

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2011

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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, 2011

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INDEPENDENT AUDITOR'S REPORT

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

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, 2011 and 2010 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, 2011. These financial statements are the responsibility of the Borough of Totowa's management. 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 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Totowa's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Totowa as of December 31, 2011 and 2010, or the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

In our opinion, the financial statements - regulatory basis referred to previously 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, 2011 and 2010 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 the expenditures - regulatory basis of the various funds for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 30, 2012 on our consideration of the Borough of Totowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 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 and schedules of expenditures of federal awards and 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. 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 information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 30, 2012

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash	A-4	\$ 12,369,564	\$ 11,353,139
Cash - Change Funds	A-6	220	220
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-14	<u>344,317</u>	<u>311,357</u>
		<u>12,714,251</u>	<u>11,664,866</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-11	527,264	663,357
Tax Title Liens	A-10	3,703	
Property Acquired for Taxes	A-12	72,900	72,900
Revenue Accounts Receivable	A-13	55,297	39,181
Due from Library	A-8	-	4,145
Due from Assessment Trust Fund	B-4	3,657	5,878
Due from Animal Control Fund	B-8	1,116	1,050
Due from General Capital Fund	C-5	1,017,444	724,780
Due from Water Utility Operating Fund	D-12	155,595	109,727
Due from Swim Pool Utility Operating Fund	E-10	<u>-</u>	<u>23,038</u>
		<u>1,836,976</u>	<u>1,644,056</u>
Deferred Charges			
Emergency Authorization	A-16	247,000	
Special Emergency Authorization	A-15	<u>267,480</u>	<u>227,560</u>
		<u>514,480</u>	<u>227,560</u>
		<u>\$ 15,065,707</u>	<u>\$ 13,536,482</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, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Appropriation Reserves	A-3,A-17	\$ 788,486	\$ 740,682
Encumbrance Payable	A-18	544,482	472,599
Accounts Payable	A-19	16,995	87,111
Prepaid Taxes	A-22	419,443	125,279
Tax Overpayments	A-23	-	29,117
Fees Payable	A-25	11,460	11,327
County Taxes Payable-Added Taxes	A-27	5,663	54,447
Local District School Tax Payable	A-28	3,908,832	3,776,628
Regional High School Tax Payable	A-29	2,402,395	2,258,101
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-9	65,033	59,327
Due to Other Trust Fund	B-10	68,184	15,076
Due to Swim Pool Utility Operating Fund	E-10	27,261	
Reserve for Unappropriated Grants	A-20	32,327	21,580
Reserve for Appropriated Grants	A-21	121,650	307,761
Reserve for Tax Appeals Pending	A-24	2,122,718	1,331,864
Miscellaneous Reserves	A-30	<u>7,503</u>	<u>55,503</u>
		10,542,432	9,346,402
Reserve for Receivables	A	1,836,976	1,644,056
Fund Balance	A-1	<u>2,686,299</u>	<u>2,546,024</u>
		<u>\$ 15,065,707</u>	<u>\$ 13,536,482</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,849,700	\$ 1,873,000
Miscellaneous Revenue Anticipated	A-2	3,370,879	3,097,004
Receipts from Delinquent Taxes	A-2	652,501	436,419
Receipts from Current Taxes	A-2	45,677,712	44,040,116
Non-Budget Revenue	A-2	733,970	264,406
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-17	457,185	606,279
Swim Pool Utility Fund - Prior Year			
Operating Deficit Returned	E-10	9,684	11,103
Statutory Excess - Animