EXCLUDED FROM "CAPS"					
Passaic Valley Sewerage - Contractual	1,277,894	1,277,894	1,277,894		
Recycling Tax	17,500	17,500	13,485	4,015	
Reserve for Tax Appeals	705,000	705,000	705,000		
Maintenance of Free Public Library	715,655	715,655	715,655	-	-
Total Operations Excluded from "CAPS"	2,716,049	2,716,049	2,712,034	4,015	-

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, 2013
(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"					
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	24,625	24,625	8,369	\$ 16,256	
Body Armor	10,019	10,019		10,019	
Securing Our Cities	591	591		591	
Clean Communities Grant Program	15,037	15,037		15,037	
Alcohol Education and Rehabilitation Fund	2,051	2,051		2,051	
NJ DOT - Safe Corridors	7,717	7,717		7,717	
Recycling Tonnage Grant	17,455	17,455	17,455	-	-
Total Public and Private Programs					
Offset by Revenues	137,495	137,495	85,824	51,671	-
Total Operations Excluded from "CAPS"	2,853,544	2,853,544	2,797,858	55,686	-
Detail:					
Salaries & Wages	60,000	60,000	60,000	-	
Other Expenses	2,793,544	2,793,544	2,737,858	55,686	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	45,000	45,000	45,000		
Renovation of Public Buildings	85,000	85,000		85,000	
Acquisition of Office Equipment	10,000	10,000	2,705	7,295	
Sewer Department Equipment	42,000	42,000	40,394	1,606	
Acquisition of Various Technology					
Equipment for Police Dept.	20,000	20,000		20,000	
DPW Equipment	130,000	130,000	45,139	84,861	
Fire Department Equipment	30,000	30,000	14,642	15,358	
Road Improvements Program	150,000	150,000		150,000	
Acquisition of Fire Rescue Truck	280,000	280,000		280,000	
Underground Storage Tank Removal - Site Remediation	36,000	36,000	7,200	28,800	
Impvts. To Recreation Facilities - Lightening Detection Equip	12,000	12,000	12,000	-	-
Total Capital Improvements - Excluded from "CAPS"	840,000	840,000	167,080	672,920	-

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, 2013
(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"					
Special Emergency Authorizations - 5 Years	\$ 50,200	\$ 50,200	\$ 50,200	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	50,200	50,200	50,200	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,743,744	3,743,744	3,015,138	\$ 728,606	-
Subtotal General Appropriations	15,199,224	15,199,224	13,787,839	1,409,956	\$ 1,429
Reserve for Uncollected Taxes	1,650,000	1,650,000	1,650,000	-	-
Total General Appropriations	\$ 16,849,224	\$ 16,849,224	\$ 15,437,839	\$ 1,409,956	\$ 1,429

	<u>Reference</u>	A-2	A-1	A,A-1
Budget as Adopted	A-3	\$ 16,849,224		
Cash Disbursed	A-4		\$ 12,577,597	
Encumbrances Payable	A-15		410,042	
Special Emergency Authorization	A-13		50,200	
Due to General Capital Fund	C-5		45,000	
Reserve for Tax Appeals	A-26		705,000	
Reserve for Uncollected Taxes	A-2		1,650,000	
	A-3		\$ 15,437,839	

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-1,B-2	\$ 1,770	\$ 11,993
Assessments Receivable	B-3	<u>29,719</u>	<u>58,097</u>
		<u>31,489</u>	<u>70,090</u>
ANIMAL CONTROL FUND			
Cash	B-1	<u>3,911</u>	<u>5,316</u>
OTHER TRUST FUND			
Cash	B-1	2,898,996	2,031,488
Due from Current Fund	B-10	81,640	53,023
Due from Assessment Trust Fund	B-5		24
Due from Water Utility Capital Fund	D-22	16,633	16,633
Due from Swim Pool Utility Operating Fund	E-11	<u>-</u>	<u>100</u>
		<u>2,997,269</u>	<u>2,101,268</u>
		<u>\$ 3,032,669</u>	<u>\$ 2,176,674</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-4	\$ 2,489	\$ 2,730
Due to Other Trust Fund	B-5		24
Due to General Capital Fund	C-6	<u>29,000</u>	<u>67,336</u>
		<u>31,489</u>	<u>70,090</u>
ANIMAL CONTROL FUND			
Due to Current Fund	B-8	1,157	2,398
Due to State of New Jersey	B-7	3	26
Reserve for Animal Control Expenditures	B-6	<u>2,751</u>	<u>2,892</u>
		<u>3,911</u>	<u>5,316</u>
OTHER TRUST FUND			
Due to Water Utility Operating Fund	D-21		35,777
Escrow Deposits Payable	B-9	1,388,415	543,529
Premium Received at Tax Sale	B-11	83,000	63,300
Payroll Deductions Payable	B-12	10,433	12,561
Due to State - Unemployment Claims	B-13	1,660	626
Reserve for Unemployment Insurance	B-14	124,138	118,051
Miscellaneous Reserves	B-15	<u>1,389,623</u>	<u>1,327,424</u>
		<u>2,997,269</u>	<u>2,101,268</u>
		<u>\$ 3,032,669</u>	<u>\$ 2,176,674</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	C-2,C-3	\$ 8,605	\$ 31,437
Grants Receivable	C-4	1,995,148	1,155,413
Due from Assessment Trust Fund	C-6	29,000	67,336
Due from Water Utility Capital Fund	D-16	507,022	507,022
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Deferred Charges to Future Taxation			
Unfunded	C-8	<u>3,861,435</u>	<u>1,728,842</u>
		<u>\$ 6,448,210</u>	<u>\$ 3,537,050</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Contracts Payable	C-9	\$ 196,528	\$ 348,520
Due to Current Fund	C-5	1,154,707	1,251,828
Improvement Authorizations			
Funded	C-13	404,604	582,267
Unfunded	C-13	2,994,952	684,609
Capital Improvements Fund	C-10	118,000	166,000
Reserve for:			
Sewer Connection Charges	C-11	8,000	8,000
Capital Improvements	C-12	3,844	3,844
Grants Receivable	C-4	1,504,771	429,178
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Fund Balance	C-1	<u>15,804</u>	<u>15,804</u>
		<u>\$ 6,448,210</u>	<u>\$ 3,537,050</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2013 and 2012 of \$3,891,154 and \$1,786,939 respectively (See Exhibit C-14).

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 15,804	\$ 123,233
Decreased by:			
Appropriation to Finance Improvement Authorizations	C-1	<u>-</u>	<u>107,429</u>
Balance, December 31	C	<u>\$ 15,804</u>	<u>\$ 15,804</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	D-6	\$ 742,031	\$ 404,638
Due from Other Trust Fund	D-21		35,777
Due from Water Utility Capital Fund	D-14	<u>14,722</u>	<u>139,720</u>
		756,753	580,135
Receivables With Full Reserves			
Consumer Accounts Receivable	D-10	<u>533,198</u>	<u>523,978</u>
Total Operating Fund		<u>1,289,951</u>	<u>1,104,113</u>
ASSESSMENT TRUST FUND			
Cash	D-6,D-8	<u>313</u>	<u>313</u>
Total Assessment Trust Fund		<u>313</u>	<u>313</u>
CAPITAL FUND			
Cash	D-6,D-9	376	786
Fixed Capital	D-12	4,127,030	4,087,242
Fixed Capital Authorized and Uncompleted	D-13	<u>110,000</u>	<u>-</u>
Total Capital Fund		<u>4,237,406</u>	<u>4,088,028</u>
		<u>\$ 5,527,670</u>	<u>\$ 5,192,454</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012
(Continued)

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-5,D-15	\$ 184,536	\$ 70,852
Encumbrances Payable	D-17	159,990	169,319
Accounts Payable	D-20	394	884
Accrued Interest on Bonds	D-18	110	381
Water Rent Overpayments	D-19	1,573	905
Due to Current Fund	D-11	<u>111,546</u>	<u>71,659</u>
		458,149	314,000
Reserve for Receivables	D	533,198	523,978
Fund Balance	D-1	<u>298,604</u>	<u>266,135</u>
Total Operating Fund		<u>1,289,951</u>	<u>1,104,113</u>
ASSESSMENT TRUST FUND			
Fund Balance	D-2	<u>313</u>	<u>313</u>
Total Trust Assessment Fund		<u>313</u>	<u>313</u>
CAPITAL FUND			
Serial Bonds	D-29	49,000	259,000
Contracts Payable	D-23	71,885	3,884
Due to Other Trust Fund	D-22	16,633	16,633
Due to General Capital Fund	D-16	507,022	507,022
Due to Water Utility Operating Fund	D-14	14,722	139,720
Improvement Authorizations			
Funded	D-24	41,587	
Capital Improvement Fund	D-25	67,108	102,108
Reserve for Amortization	D-26	3,344,453	3,044,665
Deferred Reserve for Amortization	D-27	110,000	
Reserve for Water Tower Fees	D-28	13,035	13,035
Fund Balance	D-3	<u>1,961</u>	<u>1,961</u>
Total Capital Fund		<u>4,237,406</u>	<u>4,088,028</u>
		<u>\$ 5,527,670</u>	<u>\$ 5,192,454</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2013 and 2012 of \$733,577 and \$783,577 respectively. (See Exhibit D-30)

The Accompanying Notes are an Integral Part of these Financial Statements

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, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-4	\$ 200,000	\$ 180,000
Water Rents	D-4	2,665,068	2,540,085
Miscellaneous Fees	D-4	366,105	312,368
Interest on Delinquent Accounts	D-4	23,255	49,434
Interest on Investments	D-4	2,118	1,462
Other Credits			
Appropriation Reserves Lapsed	D-15	32,508	
Accounts Payable Cancelled	D-20	<u>490</u>	<u>80,402</u>
Total Income		<u>3,289,544</u>	<u>3,163,751</u>
EXPENDITURES			
Operating	D-5	2,542,568	2,434,201
Capital Improvements	D-5	100,000	101,000
Debt Service	D-5	215,625	214,979
Deferred Charges and Statutory Expenditures	D-5	<u>198,882</u>	<u>197,900</u>
Total Expenditures		<u>3,057,075</u>	<u>2,948,080</u>
Statutory Excess to Fund Balance		232,469	215,671
Fund Balance, January 1,	D	<u>266,135</u>	<u>230,464</u>
		498,604	446,135
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-4	<u>200,000</u>	<u>180,000</u>
Balance, December 31,	D	<u>\$ 298,604</u>	<u>\$ 266,135</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE- REGULATORY BASIS
WATER UTILITY ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	D	\$ <u>313</u>	\$ <u>313</u>
Balance, December 31,	D	\$ <u>313</u>	\$ <u>313</u>

COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1,	D	\$ <u>1,961</u>	\$ <u>1,961</u>
Balance, December 31,	D	\$ <u>1,961</u>	\$ <u>1,961</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 200,000	\$ 200,000	
Rents	D-1,D-4	2,521,080	2,665,068	\$ 143,988
Miscellaneous Fees	D-1,D-4	295,000	366,105	71,105
Interest on Delinquent Accounts	D-1,D-7	40,000	23,255	(16,745)
Interest on Investments	D-1,D-4	<u>1,000</u>	<u>2,118</u>	<u>1,118</u>
 Budget Revenues	 D-5	 <u>\$ 3,057,080</u>	 <u>\$ 3,256,546</u>	 <u>\$ 199,466</u>

Analysis of Realized Revenue

Rents:		
Cash Receipts-Rents	D-10	\$ 2,664,163
Overpayments Applied	D-10	<u>905</u>
	D-4	<u>\$ 2,665,068</u>
Miscellaneous Fees		
Consumer Accounts Receivable		
Collected		
Sprinkler Fees		\$ 285,099
Water Meters		69,788
Special Readings		9,218
No Meter Access Fee		<u>2,000</u>
	D-4, D-10	<u>\$ 366,105</u>
Interest on Investments		
Cash Receipts	D-6	\$ 2,116
Due from Water Utility Capital Fund	D-14	<u>2</u>
		<u>\$ 2,118</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, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 675,841	\$ 675,841	\$ 632,558	\$ 43,283	
Other Expenses	<u>1,866,727</u>	<u>1,866,727</u>	<u>1,734,079</u>	<u>132,648</u>	<u>-</u>
Total Operating	<u>2,542,568</u>	<u>2,542,568</u>	<u>2,366,637</u>	<u>175,931</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	25,000	25,000	24,698	302	
Capital Improvement Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>100,000</u>	<u>100,000</u>	<u>99,698</u>	<u>302</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	210,000	210,000	210,000		
Interest on Bonds	<u>5,630</u>	<u>5,630</u>	<u>5,625</u>	<u>-</u>	<u>\$ 5</u>
Total Debt Service	<u>215,630</u>	<u>215,630</u>	<u>215,625</u>	<u>-</u>	<u>5</u>
DEFERRED CHARGES AND STATUTORY					
Deferred Charges					
Cost of Improvements - Ord. 12-01	50,000	50,000	50,000		
Statutory Expenditures					
Contribution to					
Public Employees Retirement System	87,382	87,382	87,382		
Social Security System (O.A.S.I.)	58,000	58,000	49,697	8,303	
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>198,882</u>	<u>198,882</u>	<u>190,579</u>	<u>8,303</u>	<u>-</u>
	<u>\$3,057,080</u>	<u>\$ 3,057,080</u>	<u>\$2,872,539</u>	<u>\$ 184,536</u>	<u>\$ 5</u>

	<u>Reference</u>	D-4	D-1	D, D-1
Disbursed	D-6		\$2,456,919	
Encumbrances Payable	D-17		159,990	
Accrued Interest on Bonds	D-18		5,630	
Due to Current Fund	D-11		125,000	
Due to Water Utility Capital Fund	D-14		<u>125,000</u>	

\$2,872,539

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 73,226	\$ 46,235
Deferred Charges			
Operating Deficit	E-7	<u>-</u>	<u>4,175</u>
Total Operating Fund		<u>73,226</u>	<u>50,410</u>
CAPITAL FUND			
Cash	E-5, E-6	192	192
Fixed Capital	E-8	<u>239,372</u>	<u>239,372</u>
Total Capital Fund		<u>239,564</u>	<u>239,564</u>
		<u>\$ 312,790</u>	<u>\$ 289,974</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-9	\$ 31,496	\$ 40,604
Encumbrances Payable	E-12	1,015	420
Accounts Payable	E-13	244	890
Due to Current Fund	E-10	39,862	7,787
Due to Other Trust Fund	E-11	<u>-</u>	<u>100</u>
		72,617	49,801
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>73,226</u>	<u>50,410</u>
CAPITAL FUND			
Reserve for Amortization	E-14	239,372	239,372
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>239,564</u>	<u>239,564</u>
		<u>\$ 312,790</u>	<u>\$ 289,974</u>

There were no bonds and notes authorized but not issued on December 31, 2013 and 2012.

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - SWIM POOL UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2012</u>	<u>2012</u>
REVENUE AND OTHER INCOME REALIZED			
Swimming Pool Receipts	E-3	\$ 41,332	\$ 40,162
Non-Budget Revenue	E-3	<u>97</u>	<u>163</u>
Total Income		<u>41,429</u>	<u>40,325</u>
EXPENDITURES			
Operating	E-4	94,500	93,500
Capital Improvements	E-4	15,000	27,000
Deferred Charges and Statutory Expenditures	E-4	<u>8,775</u>	<u>4,813</u>
Total Expenditures		<u>118,275</u>	<u>125,313</u>
Deficit in Revenue		(76,846)	(84,988)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>76,846</u>	<u>80,813</u>
Operating Deficit to be Raised in Budget of Succeeding Year	E-7		<u>\$ (4,175)</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>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</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, 2013**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Swim Pool Fees	E-1,E-3	\$ 40,000	\$ 41,332	\$ 1,332
Deficit (General Budget)	E-1, E-5	<u>78,275</u>	<u>76,846</u>	<u>(1,429)</u>
Budget Revenues	E-4	<u>\$ 118,275</u>	118,178	<u>\$ (97)</u>
Non-Budget Revenues	E-1,E-3		<u>97</u>	
			<u>\$ 118,275</u>	

Analysis of Realized Swim Pool Fees:

Cash Receipts		
Membership Fees		\$ 31,902
Guest Fees		8,980
Party Fees		150
Swimming Lessons		<u>300</u>
	E-3, E-5	<u>\$ 41,332</u>

Analysis of Non-Budget Revenues

Interest on Investments	E-3, E-5	<u>\$ 97</u>
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BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 54,500	\$ 54,500	\$ 42,384	\$ 12,116
Other Expenses	<u>40,000</u>	<u>40,000</u>	<u>36,878</u>	<u>3,122</u>
Total Operating	<u>94,500</u>	<u>94,500</u>	<u>79,262</u>	<u>15,238</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Capital Improvements	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Deferred Charges				
Operating Deficit	4,175	4,175	4,175	
Statutory Expenditures				
Contribution to				
Social Security System (O.A.S.I.)	4,500	4,500	3,242	1,258
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>8,775</u>	<u>8,775</u>	<u>7,517</u>	<u>1,258</u>
	<u>\$ 118,275</u>	<u>\$ 118,275</u>	<u>\$ 86,779</u>	<u>\$ 31,496</u>
	<u>Reference</u>	<u>E-3</u>	<u>E-1</u>	<u>E,E-1</u>
Cash Disbursed	E-5		\$ 81,589	
Deferred Charges -				
Operating Deficit	E-7		4,175	
Encumbrances Payable	E-12		<u>1,015</u>	
			<u>\$ 86,779</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, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	F-1	<u>\$ 25,047</u>	<u>\$ 40,118</u>
LIABILITIES AND RESERVES			
Due to Current Fund	F-5	\$ 10,002	
Reserve for Public Assistance	F-2	<u>15,045</u>	<u>\$ 40,118</u>
		<u>\$ 25,047</u>	<u>\$ 40,118</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 24,337,100	\$ 24,337,100
Buildings and Building Improvements	15,123,079	15,123,079
Machinery and Equipment	<u>5,639,064</u>	<u>5,470,477</u>
	<u>\$ 45,099,243</u>	<u>\$ 44,930,656</u>
Investment in Fixed Assets	<u>\$ 45,099,243</u>	<u>\$ 44,930,656</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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/Council form of government. 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.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the 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.

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 June 30, 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 and swim pool utility operating funds. 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.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated 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.

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

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

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

Fixed Assets purchased after December 31, 1996 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Reclassifications - Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

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 Assessment and Capital Funds
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 2013 and 2012 the Borough Council did not increase the original budget. However, the governing body approved several budget transfers during 2013 and 2012.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 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. Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), 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.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$16,179,644 and \$13,904,918 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,699,204 and \$14,282,012, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 16,699,204	\$ 14,282,012

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, 2013 and 2012, none of the Borough's bank balances were 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, 2013 and 2012 the Borough had no outstanding investments.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 and Utility Assessment Trust Funds are assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

NOTE 4 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2013 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2013</u>			
Property Taxes	\$ 592,296		\$ 592,296
Utility Rents	<u>-</u>	<u>\$ 533,198</u>	<u>533,198</u>
	<u>\$ 592,296</u>	<u>\$ 533,198</u>	<u>\$ 1,125,494</u>

In 2013, the Borough collected \$724,026 and \$523,978 from delinquent taxes and utility rents, which represented 99% and 100% of the delinquent tax and water charges receivable at December 31, 2012.

Receivables at December 31, 2012 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2012</u>			
Property Taxes	\$ 731,342		\$ 731,342
Utility Rents	<u>-</u>	<u>\$ 523,978</u>	<u>523,978</u>
	<u>\$ 731,342</u>	<u>\$ 523,978</u>	<u>\$ 1,255,320</u>

In 2012, the Borough collected \$523,575 and \$435,299 from delinquent taxes and utility rents, which represented 99% and 100% of the delinquent tax and water charges receivable at December 31, 2011.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

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>2013</u>		<u>2012</u>	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund	\$ 1,319,763	\$ 81,640	\$ 1,336,402	\$ 53,023
Trust Funds:				
Assessment Trust		31,489		70,090
Animal Control		1,157		2,398
Other Trust	98,273		69,780	35,777
General Capital Fund	536,022	1,154,707	574,358	1,251,828
Water Utility Fund:				
Operating	14,722	111,546	175,497	71,659
Capital		538,377		663,375
Swim Pool Utility Fund:		-		
Operating		39,862		7,887
Public Assistance Trust Fund	-	10,002	-	-
Total	<u>\$ 1,968,780</u>	<u>\$ 1,968,780</u>	<u>\$ 2,156,037</u>	<u>\$ 2,156,037</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance December 31,	Subsequent Year Budget Appropriation	Balance
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 122,800	\$ 50,200	\$ 72,600
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	173,000	50,200	122,800
Swim Pool Utility			
Operating Deficit	4,175	4,175	

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual 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.

	<u>Local District School</u>		<u>Regional High School</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Balance of Tax	\$ 7,185,519	\$ 6,965,002	\$ 4,653,810	\$ 4,763,899
Deferred	<u>3,025,266</u>	<u>3,025,266</u>	<u>2,093,009</u>	<u>2,093,009</u>
Taxes Payable	<u>\$ 4,160,253</u>	<u>\$ 3,939,736</u>	<u>\$ 2,560,801</u>	<u>\$ 2,670,890</u>

NOTE 8 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:

	<u>Fund Balance December 31, 2013</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2012</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,308,978	\$ 1,800,000	\$ 2,018,783	\$ 1,800,000
Non-Cash Surplus	<u>192,470</u>	<u>-</u>	<u>449,654</u>	<u>-</u>
	<u>\$ 2,501,448</u>	<u>\$ 1,800,000</u>	<u>\$ 2,468,437</u>	<u>\$ 1,800,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 298,604	\$ 200,000	\$ 266,135	\$ 200,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 298,604</u>	<u>\$ 200,000</u>	<u>\$ 266,135</u>	<u>\$ 200,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus (Deficit)	\$ 609	-	\$ (3,566)	-
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>4,175</u>	<u>-</u>
	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ -</u>

The above fund balance amounts appropriated represent the surplus anticipated in the 2014 introduced municipal budget. The 2014 municipal budget has not been legally adopted as of the date of audit.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Land	\$ 24,337,100			\$ 24,337,100
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>5,470,477</u>	<u>\$ 201,537</u>	<u>32,950</u>	<u>5,639,064</u>
	<u>\$ 44,930,656</u>	<u>\$ 201,537</u>	<u>\$ 32,950</u>	<u>\$ 45,099,243</u>

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 24,337,100			\$ 24,337,100
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>5,333,980</u>	<u>\$ 136,497</u>	<u>-</u>	<u>5,470,477</u>
	<u>\$ 44,794,159</u>	<u>\$ 136,497</u>	<u>\$ -</u>	<u>\$ 44,930,656</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2013 and 2012.

<u>Water Utility Fund</u>	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Fixed Capital				
System and System Improvements	\$ 3,812,848			\$ 3,812,848
Vehicles and Equipment	<u>274,394</u>	<u>\$ 39,788</u>	<u>-</u>	<u>314,182</u>
	<u>\$ 4,087,242</u>	<u>\$ 39,788</u>	<u>\$ -</u>	<u>\$ 4,127,030</u>

<u>Water Utility Fund</u>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
System and System Improvements	\$ 3,810,538	\$ 2,310		\$ 3,812,848
Vehicles and Equipment	<u>261,420</u>	<u>12,974</u>	<u>-</u>	<u>274,394</u>
	<u>\$ 4,071,958</u>	<u>\$ 15,284</u>	<u>\$ -</u>	<u>\$ 4,087,242</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets (Continued)

<u>Swim Pool Utility Fund</u>	Balance December 31, 2012	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2013
2013				
Fixed Capital				
Facility and Facility Improvements	\$ 239,372	-	-	\$ 239,372
	<u>\$ 239,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,372</u>
	Balance December 31, 2011	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2012
Swim Pool Utility Fund				
2012				
Fixed Capital				
Facility and Facility Improvements	\$ 239,372	\$ -	-	\$ 239,372
	<u>\$ 239,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,372</u>

NOTE 10 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 the water 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>2013</u>	<u>2012</u>
Issued		
Water Utility		
Bonds and Notes	\$ 49,000	\$ 259,000
Net Debt Issued	49,000	259,000
Authorized But Not Issued		
General		
Bonds and Notes	3,891,154	1,786,939
Water Utility		
Bonds and Notes	<u>733,577</u>	<u>783,577</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 4,673,731</u>	<u>\$ 2,829,516</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .18% and .08% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 3,891,154		\$ 3,891,154
School Debt	8,209,152	\$ 8,209,152	
Utility Debt	<u>782,577</u>	<u>782,577</u>	<u>-</u>
Total	<u>\$ 12,882,883</u>	<u>\$ 8,991,729</u>	<u>\$ 3,891,154</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 1,786,939		\$ 1,786,939
School Debt	13,799,665	\$ 13,799,665	
Utility Debt	<u>1,042,577</u>	<u>1,042,577</u>	<u>-</u>
Total	<u>\$ 16,629,181</u>	<u>\$ 14,842,242</u>	<u>\$ 1,786,939</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>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 75,829,354	\$ 81,625,424
Net Debt	<u>3,891,154</u>	<u>1,786,939</u>
Remaining Borrowing Power	<u>\$ 71,938,200</u>	<u>\$ 79,838,485</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

Water Utility

	<u>2013</u>	<u>2012</u>
\$700,000, 1994 Bonds, due in annual installments of \$49,000 to \$50,000 through June 15, 2014, interest at 5.40%	\$ 49,000	\$ 99,000
\$1,203,000, 2003 Bonds, due in an annual installment of \$160,000 through June 15, 2012, interest at 2.375%	-	160,000
	<u>\$ 49,000</u>	<u>\$ 259,000</u>

The Borough's principal and interest for long-term municipal debt issued and outstanding as of December 31, 2013 is as follows:

<u>Year</u>	<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	<u>\$ 49,000</u>	<u>\$ 1,323</u>	<u>\$ 50,323</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>				
Water Utility Capital Fund Bonds Payable	<u>\$ 259,000</u>	<u>\$ 210,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 259,000</u>	<u>\$ 210,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2011</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>				
General Capital Fund				
Intergovernmental Loans Payable	\$ 39,365	\$ 39,365	\$ -	\$ -
General Capital Fund Long-Term Liabilities	\$ 39,365	\$ 39,365	\$ -	\$ -
Water Utility Capital Fund				
Bonds Payable	\$ 462,000	\$ 203,000	\$ 259,000	\$ 210,000
Water Utility Capital Fund Long-Term Liabilities	\$ 462,000	\$ 203,000	\$ 259,000	\$ 210,000

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2013</u>		
Road Improvements – Lincoln Ave.	\$171,941	2014
Purchase of New Dump Trucks	140,048	2014
Abandonment of Water Pump Station on Shepard's Lane	68,000	2014
Purchase of New Police Cars	49,377	2014
<u>2012</u>		
Storm Sewer Check Valve Project	\$108,700	2013
Sanitary Sewer Main Rehabilitation	198,539	2013

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$667,176 and \$748,535 at December 31, 2013 and 2012, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2013 and 2012, the Borough has reserved in the Other Trust Fund \$251,970 and \$283,826, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

The Borough's changes in other long-term liabilities for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Compensated Absences	\$ 748,535	\$ 39,641	\$ 121,000	\$ 667,176	\$ 60,000
Other Long-Term Liabilities	\$ 748,535	\$ 39,641	\$ 121,000	\$ 667,176	\$ 60,000
	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
Compensated Absences	\$ 835,113	-	\$ 86,578	\$ 748,535	\$ 121,000
Other Long-Term Liabilities	\$ 835,113	-	\$ 86,578	\$ 748,535	\$ 121,000

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for 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.

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 or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports 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.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.0 percent and \$12.8 billion, respectively.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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, 2012 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) 7.90% for investment rate of return for all the retirement systems and (b) changes to projected salary increases, which vary by fund and are presented on the following pages.

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 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS and 10.0% for PFRS of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation 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>
2013	\$ 727,288	\$ 397,192
2012	667,788	392,623
2011	828,593	357,026

(1) Includes Library portion of pension contribution for the year.

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 14 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 New Jersey Intergovernmental Insurance Fund (NJIF). 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 NJIF coverage amounts are on file with the Borough.

The relationship between the Borough and respective 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 fund provides 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 respective 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>
2013	\$ 17,600	\$ 11,471	\$ 23,154	\$ 124,138
2012	17,600		15,483	118,051
2011	17,600	8,337	15,503	115,803

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 15 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 Litigation – **Department of Environmental Protection and the Administrator of the New Jersey Spill Compensation Fund v. Occidental Chemical Corporation, et als., Superior Court of New Jersey, Law Division, Essex County, Docket No. ESX-L-9868-05** – In 2005, the United States Environmental Protection Agency ("EPA") has designated a seventeen (17) mile stretch of the Passaic River as a Superfund Site. The EPA had indicated that the Passaic Valley Sewerage Commissioners ("PVSC") and its constituent municipalities, which include the Borough of Totowa, are potentially responsible parties ("PRP") under the Federal Superfund Law. Also in 2005, the New Jersey Department of Environmental Protection filed suit against numerous chemical companies seeking to recover past and future clean-up costs as well as unspecified economic damages. In February of 2009, these chemical companies filed a third-party complaint against PVSC and 81 additional municipalities alleging that pollutants are being discharged into the River as a result of "combined system overflow outfalls" or "CSOs". Some of PVSC's member municipalities maintain combined sewer systems. These systems were installed in the 1800s. During periods of heavy rainfall, these systems overflow and discharge directly into the Passaic River. This discharge is also referred to as CSOs. The complaint also alleges that the municipal wastewater that bypasses the CSOs contains hazardous substances. Because Totowa is one of the 34 municipalities that uses PVSC's system, the Borough has been named in this lawsuit.

The Borough was served with this third-party complaint in the spring of 2009 and Totowa's insurance carrier has declined coverage on this lawsuit. It is anticipated that the Borough will join one of the Joint Defense Groups in this matter to defend against the allegations in the complaint. A Special Master of Discovery has been assigned and the parties are attempting to craft an Alternate Dispute Resolution Process. Although there is a stay in the lawsuit prohibiting the filing of any motions, the third-party plaintiffs are aggressively pursuing discovery and all documents must be filed via a dedicated website. The Borough has filed an Answer, along with an Initial Disclosure Statement and a Response to an Electronically Stored Information Questionnaire. Remediation and clean-up costs are estimated to be in the billions for this lawsuit and Totowa's liability may be in the millions. An Order was entered on January 28, 2011 ordering all parties in the lawsuit, including the Borough of Totowa, to pay various assessments on a per party basis including costs of a Special Master and electronic discovery database. A settlement has been reached with each of the Municipal Defendants including the Borough of Totowa in the sum of \$95,000 with the plaintiff N.J.D.E.P. In these cases, there is a process that potential settlement must go through with the Court and the direct Defendants and the public have a right to object to same. The Court has approved a settlement and the \$95,000 due from the Borough will be deducted from its State aid in 2014. There is still the possibility that one of the defendants will appeal the Consent Order approving the settlement and if so, the Borough will have to await its decision. However, it is to be noted that once this litigation is over, the EPA will be filing suit against the same Defendants, who, as in this pending case, will file a Third Party action against the Municipalities, including the Borough of Totowa.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. 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, 2013 and 2012, the Borough reserved \$795,028 and \$693,630, 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, 2013 and 2012, 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 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability. As of December 31, 2013, the Borough has received \$122,039 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

SUPPLEMENTAL SCHEDULES

CURRENT FUND

BOROUGH OF TOTOWA
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2012		\$ 11,332,032
Increased by Receipts:		
Tax Collector	\$ 49,139,559	
Non-Budget Revenue	557,933	
Revenue Accounts Receivable	2,750,687	
Grants Receivable	306,480	
NJ Senior Citizens' and Veterans' Deductions	145,281	
Fees Payable	21,325	
Received from Assessment Trust Fund	2,776	
Received from Animal Control Fund	2,383	
Received for Animal Control Fund	25	
Received from Other Trust Fund	147,461	
Received for Other Trust Fund	1,379	
Received for General Capital	174,407	
Received from Water Utility Operating Fund	85,113	
Received from Swim Pool Utility Operating Fund	12,835	
Received from Public Assistance Trust Fund	16	
Reserve for Unappropriated Grants	<u>35,320</u>	
		<u>53,382,980</u>
		64,715,012
Decreased by Disbursements:		
2013 Budget Appropriations	12,577,597	
2012 Appropriation Reserves	197,837	
Fees Payable	21,926	
Encumbrances Payable	434,505	
Accounts Payable	49,185	
Refund of Prior Year Revenues	249	
Refund of Tax Overpayments	17,991	
Reserve for Appropriated Grants	97,904	
Reserve for Tax Appeals	1,324,602	
County Taxes Payable	14,095,981	
Added County Taxes Payable	7,393	
Local District School Tax	13,555,134	
Regional High School Tax	9,497,335	
Payments made for Other Trust Fund	83,123	
Payments made to Other Trust Fund	66,061	
Payments made for General Capital Fund	122,127	
Payments made for Water Utility Operating Fund	125,000	
Payments made to Swim Pool Operating Fund	6,255	
Payments made to Public Assistance Trust Fund	<u>10,000</u>	
		<u>52,290,205</u>
Balance, December 31, 2013		<u>\$ 12,424,807</u>

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

Received:	
Taxes Receivable	\$ 48,814,738
Interest and Cost on Taxes	173,491
Prepaid Taxes	140,620
Tax Overpayments	<u>10,710</u>
	\$ 49,139,559
Decreased by:	
Payments to Treasurer	<u>\$ 49,139,559</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Title</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
Tax Collector	\$ 100	\$ 100
Treasurer - Deputy Tax Collector	50	50
Court Clerk	<u>70</u>	<u>70</u>
	<u>\$ 220</u>	<u>\$ 220</u>

EXHIBIT A-7

STATEMENT OF PETTY CASH FUNDS

<u>Office</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
Borough Clerk	<u>\$ 150</u>	<u>\$ 150</u>

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

Balance, December 31, 2012		\$ 64,484
Increased by:		
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Current Year	\$ 14,140	
Senior Citizens' and Veterans' Deductions		
Disallowed by the Tax Collector - Prior Year	3,750	
Received in Cash from the State	<u>145,281</u>	
		<u>163,171</u>
		227,655
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed		
Per Tax Billings	150,000	
Senior Citizens' and Veterans' Deductions		
Allowed by the Tax Collector - Current Year	1,500	
Senior Citizens' and Veterans' Deductions		
Allowed by the Tax Collector - Prior Year	<u>250</u>	
		<u>151,750</u>
Balance, December 31, 2013		<u>\$ 75,905</u>

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

Year	Balance, December 31, 2012	2013 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2012	2013	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Balance, December 31, 2013
2001	\$ 11,066						\$ 11,066	
2011	12				\$ 12			
2012	<u>720,264</u>	-	\$ 3,750	-	<u>723,764</u>	\$ 250	-	-
2013	731,342	-	3,750	-	723,776	250	11,066	-
	-	\$ 49,263,053	14,140	\$ 218,921	48,090,962	151,500	\$ 223,514	\$ 592,296
	<u>\$ 731,342</u>	<u>\$ 49,263,053</u>	<u>\$ 17,890</u>	<u>\$ 218,921</u>	<u>\$ 48,814,738</u>	<u>\$ 151,750</u>	<u>\$ 234,580</u>	<u>\$ 592,296</u>

Analysis of 2013 Property Tax Levy

Tax Yield	
General Purpose Tax	\$49,236,438
Added Taxes (RS 54:4-36.1 et seq.)	<u>26,615</u>
	<u>\$49,263,053</u>
Tax Levy	
Regional High School Taxes	\$ 9,387,246
Local District School Taxes	13,775,651
County Taxes	
County Tax	\$ 13,883,327
Open Space Tax	212,654
Due County for Added Tax	<u>7,646</u>
	14,103,627
Local Tax for Municipal Purposes	
Minimum Library Tax	11,253,860
Add: Additional Tax Levied	<u>715,655</u>
	<u>27,014</u>
	11,996,529
	<u>\$49,263,053</u>

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

Balance, December 31, 2012 \$ 72,900

Balance, December 31, 2013 \$ 72,900

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>2012</u>	Accrued In <u>2013</u>	<u>Collected by</u> <u>Treasurer</u> <u>Tax Collector</u>		Balance, December 31, <u>2013</u>
Borough Clerk					
Licenses					
Alcoholic Beverages		\$ 11,594	\$	11,594	
Other		16,657		16,657	
Fees and Permits		3,350		3,350	
Tax Collector					
Interest and Costs on Taxes	\$ 21,247	166,510		\$ 173,491	\$ 14,266
Board of Health/Registrar of Vital Statistics					
Licenses		12,580		12,580	
Fees and Permits		17,241		17,241	
Planning Board					
Fees and Permits		105,374		105,374	
Zoning Board of Adjustments					
Fees and Permits		6,800		6,800	
Building Department					
Uniform Construction Code Fees		230,907		230,907	
Police Department					
Fees and Permits		788		788	
Municipal Court					
Fines and Costs	19,639	295,983		295,334	20,288
Energy Receipts Tax		1,297,209		1,297,209	
Consolidated Municipal Property Tax					
Relief Aid		7,005		7,005	
Fire Inspection Official					
Uniform Fire Safety Act Fees		9,817		9,817	
Uniform Fire Safety Act Rebate		29,188		29,188	
Sewer User Fees	6,267	434,391		436,659	3,999
Cable Television Franchise Fee		142,120		142,120	
Hotel/Motel Tax	-	128,064		-	-
	<u>\$ 47,153</u>	<u>\$ 2,915,578</u>	<u>\$ 2,750,687</u>	<u>\$ 173,491</u>	<u>\$ 38,553</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2012</u>	<u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2013</u>
Municipal Alliance Program	\$ 27,421	\$ 24,625	\$ 22,710	\$ 29,336
FEMA - Assistance to Fire Fighters	87,566		87,566	
New Jersey Transportation Trust Fund - Grant Ave Phase II	33,067			33,067
New Jersey Transportation Trust Fund Auth. - Hudson Ave.	46,250		46,250	
Passaic County Open Space - Lincoln Field	79,800		75,083	4,717
Safe & Secure Communities	2,550	60,000	60,000	2,550
Body Armor Grant		7,154	7,154	
NJ DOT Safe Corridors	-	7,717	7,717	-
	<u>\$ 276,654</u>	<u>\$ 99,496</u>	<u>\$ 306,480</u>	<u>\$ 69,670</u>

EXHIBIT A-13

STATEMENT OF SPECIAL EMERGENCY AUTHORIZATION (40A:4-53)

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	Net Amount <u>Authorized</u>	1//5 of Net Amount <u>Authorized</u>	Balance, December 31, <u>2012</u>	Amount in 2013 <u>Budget</u>	Balance, December 31, <u>2013</u>
6/15/2010	Revaluation of Real Property	139,000	27,800	\$ 83,400	\$ 27,800	\$ 55,600
11/29/2011	Hurricane Irene E.O. #73, Storm Damage	112,000	22,400	89,600	22,400	67,200
				<u>\$ 173,000</u>	<u>\$ 50,200</u>	<u>\$ 122,800</u>

BOROUGH OF TOTOWA
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, December 31, 2012	Encumbrance Payable Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
SALARIES AND WAGES					
Municipal Clerk	\$ 436		\$ 436	\$ 436	-
Mayor and Council	367		367	367	-
Elections	24		24	24	-
Financial Administration	4,027		4,027	4,027	-
Collection of Taxes	666		666	666	-
Fire	5		5	5	-
Fire Officials	36		36	36	-
Police Dispatch/911	383		383	383	-
Police	7,083		7,083	7,083	-
Emergency Management Services	67		67	67	-
Road Repairs and Maintenance	27,686		27,686	27,686	-
Public Buildings and Grounds	1,030		1,030	1,030	-
Vehicle Maintenance	4		4	4	-
Sewer System	10,670		10,670	10,670	-
Recycling Program	822		822	822	-
Board of Health	324		324	324	-
Parks and Playgrounds	2,469		2,469	2,469	-
Senior Citizen Program	802		802	802	-
Municipal Court	2,143		2,143	2,143	-
Construction Code Official	174	-	174	174	-
	<u>59,218</u>	<u>-</u>	<u>59,218</u>	<u>59,218</u>	<u>-</u>
OTHER EXPENSES					
Municipal Clerk	3,213		3,213	1,580	\$ 1,633
Codification of Ordinances	3,461	\$ 60	3,521		3,521
Elections	2,103		2,103	-	2,103
Assessment of Taxes	11,226		11,226	11,136	90
Financial Administration					
Other Expenses	7,934		7,934	-	7,934
Collection of Taxes	2,618		2,618	-	2,618
Legal Services and Costs	711		1,711	725	986
Engineering Services & Costs	1,544		3,544		3,544
Planning Board	4,311		4,311	449	3,862
Board of Adjustment	636		636	-	636
Insurance					
General Liability	10,199		10,199	10,199	-
Employee Group Health	5,314		5,314	5,314	-
Fire	66,119		68,119	64,343	3,776
Fire Officials	900		900	-	900
Police Dispatch/911	1,000		1,000	-	1,000
Police	6,524		19,524	9,153	10,371
Vehicle Purchases	9		9	-	9
First Aid Squad					
Other Expenses	18,500		18,500	10,625	7,875
Emergency Management Services	2,382		2,382	315	2,067
Municipal Prosecutor	1,000		1,000	-	1,000
Road Repairs and Maintenance	8,360		8,360	1,355	7,005
Public Buildings and Grounds	7,483		7,483	1,375	6,108
Vehicle Maintenance	7,838		7,838	2,548	5,290
Sewer System	27,504		27,504	5,584	21,920
Shade Tree Commission	4,839		4,839	616	4,223
Recycling Program	38		38	-	38
Solid Waste Transfer Fees		85,710	65,710		65,710
Leaf Grass Removal	552		552		552
Condo Services Act	30,000		32,000	10,580	21,420
Board of Health	8,182		8,182	5,095	3,087
Animal Control	5,000		5,000	-	5,000

BOROUGH OF TOTOWA
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, December 31, 2012	Encumbrance Payable Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER EXPENSES: (Continued)					
Administration of Public Assistance	\$ 726		\$ 726	-	\$ 726
Hepatitis B Vaccine	6		6	-	6
Celebration of Public Events	1,073		1,073	-	1,073
Senior Citizen Program					
Contribution	3,000		3,000	-	3,000
Other Expense	1,926		1,926	-	1,926
Municipal Court	610	\$ 92	702		702
Public Defender	225		225	-	225
Construction Code Official	4,291		4,291	-	4,291
Utilities					
Street Lighting	11,564	2,592	14,156		14,156
Electricity and Natural Gas	10,039		10,039	\$ 650	9,389
Gasoline	20,799		20,799	1,304	19,495
Telephone	1,392		1,392	-	1,392
Social Security System (O.A.S.I.)	14,269		14,269	14,269	-
Contribution to Public Employees Retirement Sys.	54		54	54	-
Recycling Tax	4,959		4,959	1,081	3,878
Clean Communities Grant Program	15,209		15,209	15,209	-
Drug and Alcohol Municipal Alliance	9,932		9,932	9,932	-
Body Armor	2,800		2,800	2,800	-
Alcohol Education and Rehabilitation Fund	777		777	777	-
NJ DOT - Safe Corridors	8,995		8,995	8,995	-
Recycling Tonnage Grant	10,132		10,132	10,132	-
Renovation of Public Buildings	28,880		28,880	14,113	14,767
Road Improvements Program	950		950	-	950
Acquisition of Equipment for Police Dept.	32,000		32,000	22,868	9,132
Acquisition of Office Equipment	9,816		9,816	8,985	831
Sewer Department Equipment	15,401		15,401	15,401	-
Sewer Main Improvements	518		518	-	518
DPW Department Equipment	133,313		133,313	133,313	-
Fire Department Equipment	70	663	733	-	733
	<u>593,226</u>	<u>89,117</u>	<u>682,343</u>	<u>400,875</u>	<u>281,468</u>
	<u>\$ 652,444</u>	<u>\$ 89,117</u>	<u>\$ 741,561</u>	<u>\$ 460,093</u>	<u>\$ 281,468</u>
Cash Disbursed				\$ 197,837	
Due to Other Trust Fund - Accumulated					
Absence Reserve				89,144	
Transferred to:					
Accounts Payable				140,765	
Reserve for Appropriated Grants				<u>32,347</u>	
				<u>\$ 460,093</u>	

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 523,622
Increased by:		
Charges to 2013 Budget Appropriations		<u>410,042</u>
		933,664
Decreased by:		
Payments	\$ 434,505	
Cancellations Restored to Appropriation Reserves	<u>89,117</u>	
		<u>523,622</u>
Balance, December 31, 2013		<u>\$ 410,042</u>

EXHIBIT A-16

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2012		\$ 181,369
Increased by:		
Transferred from 2012 Appropriation Reserves		<u>140,765</u>
		322,134
Decreased by:		
Payments	\$ 49,185	
Accounts Payable Cancelled	<u>30,630</u>	
		<u>79,815</u>
Balance, December 31, 2013		<u>\$ 242,319</u>

**BOROUGH OF TOTOWA
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012	\$ 218,921
Increased by:	
Collection of 2014 Taxes	<u>140,620</u>
	359,541
Decreased by:	
Application to 2013 Taxes	<u>218,921</u>
Balance, December 31, 2013	<u>\$ 140,620</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2012	\$ 8,255
Increased by:	
Overpayments in 2013	<u>10,710</u>
	18,965
Decreased by:	
Refunds	<u>17,991</u>
Balance, December 31, 2013	<u>\$ 974</u>

**BOROUGH OF TOTOWA
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2012</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2013</u>
Due to State				
Construction Code Training Fees	\$ 6,831	\$ 19,625	\$ 20,353	\$ 6,103
Elevator Inspection Fees	3,887		368	3,519
Marriage License Fees	<u>525</u>	<u>1,700</u>	<u>1,205</u>	<u>1,020</u>
	<u>\$ 11,243</u>	<u>\$ 21,325</u>	<u>\$ 21,926</u>	<u>\$ 10,642</u>

EXHIBIT A-20

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:	
2013 Levy	
General County	\$ 13,883,327
County Open Space Preservation	<u>212,654</u>
	\$ 14,095,981
Decreased by:	
Payments	<u>\$ 14,095,981</u>

EXHIBIT A-21

STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES

Balance, December 31, 2012	\$ 7,400
Increased by:	
County Share of 2013 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>7,646</u>
	15,046
Decreased by:	
Payments	<u>7,393</u>
Balance, December 31, 2013	<u>\$ 7,653</u>

BOROUGH OF TOTOWA
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance, December 31, 2012		
School Tax Payable	\$ 3,939,736	
School Tax Deferred	<u>3,025,266</u>	
		\$ 6,965,002
Increased by:		
Levy - School Year July 1, 2013 to June 30, 2014		<u>13,775,651</u>
		20,740,653
Decreased by:		
Payments		<u>13,555,134</u>
Balance, December 31, 2013		
School Tax Payable	4,160,253	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 7,185,519</u>
<u>Analysis of Amount Charged to Operations</u>		
2013 Liability for Local District School Tax		
Tax Paid		\$ 13,555,134
Tax Payable at December 31, 2013		<u>4,160,253</u>
		17,715,387
Less: Tax Payable at December 31, 2012		<u>3,939,736</u>
Amount Charged to 2013 Operations		<u>\$ 13,775,651</u>

BOROUGH OF TOTOWA
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, December 31, 2012		
School Tax Payable	\$ 2,670,890	
School Tax Deferred	<u>2,093,009</u>	
		\$ 4,763,899
Increased by:		
Levy - School Year July 1, 2013 to June 30, 2014		<u>9,387,246</u>
		14,151,145
Decreased by:		
Payments		<u>9,497,335</u>
Balance, December 31, 2013		
School Tax Payable	2,560,801	
School Tax Deferred	<u>2,093,009</u>	
		<u>\$ 4,653,810</u>
<u>Analysis of Amount Charged to Operations</u>		
2013 Liability for Regional High School Tax		
Tax Paid		\$ 9,497,335
Tax Payable at December 31, 2013		<u>2,560,801</u>
		12,058,136
Less: Tax Payable at December 31, 2012		<u>2,670,890</u>
Amount Charged to 2013 Operations		<u>\$ 9,387,246</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2012</u>	<u>Received</u>	Anticipated in 2013 <u>Budget</u>	Balance, December 31, <u>2013</u>
Clean Communities	\$ 15,037	\$ 17,654	\$ 15,037	\$ 17,654
Body Armor	2,865	718	2,865	718
Securing the Cities	591		591	
Alcohol Ed & Rehabilitation	2,051	3,325	2,051	3,325
Recycling Tonnage	17,455	13,623	17,455	13,623
	<u>\$ 37,999</u>	<u>\$ 35,320</u>	<u>\$ 37,999</u>	<u>\$ 35,320</u>

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2012</u>	Transferred From 2012 Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2013</u>
Clean Communities Program	\$ 48,771	\$ 15,209	\$ 14,914	\$ 49,066
Alcohol Ed & Rehabilitation		277		277
Recycling Tonnage Grant		4,510		4,510
Body Armor Replacement Fund	5,539		5,533	6
Stormwater Grant	1,216		1,216	-
Drunk Driving Enforcement Fund	3,135			3,135
Open Space Grant - Lincoln Field	14,289			14,289
Improvements to Hudson Ave. - Local	31,932			31,932
NJ Transportation Trust - Grant Ave - Section II	33,067			33,067
FEMA - Firefighters Equipment - Local	4,608			4,608
FEMA - Firefighters Equipment - Federal	87,566		76,241	11,325
Soldiveri - Recreation	1,818			1,818
Municipal Alliance	2,750	3,356		6,106
H1N1	7,719			7,719
Muchuga	690			690
Safe Corridors	-	8,995	-	8,995
	<u>\$ 243,100</u>	<u>\$ 32,347</u>	<u>\$ 97,904</u>	<u>\$ 177,543</u>

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

Balance, December 31, 2012		\$ 693,630
Increased by:		
2013 Budget Appropriation	\$ 705,000	
Transfer from Current Year Tax Collections	<u>721,000</u>	
		<u>1,426,000</u>
		2,119,630
Decreased by:		
Tax Appeal Refunds		<u>1,324,602</u>
Balance, December 31, 2013		<u>\$ 795,028</u>

EXHIBIT A-27

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</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, 2012	\$ 11,993	\$ 5,316	\$ 2,031,488
Increased by:			
Interest on Deposits	\$ 48	\$ 11	\$ 6,184
Assessments Receivable	28,378		
Interest on Assessments	2,487		
2013 Budget Appropriations:			
Unemployment Insurance			17,600
Miscellaneous Reserves			591,684
Received from Current Fund			66,061
Receipts from Water Utility Operating Fund			39,277
Receipts from Swim Pool Utility Operating Fund			100
Receipts from Assessment Trust Fund			24
Escrow Deposits			1,059,899
Premiums Received from Tax Sale			66,800
Dog License Fees Collected		1,402	
Due State of NJ - Dog Registration Fees		351	
Net Pay and Payroll Deduction Deposits	-	-	9,320,406
	<u>30,913</u>	<u>1,764</u>	<u>11,168,035</u>
Decreased by Disbursements:			
Reserve for Animal Control Expenditures			
Due State of NJ - Dog Registration Fees		412	
Miscellaneous Reserves		374	
Unemployment Claims Due to State			539,942
Escrow Disbursements			22,120
Tax Sale Premium Refunds			157,787
Payments made to Current Fund	2,776		47,100
Payments made to Other Trust Fund	24	2,383	147,461
Payments made to General Capital Fund	38,336		
Payments made to Water Utility Operating Fund			75,054
Payroll Disbursements	-	-	9,311,063
	<u>41,136</u>	<u>3,169</u>	<u>10,300,527</u>
Balance, December 31, 2013	\$ <u>1,770</u>	\$ <u>3,911</u>	\$ <u>2,898,996</u>

**BOROUGH OF TOTOWA
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, 2013
Due to Current Fund	\$ 2,489
Due to General Capital Fund	29,000
Unfinanced Assessments	
Ord. 08-04 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd.	(29,719)
	<u>\$ 1,770</u>

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, 2012	<u>Collected</u>	Balance December 31, 2013	Balance <u>Pledged to</u> Due General Capital Fund
08-04	Replacement of Sidewalks, Curbs and Driveways on Union Blvd.	\$ 58,097	\$ 28,378	\$ 29,719	\$ 29,719

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

Balance, December 31, 2012	\$ 2,730
Increased by:	
Interest on Deposits	\$ 48
Interest on Assessment	<u>2,487</u>
	<u>2,535</u>
	5,265
Decreased by:	
Payments made to Current Fund	<u>2,776</u>
Balance, December 31, 2013	<u>\$ 2,489</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO OTHER TRUST FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2012	\$ 24
Decreased by:	
Payment made to Other Trust	<u>\$ 24</u>

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

Balance, December 31, 2012	\$ 2,892
Increased by:	
Dog License Fees Collected:	
Cash Receipts	\$ 1,402
Cash Received in Current Fund	<u>25</u>
	<u>1,427</u>
	4,319
Decreased by:	
Cash Disbursements	412
Statutory Excess Due Current Fund	<u>1,156</u>
	<u>1,568</u>
Balance, December 31, 2013	<u>\$ 2,751</u>

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

Balance, December 31, 2012	\$ 26
Increased by:	
Dog License Registration Fees Collected	<u>351</u>
	377
Decreased by:	
Payments	<u>374</u>
Balance, December 31, 2013	<u>\$ 3</u>

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

Balance, December 31, 2012		\$ 2,398
Increased by:		
Interest Earnings Due to Current Fund	\$ 11	
Statutory Excess in Reserve for Animal Control Expenditures	<u>1,156</u>	
		<u>1,167</u>
		3,565
Decreased by:		
Cash Received in Current Fund	25	
Payments to Current Fund	<u>2,383</u>	
		<u>2,408</u>
Balance, December 31, 2013		<u>\$ 1,157</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2012		\$ 543,529
Increased by:		
Cash Receipts		<u>1,059,899</u>
		1,603,428
Decreased by:		
Cash Disbursements	\$ 157,787	
Escrow Balances Cancelled	<u>57,226</u>	
		<u>215,013</u>
Balance, December 31, 2013		<u>\$ 1,388,415</u>

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

Balance, December 31, 2012 \$ 53,023

Increased by:

2012 Appropriation Reserves - Accumulated Absences Reserve	\$	89,144	
Cash Received in Current Fund		1,379	
Payments to Current Fund		<u>147,461</u>	
			<u>237,984</u>

291,007

Decreased by:

Trust Fund Disbursements Made by Current Fund		83,123	
Receipts from Current Fund		66,061	
Escrow Balances Cancelled		57,226	
Interest on Investments		<u>2,957</u>	
			<u>209,367</u>

Balance, December 31, 2013 \$ 81,640

Analysis of Balance

Escrow Account (Due From)	\$	82,303	
Outside Police Duty Account (Due To)		(640)	
Payroll Agency Account (Due To)		(11)	
Net Payroll Account (Due To)		<u>(12)</u>	
			<u>\$ 81,640</u>

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

Balance, December 31, 2012	\$ 63,300
Increased by:	
Cash Receipts	<u>66,800</u>
	130,100
Decreased by:	
Payments	<u>47,100</u>
Balance, December 31, 2013	<u>\$ 83,000</u>

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

Balance, December 31, 2012	\$ 12,561
Increased by:	
Net Pay	\$ 4,834,479
Payroll Deductions	<u>4,474,456</u>
	<u>9,308,935</u>
	9,321,496
Decreased by:	
Payroll Disbursements	<u>9,311,063</u>
Balance, December 31, 2013	<u>\$ 10,433</u>

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

Balance, December 31, 2012	\$ 626
Increased by:	
Unemployment Claims	<u>23,154</u>
	23,780
Decreased by:	
Payments to State	<u>22,120</u>
Balance, December 31, 2013	<u>\$ 1,660</u>

**STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE
OTHER TRUST FUND**

Balance, December 31, 2012	\$ 118,051
Increased by:	
Cash Receipts:	
Budget Appropriation - Current Fund	\$ 14,000
Budget Appropriation - Water Utility Operating Fund	3,500
Budget Appropriation - Pool Utility Operating Fund	<u>100</u>
	\$ 17,600
Employee Payroll Deductions	11,471
Interest on Deposits	<u>170</u>
	<u>29,241</u>
	147,292
Decreased by:	
Unemployment Claims Due to State	<u>23,154</u>
Balance, December 31, 2013	<u>\$ 124,138</u>

**BOROUGH OF TOTOWA
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2013</u>
Reserve for Recycling Program	\$ 119,297	\$ 43,643	\$ 20,184	\$ 142,756
Reserve for Centennial Club	22,805			22,805
Reserve for Senior Citizen Donations	529	1,000	1,250	279
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	56,807	74,697	70,617	60,887
Reserve for Recreation Program	36,333	45,380	41,149	40,564
Reserve for Polling Place Deposit	146			146
Reserve for Affordable Housing Fees	762,183	3,055	29,570	735,668
Reserve for Police Outside Duty Fees	42,651	349,712	336,910	55,453
Reserve for Accumulated Absence Liability	283,826	89,144	121,000	251,970
Reserve for O/S Lien Holders Deposits	20	77,332	2,385	74,967
Reserve for Hickory Hill II Deposit	192			192
Reserve for POAA Fees	1,693	272		1,965
Reserve for Disposal of Forfeited Material Deposits	<u>-</u>	<u>1,029</u>	<u>-</u>	<u>1,029</u>
	<u>\$ 1,327,424</u>	<u>\$ 685,264</u>	<u>\$ 623,065</u>	<u>\$ 1,389,623</u>
Interest on Investments		\$ 3,057		
Cash Receipts		591,684		
Due from Current Fund - 2012 Appropriation Reserves		89,144		
Due from Current Fund - Cash Receipts		1,379		
Due to Current Fund			\$ 83,123	
Cash Disbursements		<u>-</u>	<u>539,942</u>	
		<u>\$ 685,264</u>	<u>\$ 623,065</u>	

GENERAL CAPITAL FUND

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

Balance, December 31, 2012		\$	31,437
Increased by:			
Interest Earnings	\$	159	
Grant Receipts		242,958	
Receipts from Assessment Trust Fund		<u>38,336</u>	
			<u>281,453</u>
			312,890
Decreased by:			
Improvement Authorizations		84,735	
Contracts Payable		<u>219,550</u>	
			<u>304,285</u>
Balance, December 31, 2013		\$	<u>8,605</u>

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

		Balance, December 31, <u>2013</u>
Fund Balance		\$ 15,804
Capital Improvement Fund		118,000
Contracts Payable		196,528
Due to Current Fund		1,154,707
Due from Assessment Trust Fund		(29,000)
Due From Water Utility Capital Fund		(507,022)
Grants Receivable		(490,377)
Reserve for Sewer Connection Charges		8,000
Reserve for Capital Improvements		3,844
Improvement Authorizations:		
Ordinance		
<u>Number</u>	<u>Description</u>	
08-04	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase I	34,878
14-05	Various Road Improvements	8,294
14-06	Union Boulevard Beautification Program	61,933
03-07	Acquisition of New Fire Truck	6,730
15-08	Tree Planting Program	181,698
7-09	Reconstruction of West End Road	28,656
02-10	Union Boulevard Streetscape Improvements	(229,333)
03-10	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase II	(633,650)
04-10	Improvements to Minnisink Field	27
05-10	Acquisition of Street Sweeper	10,758
11-10	Sanitary Line at Lincoln Ave	23,900
06-11	Acquisition of a Filtration System for the Municipal Swimming Pool	4,123
08-12/06-13/10-13	Various Sanitary Sewer, Storm Sewer, and Road Improvements	43,348
12-12	Replacement of 24" Sanitary Sewer Force Main(Phase III)	259
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)	(2,350)
12-13	Flood Acquisition Project	(1,150)
		<u>\$ 8,605</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANT RECEIVABLE**

Ord. No.	Agency	Balance, December 31, 2012	Grant Award	Cash Receipts	Balance, December 31, 2013	Balance, Pledged to Improvement Authorization	Reserve for Grants Receivable
14-06	Union Boulevard Beautification	\$ 76,036			\$ 76,036	\$ 76,036	
15-08	Tree Planting Program	228,900		\$ 48,000	180,900	180,900	
07-09	NJ DOT Reconstruction of West End Rd	38,022			38,022	38,022	
02-10	NJ DOT Union Blvd Streetscape Imprv	429,178		174,407	254,771		\$ 254,771
04-10	Passaic County O.S. Minnisink Field	27			27	27	
08-12/ 06-13/							
10-13	Community Development Block Grant	208,250	\$ 7,100	194,958	20,392	20,392	
08-12	Dept. of Transportation Grant	175,000			175,000	175,000	
12-13	Community Development Block Grant		925,000		925,000		925,000
12-13	Green Acres Grant	-	325,000	-	325,000	-	325,000
		<u>\$ 1,155,413</u>	<u>\$ 1,257,100</u>	<u>\$ 417,365</u>	<u>\$ 1,995,148</u>	<u>\$ 490,377</u>	<u>\$ 1,504,771</u>
	Improvement Authorizations		\$ 7,100				
	Reserve for Grants Receivable		<u>1,250,000</u>				
			<u>\$ 1,257,100</u>				
	Cash Receipts			\$ 242,958			
	Due from Current Fund			<u>174,407</u>			
				<u>\$ 417,365</u>			

EXHIBIT C-5

STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2012		\$ 1,251,828
Increased by:		
Interest Earnings	\$ 159	
General Capital Expenditures paid by Current Fund - Contracts Payable	<u>122,127</u>	
		<u>122,286</u>
		1,374,114
Decreased by:		
2013 Budget Appropriation - Capital Improvement Fund	45,000	
Grant Receipts Due from Current Fund	<u>174,407</u>	
		<u>219,407</u>
Balance, December 31, 2013		<u>\$ 1,154,707</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE FROM ASSESSMENT TRUST FUND**

Balance, December 31, 2012	\$ 67,336
Decreased by:	
Received from Assessment Trust	<u>38,336</u>
Balance, December 31, 2013	<u>\$ 29,000</u>

STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, 2013	Balance, December 31, \$ 2,012
03-2010	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	<u>\$ 47,000</u>	<u>\$ 47,000</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2012	2013 Authorizations	Grant Proceeds Received	Balance, December 31, 2013	Analysis of Balance December 31, 2013	
						Expenditures	Unexpended Improvement Authorizations
<u>General Improvements</u>							
02-10	Union Blvd. Streetscape Improvements						
	Phase I & II - NJ DOT	\$ 669,178		\$ 174,407	\$ 494,771	\$ 229,333	\$ 265,438
03-13	Replacement of 24" Sanitary Sewer Force Main		\$ 1,057,000		1,057,000	2,350	1,054,650
12-13	Flood Acquisition Project		1,250,000		1,250,000	1,150	1,248,850
<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	923,000	-	-	923,000	633,650	289,350
		\$ 1,728,842	\$ 2,307,000	\$ 174,407	\$ 3,861,435	\$ 866,483	\$ 2,994,952
	Grants Receivable			\$ 174,407			
				Improvement Authorizations-Unfunded		\$	2,994,952

**BOROUGH OF TOTOWA
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2012		\$ 348,520
Increased by:		
Charged to Improvement Authorizations		<u>196,528</u>
		545,048
Decreased by:		
Canceled Contracts Restored to Improvement Authorizations	\$ 6,843	
Cash Disbursements	219,550	
Payments Made by Current Fund	<u>122,127</u>	
		<u>348,520</u>
Balance, December 31, 2013		<u>\$ 196,528</u>

EXHIBIT C-10

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2012		\$ 166,000
Increased by:		
2013 Budget Appropriation Due from Current Fund		<u>45,000</u>
		211,000
Decreased by:		
Appropriation to Finance Improvement Appropriations		<u>93,000</u>
Balance, December 31, 2013		<u>\$ 118,000</u>

EXHIBIT C-11

STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES

Balance, December 31, 2012	\$ 8,000
Balance, December 31, 2013	<u>\$ 8,000</u>

**BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS**

Balance, December 31, 2012	\$ <u>3,844</u>
Balance, December 31, 2013	\$ <u>3,844</u>

BOROUGH OF TOTOWA
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2012		Capital Improvement Fund		Deferred Charges- Unfunded		Grant Awards	Contracts Payable Cancelled	Paid or Charged	Balance, December 31, 2013	
			Funded	Unfunded	Fund	Unfunded	Unfunded	Funded				Unfunded	
<u>General Improvements</u>													
14-05	Various Road Improvements	\$ 495,000	\$ 8,294								\$ 8,294		
14-06	Union Boulevard Beautification Program	400,000	61,933								61,933		
03-07	Acquisition of New Fire Truck	425,000	6,730								6,730		
15-08	Tree Planting Program	349,500	181,698								181,698		
7-09	Reconstruction of West End Road	220,000	28,656								28,656		
02-10	Union Blvd. Streetscape Improvements	840,000		\$ 265,438								\$ 265,438	
04-10	Improvements to Minniskink field	238,000	27								27		
05-10	Acquisition of Street Sweeper	210,000	10,758								10,758		
11-10	Sanitary Line at Lincoln Ave.	250,000	23,900								23,900		
06-11	Acquisition of a Filtration System for the Municipal Swimming Pool	30,000	4,123								4,123		
<u>08-12/ 06-</u>													
13/ 10-13	Various Sanitary Sewer, Storm Sewer and Road Improvements	615,350	221,011		\$ 40,000			\$ 7,100		\$ 224,763	43,348		
12-12	Replacement of 24" Sanitary Sewer Force Main(Phase III)	176,000	259								259		
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)	1,110,000			53,000		\$ 1,057,000			55,350		1,054,650	
12-13	Flood Acquisition Project	1,250,000					1,250,000			1,150		1,248,850	
<u>Local Improvements</u>													
08-04	Replacements of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	488,000	34,878	136,664							34,878		136,664
03-10	Replacements of Sidewalks, Curbs and Aprons-Union Blvd.	970,000	-	282,507		-	-	-	\$ 6,843	-	-		289,350
			\$ 582,267	\$ 684,609	\$ 93,000		\$ 2,307,000	\$ 7,100	\$ 6,843	\$ 281,263	\$ 404,604	\$ 2,994,952	

Cash Disbursements
 Contracts Payable

\$ 84,735
 196,528
\$ 281,263

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

Ord. No.	Purpose	Balance, December 31, 2012	2013 Authorizations	Funded by Assessments Collected	Grant Proceeds Received	Balance, December 31, 2013	
						Capital Fund	Trust Fund
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	\$ 194,761		\$ 28,378		\$ 136,664	\$ 29,719
02-10	Union Blvd. Streetscape Improvements Phase I & II - NJDOT	669,178			\$ 174,407	494,771	
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	923,000				923,000	
03-13	Replacement of 24" Sanitary Sewer Force Main		\$ 1,057,000			1,057,000	
12-13	Flood Acquisition Project	-	1,250,000	-	-	1,250,000	-
		<u>\$ 1,786,939</u>	<u>\$ 2,307,000</u>	<u>\$ 28,378</u>	<u>\$ 174,407</u>	<u>\$ 3,861,435</u>	<u>\$ 29,719</u>

WATER UTILITY FUND

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

	<u>Operating</u>	<u>Assessment Trust</u>	<u>Capital</u>
Balance, December 31, 2012	\$ 404,638	\$ 313	\$ 786
Increased by Receipts:			
Collector	\$ 3,055,096		
Received from Other Trust	75,054		
Interest Earned	<u>2,116</u>	<u>-</u>	<u>\$ 2</u>
	<u>3,132,266</u>	<u>-</u>	<u>2</u>
Decreased by Disbursements:			
2013 Budget Appropriations	3,536,904	313	788
2012 Appropriation Reserves	2,456,919		
Encumbrances Payable	38,344		
Interest on Bonds	169,319		
Improvement Authorizations	5,901		412
Payments Made to Current Fund	85,113		
Payments Made to Other Trust Fund	<u>39,277</u>	<u>-</u>	<u>-</u>
	<u>2,794,873</u>	<u>-</u>	<u>412</u>
Balance, December 31, 2013	\$ 742,031	\$ 313	\$ 376

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

Received in 2013	
Consumer Accounts Receivable	\$ 3,030,268
Interest on Delinquent Accounts	23,255
Overpayments	<u>1,573</u>
	\$ 3,055,096
Decreased by:	
Payment to Treasurer	<u>\$ 3,055,096</u>

EXHIBIT D-8

**ANALYSIS OF CASH
WATER UTILITY ASSESSMENT FUND**

	Balance, December 31, <u>2013</u>
Fund Balance	<u>\$ 313</u>

EXHIBIT D-9

**ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2013</u>
Fund Balance	\$ 1,961
Capital Improvement Fund	67,108
Due to General Capital Fund	507,022
Due to Water Utility Operating Fund	14,722
Due to Other Trust Fund	16,633
Reserve for Water Tower Fees	13,035
Contracts Payable	71,885
Improvement Authorizations:	
<u>Ord. No.</u>	<u>Description</u>
12-01	Construction of Water Line @ Totowa Village
15-13	Abandonment of Shepherds Lane Pump Station
	(733,577)
	<u>41,587</u>
	<u>\$ 376</u>

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

Balance, December 31, 2012			\$ 523,978
Increased by:			
Water Rents Levied			<u>3,040,393</u>
Decreased by:			3,564,371
Collections:			
Water Rents	\$ 2,664,163		
Miscellaneous Fees	<u>366,105</u>		
		\$ 3,030,268	
Overpayments Applied - Water Rents		<u>905</u>	
			<u>3,031,173</u>
Balance, December 31, 2013			<u>\$ 533,198</u>

EXHIBIT D-11

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

Balance, December 31, 2012			\$ 71,659
Increased by:			
Water Utility Operating Fund Expenditures Paid by Current Fund			<u>125,000</u>
			196,659
Decreased by:			
Payments to Current Fund			<u>85,113</u>
Balance, December 31, 2013			<u>\$ 111,546</u>

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

	Balance, December 31, <u>2012</u>	Additions		Balance, December 31, <u>2013</u>
		Budget <u>Capital Outlay</u>	<u>Ordinance</u>	
Distribution Mains, Lines and Accessories	\$ 1,985,349			\$ 1,985,349
Pump Stations	893,743			893,743
Water Tanks and Towers	933,756			933,756
Vehicles and Heavy Equipment	61,108			61,108
Billing and Accounting Systems	31,011			31,011
Telemetry Machine	9,000			9,000
Water Meters	<u>173,275</u>	<u>\$ 39,788</u>	<u>-</u>	<u>213,063</u>
	<u>\$ 4,087,242</u>	<u>\$ 39,788</u>	<u>\$ -</u>	<u>\$ 4,127,030</u>

EXHIBIT D-13

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

Ord. <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	Balance, December 31, <u>2013</u>
15-13	Abandonment of Shepherds Lane Pump Station	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
		<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>

EXHIBIT D-14

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

Balance, December 31, 2012		\$ 139,720
Increased by:		
Interest on Investments		<u>2</u>
		139,722
Decreased by:		
2013 Budget Appropriation		
Cost of Improvements	\$ 50,000	
Capital Improvement Fund	<u>75,000</u>	
		<u>125,000</u>
Balance, December 31, 2013		<u>\$ 14,722</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2012 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, December 31, <u>2012</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Salaries and Wages	\$ 32,520	\$ 32,520	\$ 19,734	\$ 12,786
Other Expenses	<u>17,558</u>	<u>17,558</u>	<u>3,520</u>	<u>14,038</u>
	<u>50,078</u>	<u>50,078</u>	<u>23,254</u>	<u>26,824</u>
 CAPITAL IMPROVEMENTS				
Capital Outlay	<u>15,090</u>	<u>15,090</u>	<u>15,090</u>	<u>-</u>
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to				
Public Employees Retirement System	23	23		23
Social Security System (O.A.S.I)	<u>5,661</u>	<u>5,661</u>	<u>-</u>	<u>5,661</u>
	<u>5,684</u>	<u>5,684</u>	<u>-</u>	<u>5,684</u>
	<u>\$ 70,852</u>	<u>\$ 70,852</u>	<u>\$ 38,344</u>	<u>\$ 32,508</u>

EXHIBIT D-16

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

Balance, December 31, 2012	<u>\$ 507,022</u>
Balance, December 31, 2013	<u>\$ 507,022</u>

EXHIBIT D-17

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

Balance, December 31, 2012	\$ 169,319
Increased by:	
Charges to 2013 Budget Appropriations	<u>159,990</u>
	329,309
Decreased by:	
Cash Disbursements	<u>169,319</u>
Balance, December 31, 2013	<u>\$ 159,990</u>

**BOROUGH OF TOTOWA
STATEMENT OF ACCRUED INTEREST ON BONDS
WATER UTILITY OPERATING FUND**

Balance, December 31, 2012	\$ 381
Increased by:	
Budget Appropriation for Interest on Bonds	<u>5,630</u>
	6,011
Decreased by:	
Interest Paid	<u>5,901</u>
Balance, December 31, 2013	<u>\$ 110</u>

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

Balance, December 31, 2012	\$ 905
Increased by:	
Overpayments Received in 2013 Rents	<u>1,573</u>
	2,478
Decreased by:	
Overpayments Applied to 2013 Rents	<u>905</u>
Balance, December 31, 2013	<u>\$ 1,573</u>

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

Balance, December 31, 2012	\$ 884
Decreased by:	
Accounts Payable Cancelled	<u>490</u>
Balance, December 31, 2013	<u>\$ 394</u>

EXHIBIT D-21

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

Balance, December 31, 2012	\$ 35,777
Increased by:	
Payments to Other Trust Fund	<u>39,277</u>
	75,054
Decreased by:	
Received from Other Trust Fund	<u>\$ 75,054</u>

EXHIBIT D-22

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

Balance, December 31, 2012	<u>\$ 16,633</u>
Balance, December 31, 2013	<u>\$ 16,633</u>

EXHIBIT D-23

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

Balance, December 31, 2012	\$ 3,884
Increased by:	
Charges to Improvement Authorizations	<u>68,001</u>
Balance, December 31, 2013	<u>\$ 71,885</u>

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

Ord. No.	Improvement Description	Ordinance Amount	2013 Authorizations	Paid or Charged	Balance, December 31, 2013	
			Capital Improvement Fund		Funded	Unfunded
15-13	Abandonment of Shepherds Lane Pump Station	\$ 110,000	\$ 110,000	\$ 68,413	\$ 41,587	\$ -
			\$ 110,000	\$ 68,413	\$ 41,587	\$ -
		Cash Disbursements		\$ 412		
		Contracts Payable		68,001		
				\$ 68,413		

EXHIBIT D-25

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

Balance, December 31, 2012	\$ 102,108
Increased by:	
2013 Budget Appropriation Due from Water Operating Fund	75,000
	177,108
Decreased by:	
Appropriations to Finance Improvement Authorizations	110,000
Balance, December 31, 2013	\$ 67,108

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

Balance, December 31, 2012				\$ 3,044,665
Increased by:				
Serial Bonds Paid by Operating Budget		\$	210,000	
2013 Budget Appropriation - Cost of Improvements			50,000	
Capital Outlay				
2013 Budget Appropriation	\$	24,698		
2012 Appropriation Reserves		<u>15,090</u>		
			<u>39,788</u>	
				<u>299,788</u>
Balance, December 31, 2013				<u>\$ 3,344,453</u>

EXHIBIT D-27

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Fixed Capital Authorized</u>	<u>Balance, December 31, 2013</u>
15-13	Abandonment of Shepherds Lane Pump Station	<u>\$ 110,000</u>	<u>\$ 110,000</u>
		<u>\$ 110,000</u>	<u>\$ 110,000</u>
	Capital Improvement Fund	<u>\$ 110,000</u>	

EXHIBIT D-28

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

Balance, December 31, 2012	<u>\$ 13,035</u>
Balance, December 31, 2013	<u>\$ 13,035</u>

**BOROUGH OF TOTOWA
STATEMENT OF WATER SERIAL BONDS
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2013</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Water Utility Bonds	6/15/1994	\$ 700,000	6/15/2014	\$ 49,000	5.40%	\$ 99,000	\$ 50,000	\$ 49,000
Water Utility Bonds	6/15/2003	1,203,000				160,000	160,000	-
						<u>\$ 259,000</u>	<u>\$ 210,000</u>	<u>\$ 49,000</u>
							<u>Paid by Budget Appropriation</u>	<u>\$ 210,000</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>2012</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2013</u>
12-01	Construction of Water Line @ Totowa Villages	\$ 783,577	\$ 50,000	\$ 733,577
		<u>\$ 783,577</u>	<u>\$ 50,000</u>	<u>\$ 733,577</u>

SWIM POOL UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2012	\$ 46,235	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 41,332	
Deficit (General Budget)	76,846	
Cash Receipts from Current Fund	6,255	
Non-Budget Revenues	<u>97</u>	<u>-</u>
	<u>124,530</u>	<u>-</u>
	170,765	192
Decreased by Disbursements:		
2013 Budget Appropriations	81,589	
Appropriation Reserves	2,839	
Encumbrances Payable	176	
Payments to Current Fund	12,835	
Payments to Other Trust Fund	<u>100</u>	<u>-</u>
	<u>97,539</u>	<u>-</u>
Balance, December 31, 2013	<u>\$ 73,226</u>	<u>\$ 192</u>

EXHIBIT E-6

ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH

	Balance, December 31, <u>2013</u>
Fund Balance	<u>\$ 192</u>

EXHIBIT E-7

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

	Balance December 31, <u>2012</u>	Added in 2013 <u>in 2013</u>	Raised in 2013 <u>Budget</u>	Balance, December 31, <u>2013</u>
Operating Deficit	<u>\$ 4,175</u>	<u>\$ -</u>	<u>\$ 4,175</u>	<u>\$ -</u>

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

<u>Description</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
Improvement of Municipal Swimming Pool	\$ 119,745	\$ 119,745
Installation of Various Improvements on the Site of Existing Swimming Pool	<u>119,627</u>	<u>119,627</u>
	<u>\$ 239,372</u>	<u>\$ 239,372</u>

EXHIBIT E-9

**STATEMENT OF 2012 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2012</u>	Balance After <u>Transfer</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 6,228	\$ 6,228		\$ 6,228
Other Expenses	6,492	6,492		6,492
CAPITAL IMPROVEMENTS				
Capital Outlay	27,000	27,000	\$ 2,839	24,161
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to Social Security System (O.A.S.I.)	<u>884</u>	<u>884</u>	<u>-</u>	<u>884</u>
	<u>\$ 40,604</u>	<u>\$ 40,604</u>	<u>\$ 2,839</u>	<u>\$ 37,765</u>
		Due to Current Fund		<u>\$ 37,765</u>

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

Balance, December 31, 2012			\$ 7,787
Increased by:			
2012 Appropriation Reserves Cancelled - Prior Year Deficit Funding Returned	\$ 37,765		
Accounts Payable Cancelled - Prior Year Deficit Funding Returned	<u>890</u>		
		\$ 38,655	
Received from Current Fund		<u>6,255</u>	
			<u>44,910</u>
			52,697
Decreased by:			
Payments to Current Fund			<u>12,835</u>
Balance, December 31, 2013			<u>\$ 39,862</u>

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

Balance, December 31, 2012		\$ 100
Decreased by:		
Payments to Other Trust Fund		<u>\$ 100</u>

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

Balance, December 31, 2012	\$ 420
Increased by:	
Charges to 2013 Budget Appropriations	<u>1,015</u>
	1,435
Decreased by:	
Cash Disbursements	\$ 176
Transferred to Accounts Payable	<u>244</u>
	<u>420</u>
Balance, December 31, 2013	<u><u>\$ 1,015</u></u>

EXHIBIT E-13

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

Balance, December 31, 2012	\$ 890
Increased by:	
Transfer from Encumbrances Payable	<u>244</u>
	1,134
Decreased by:	
Accounts Payable Cancelled - Due to Current Fund	<u>890</u>
Balance, December 31, 2013	<u><u>\$ 244</u></u>

EXHIBIT E-14

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

Balance, December 31, 2012	<u>\$ 239,372</u>
Balance, December 31, 2013	<u><u>\$ 239,372</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, 2012	\$ 40,118	\$ 7,331	\$ 32,787
Increased by:			
State Aid	25,800		25,800
Received from Current Fund	10,000		10,000
Interest Earned	<u>62</u>	<u>18</u>	<u>44</u>
	<u>35,862</u>	<u>18</u>	<u>35,844</u>
	75,980	7,349	68,631
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	50,917		50,917
Payments to Current Fund	<u>16</u>	<u>16</u>	<u>-</u>
	<u>50,933</u>	<u>16</u>	<u>50,917</u>
Balance, December 31, 2013	<u>\$ 25,047</u>	<u>\$ 7,333</u>	<u>\$ 17,714</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2012	\$ 40,118	\$ 7,331	\$ 32,787
Increased by:			
Revenues	<u>25,844</u>	<u>-</u>	<u>25,844</u>
	65,962	7,331	58,631
Decreased by:			
Expenditures	<u>50,917</u>	<u>-</u>	<u>50,917</u>
Balance, December 31, 2013	<u>\$ 15,045</u>	<u>\$ 7,331</u>	<u>\$ 7,714</u>

EXHIBIT F-3

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 25,800		\$ 25,800
Interest Earnings	<u>44</u>	<u>-</u>	<u>44</u>
Total Revenues	25,844	-	25,844
Due to Current Fund	10,000		10,000
Interest Earnings - Due to Current Fund	<u>18</u>	<u>\$ 18</u>	<u>-</u>
Total Receipts	<u>\$ 35,862</u>	<u>\$ 18</u>	<u>\$ 35,844</u>

**BOROUGH OF TOTOWA
STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Current Year Assistance (State Matching)			
Maintenance	\$ 18,130		\$ 18,130
Temporary Rental Assistance	30,541		30,541
Burial	<u>2,246</u>	<u>-</u>	<u>2,246</u>
 Total Expenditures	 50,917	 -	 50,917
 Due to Current Fund	 <u>16</u>	 <u>\$ 16</u>	 <u>-</u>
 Total Disbursements	 <u>\$ 50,933</u>	 <u>\$ 16</u>	 <u>\$ 50,917</u>

EXHIBIT F-5

STATEMENT OF DUE TO CURRENT FUND

Increased by:		
Received from Current Fund	\$ 10,000	
Interest Earnings	<u>18</u>	
		\$ 10,018
Decreased by:		
Payments to Current Fund		<u>16</u>
Balance, December 31, 2013		<u>\$ 10,002</u>

**BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY**

**PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2013**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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CINDY JANACEK, CPA, RMA
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MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2014. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented 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 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.

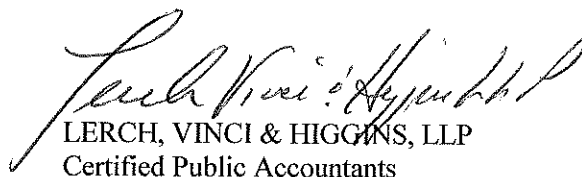
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

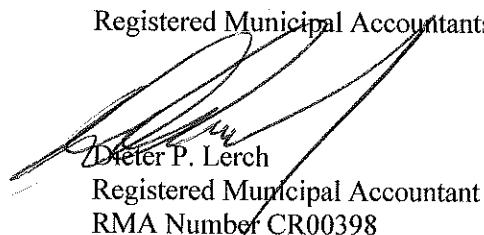
As part of obtaining reasonable assurance about whether the Borough of Totowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

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
April 22, 2014



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Totowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Borough of Totowa's major federal programs for the year ended December 31, 2013. The Borough of Totowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Totowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Totowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Totowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Totowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of Totowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Totowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Totowa's internal control over compliance.

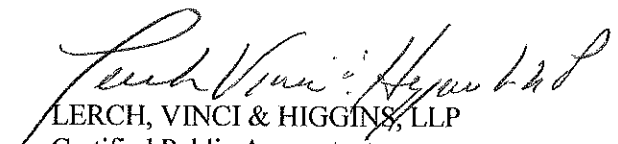
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

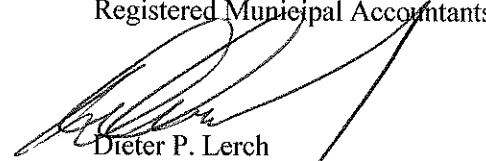
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements - regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated April 22, 2014, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
April 22, 2014

**BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Program	State Account Number	CFDA Number	Award Amount	2013 Grant Receipts	Balance January 1, 2013	Revenue Realized	Expended	Adjustment/ (Cancelled)	Balance December 31, 2013	Cumulative Expended
Dept. of Transportation (Passed through the State Department of Transportation)										
Highway Planning and Construction		20.205								
West End Rd. Ord. 7-09	Capital 078-6320-480-6010		\$ 200,000	\$ 29,178	\$ 8,656				\$ 8,656	\$ 191,344
Union Blvd. Streetscape Phase I Ord. 2-10	Capital 078-6320-480-FBD		200,000	145,229	55,000				55,000	145,000
Union Blvd. Streetscape Phase II Ord. 2-10	Capital 078-6320-480-FBD		400,000		38,905				38,905	361,095
Lincoln Ave Improvements Ord. 8-2012	Capital 078-6320-ALC-6010		175,000		175,000		\$ 175,000		-	175,000
Hudson Ave.	Current 078-6320-480-AK3		185,000	46,250						185,000
Grant Avenue - Section II	Current 078-6320-480-AKN		175,000		33,067				33,067	141,933
Community Development Block Grant (Passed through the County of Passaic)										
Sewer Main Improvements Ord. 8-2012	Capital N/A	14.218	208,250	194,958	141,169		141,169		-	208,250
Sewer Main Improvements Ord. 10-2013	Capital N/A		7,100		\$ 7,100		5,186		1,914	5,186
Flood Acquisition Project Ord. 12-2013	Capital N/A		925,000			925,000	1,150		923,850	1,150
Department of Homeland Security FEMA										
Assistance to Firefighters	Current N/A	97.044	87,566	87,566	87,566		76,241		11,325	76,241
Homeland Security Grant Program (Pass. Through State Department of Law and Public Safety)										
Securing the Cities	Current 066-1200-100-A62-12	97.106	591			591			591	-
Disaster Grants - Public Assistance (Pass. Through State Department of Law and Public Safety)										
Super Storm Sandy	Current 066-1200-100-A92-14	97.036	122,039	122,039	-	122,039	122,039	-	-	122,039
					\$ 539,363	\$ 1,054,730	\$ 520,785	\$ -	\$ 1,073,308	

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, 2013**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2013 Grant Receipts</u>	<u>Balance, January 1, 2013</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Balance, December 31, 2013</u>	<u>Cumulative Expended</u>
Drug and Alcohol Municipal Alliance	N/A	2013	\$ 24,625	\$ 22,710	\$ 9,932	\$ 24,625	\$ 8,369		\$ 16,256	\$ 8,369
		2012	25,163				6,576		3,356	21,807
		2011	25,163		2,258				2,258	22,905
		2010	27,200		492				492	26,708
Clean Communities Grant Program	42-4900-765-004	2013	17,654	17,654						
		2012	15,037			15,037			15,037	
		2011	15,209		15,209				15,209	-
		2010	15,392		15,392				15,392	-
		2009	14,782		14,782				14,782	-
		2008	11,531		11,531		7,848		3,683	7,848
		2007	11,025		7,066		7,066		-	11,025
Drunk Driving Enforcement Fund	1110-448-031020-22	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		997				997	3,022
Alcohol Education and Rehabilitation	16-9735-760-001	2013	3,325	3,325					-	
		2012	2,051			2,051			2,051	
		2011	2,265		777		500		277	1,988
Safe and Secure Communities Program	66-1020-100-232	2013	60,000	60,000		60,000	60,000		-	60,000
Department of Health and Senior Services H1N1 Influenza Vaccine Planning Grant	N/A	2010	20,502		7,719				7,719	12,783

BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

State Grant Program	Account Number	Grant Year	Grant Award	2013 Grant Receipts	Balance, January 1, 2013	Revenue Realized	Expended	Program Income	Balance, December 31, 2013	Cumulative Expended
Body Armour Replacement Fund	66-1020-718-001	2013	\$ 7,872	\$ 7,872	\$	\$ 7,154	\$	\$	\$ 7,154	718
		2012	2,865			2,865			2,865	-
		2011	2,800		\$ 2,800		\$ 2,800		-	6
		2010	1,188		1,188		1,182		-	-
		2009	2,625		2,625		2,625		-	-
		2007	2,894		1,153		1,153		-	\$ 2,894
		2005	2,535		573		573	-	2,535	
Highway Safety Fund - Safe Corridors	078-6100-100-051-12	2013	7,717	7,717		7,717			7,717	-
		2012	8,995		8,995				8,995	-
Recycling Tonnage Grant	42-4900-752-001	2013	13,623	13,623						17,455
		2012	17,455			17,455	17,455		-	17,455
		2012	4,738		4,738		228		4,510	-
		2011	9,503		5,394		5,394		-	9,503
Stormwater Grant	WQ05-475	2006	8,468		1,216		1,216		-	8,468
Net Loss Reforestation Grant (Ord. 15-08)	4870-100-074-042	2008	349,500	48,000	181,698				181,698	167,802
Green Acres Grant (Ord. 12-2013)	1612-12-015	2013	325,000			325,000			325,000	-
Department of Human Services General Assistance	54-7550-100-121	2013	25,800	25,800	32,787	25,800	50,917	44	7,714	50,917
					\$ 331,460	\$ 487,704	\$ 173,902	\$ 44	\$ 645,306	

Note: This schedule is not subject to a Single Audit in accordance with NJ OMB Circular 04-04.

**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, 2013

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 schedule 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	\$ 122,630	\$ 136,904	\$ 259,534
General Capital Fund	932,100	325,000	1,257,100
Public Assistance Fund	<u>-</u>	<u>25,800</u>	<u>25,800</u>
Total Financial Awards	<u>\$ 1,054,730</u>	<u>\$ 487,704</u>	<u>\$ 1,542,434</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.

Part I—Summary of Auditor's Results

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part I – Summary of Auditor's Results

State Awards Section

NOT APPLICABLE

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

There are none.

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

NOT APPLICABLE.

**BOROUGH OF TOTOWA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 2012-1

Condition

Purchase orders were not prepared to encumber amounts due for insurance premiums, construction projects and water purchases in the various funds. In addition, numerous contract balances remained encumbered in the General Capital Fund for contracts which were deemed completed.

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, 2013

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>			<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 1,800,000	3.31 %		\$ 1,828,000	3.36 %
Miscellaneous - From Other Than Local					
Property Tax Levies	3,625,286	6.68		3,580,759	6.59
Collection of Delinquent Taxes	724,026	1.33		523,575	0.96
Collection of Current Tax Levy	47,726,243	87.89		48,053,226	88.39
Other Credits to Income	<u>425,774</u>	<u>0.78</u>		<u>378,192</u>	<u>0.70</u>
Total Income	<u>54,301,329</u>	<u>100.00 %</u>		<u>54,363,752</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	15,197,795	28.97 %		14,863,736	28.18 %
County Taxes	14,103,627	26.88		14,778,091	28.01
Local and Regional School Taxes	23,162,897	44.15		22,945,447	43.50
Other Expenditures	<u>3,999</u>	<u>0.01</u>		<u>166,340</u>	<u>0.32</u>
Total Expenditures	<u>52,468,318</u>	<u>100.00 %</u>		<u>52,753,614</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	1,833,011			1,610,138	
Fund Balance, January 1	<u>2,468,437</u>			<u>2,686,299</u>	
	4,301,448			4,296,437	
Less Utilization as Anticipated Revenue	<u>1,800,000</u>			<u>1,828,000</u>	
Fund Balance, December 31	<u>\$ 2,501,448</u>			<u>\$ 2,468,437</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>			<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 200,000	6.08 %	\$	180,000	5.69 %
Collection of Water Rents	2,665,068	81.02		2,540,085	80.29
Miscellaneous - From Other Than					
Water Rents	391,478	11.90		363,264	11.48
Other Credits to Income	<u>32,998</u>	<u>1.00</u>		<u>80,402</u>	<u>2.54</u>
Total Income	<u>3,289,544</u>	<u>100.00 %</u>		<u>3,163,751</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Operating	2,542,568	83.17 %		2,434,201	82.57 %
Capital Improvements	100,000	3.27		101,000	3.43
Debt Service	215,625	7.05		214,979	7.29
Deferred Charges and Statutory Expenditures	<u>198,882</u>	<u>6.51</u>		<u>197,900</u>	<u>6.71</u>
Total Expenditures	<u>3,057,075</u>	<u>100.00 %</u>		<u>2,948,080</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	232,469			215,671	
Fund Balance, January 1	<u>266,135</u>			<u>230,464</u>	
	498,604			446,135	
Less Utilization as Anticipated Revenue	<u>200,000</u>			<u>180,000</u>	
Fund Balance, December 31	\$ 298,604		\$	266,135	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>			<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Collection of Swimming Pool Fees	\$ 41,332	99.77 %	\$	40,162	99.60 %
Miscellaneous	<u>97</u>	<u>0.23</u>		<u>163</u>	<u>0.40</u>
Total Income	<u>41,429</u>	<u>100.00</u> %		<u>40,325</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	94,500	79.90 %		93,500	74.61 %
Capital Improvements	15,000	12.68		27,000	21.55
Deferred Charges and Statutory Expenditures	<u>8,775</u>	<u>7.42</u>		<u>4,813</u>	<u>3.84</u>
Total Expenditures	<u>118,275</u>	<u>100.00</u> %		<u>125,313</u>	<u>100.00</u> %
Deficit in Revenue	(76,846)			(84,988)	
Adjustments to Income Before Fund Balance					
Realized from General Budget for Anticipated Deficit	<u>76,846</u>			<u>80,813</u>	
Operating Deficit to be Raised in Budget of Succeeding Year				<u>\$ (4,175)</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>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$2,103</u>	<u>\$2,060</u>	<u>\$1,965</u>

Apportionment of Tax Rate

Municipal	.4809	.441	.4286
Library	.0306	.033	.0347
County	.5930	.611	.5660
County – Open Space	.0091	.010	.0103
Local District School	.5884	.566	.5532
Regional High School	.4010	.399	.3722

Assessed Valuation

2013	<u>\$2,341,247,547</u>	
2012	<u>\$2,378,332,462</u>	
2011		<u>\$2,407,532,421</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>
2013	\$ 49,263,053	\$ 48,447,243	98.34%
2012	49,018,166	48,053,226	98.03%
2011	47,327,305	46,677,712	98.63%

**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>
2013	\$ 592,296		\$ 592,296	1.20%
2012	731,342		731,342	1.49%
2011	527,264	\$ 3,703	530,967	1.12%

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>
2013	\$72,900
2012	72,900
2011	72,900

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2013	\$3,040,393	\$3,031,173	99.69%
2012	2,941,132	2,851,975	96.97%
2011	2,562,628	2,600,806	101.49%

*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	2013	\$2,501,448	\$1,800,000 (1)
	2012	2,468,437	1,800,000
	2011	2,686,299	1,828,000
	2010	2,546,024	1,849,700
	2009	3,247,843	1,873,000
Water Utility Fund	2013	\$298,604	200,000 (1)
	2012	266,135	200,000
	2011	230,464	180,000
	2010	340,796	150,000
	2009	111,047	30,000
Swim Pool Utility Operating Fund	2013	\$609	
	2012	609	
	2011	609	
	2010	609	
	2009	609	

(1) Fund balance amounts appropriated represent the surplus anticipated in the 2014 introduced municipal budget.

**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		
Louis D'Angelo	Councilman		
Carolyn Fontanella	Councilwoman		
Anthony Picarelli	Councilman		
Philip Puglise	Councilman		
John Waryas	Councilman		
Joseph Wassel	Borough Clerk	\$20,000	Travelers Casualty and Surety Co.
	Unconfirmed Assessment Search Officer		
	Certifying Agent - Retirement Systems		
Carol Potoczak	Deputy Water Registrar	10,000	Travelers Casualty and Surety Co.
Elaine Reddin	Tax Collector	200,000	Travelers Casualty and Surety Co.
Lisa Nash	Treasurer/CFO	(a)	
Kathryn Wasilewski	Deputy Borough Clerk	(a)	
Jennifer Bernardo	Water Registrar	80,000	Travelers Casualty and Surety Co.
Curt T. Masklee	Tax Assessor	(a)	
Allan Burghardt	Construction Official,	(a)	
	Building Sub-Code Official	(a)	
Ernest Paese	Sewer Plant Superintendent	(a)	
Michael Baker	Plumbing Sub-Code Official	(a)	
Robert Corrado	Attorney		
John Clarke	Prosecutor (04/01/11-12/31/11)	(a)	
Ramsey Merhi	Public Defender		
Alaimo Engineering	Borough Engineer and Consulting Engineer		
Thomas Watkins	Treasurer of Library	10,000	Travelers Casualty and Surety Co.
Mario Batelli	Judge	(b)	Travelers Casualty and Surety Co.
Georgeann Gosnell	Court Administrator	(b)	Travelers Casualty and Surety Co.

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Maryann Coral	Deputy Court Clerk	(b)	Travelers Casualty And Surety Co.
Sue D'Aiuto	Bd. of Health Clerk and Registrar	(a)	
Robert W. Coyle	Chief of Police		

(a) Public Employee Dishonesty Coverage was issued by the New Jersey Intergovernmental Insurance Fund in the amount of \$100,000 per loss covering all other employees.

(b) Public Employee Dishonesty Coverage was issued by the Travelers Casualty and Surety Company of America in the amount of \$100,000 covering all Municipal Court employees.

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

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

GENERAL COMMENTS

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

Prior Year Findings Unresolved

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

Our audit revealed the Borough's Affordable Housing Reserve account activity was not reported in the annual report required to be filed with the State Council on Affordable Housing. It is recommended that the Borough's Affordable Housing Reserve account activity be reported in the annual report required to be filed with the State Council on Affordable Housing.

Our audit revealed numerous interfund balances existed between the various funds at December 31, 2013. It is recommended that continued efforts be made to clear all interfund balances of record.

Our audit of tickets issued in the Municipal Court revealed 415 tickets assigned, not issued which were in excess of six (6) months old. It is recommended that traffic tickets assigned, not issued over six months be recalled and reassigned by the Municipal Court.

Current Year Findings

Our audit revealed that a contract awarded as extraordinary unspecifiable services (EUS) for the purchase of water meters was not approved by resolution and advertised in the official newspaper. It is recommended that extraordinary unspecifiable service contract awards be approved by resolution and advertised in the official newspaper.

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:

Purchase and Delivery of Diesel Trash Pump
Road Improvements – Lincoln Ave.

Purchase and Delivery of Bail Out System
Abandonment of Shepards Lane Pump Station

BOROUGH OF TOTOWA
LETTER OF COMMENTS AND RECOMMENDATIONS

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

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.

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, 2013 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 FURTHER RESOLVED, that the Senior Citizens of record be exempt from interest for the first 30 days.

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 \$1,000	8%
In Excess of \$1,000	18%

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

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

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 24, 2013.

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>
2013	0
2012	0
2011	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.

Suggestions to Management

- Confirmation of the assessment for the replacement of sidewalks, curbs and driveway aprons – Union Boulevard Phase II should be completed before year end.
- The Borough continue its review of both water purchases from Passaic Valley Water Commission and water consumption billed in the Water Utility Operating Fund.

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.

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

RECOMMENDATIONS

It is recommended that:

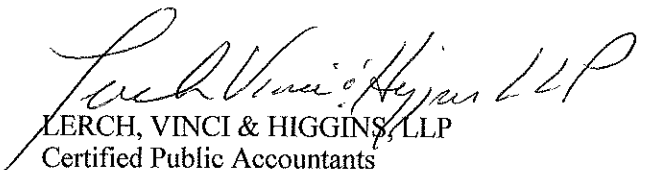
- * 1. The Borough's Affordable Housing Reserve account activity be reported in the annual report required to be filed with the State Council on Affordable Housing.
- * 2. Continued efforts be made to clear all interfund balances of record.
- * 3. Traffic tickets assigned, not issued over six months be recalled and reassigned by the Municipal Court.
- 4. Extraordinary unspecifiable service contract awards be approved by resolution and advertised in the official newspaper.

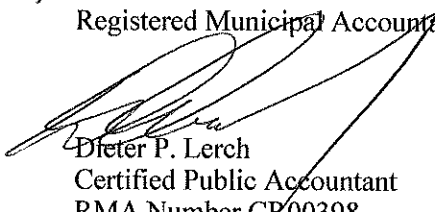
* * * * *

A review was performed on all prior year recommendations and corrective action was taken on all, except the recommendations 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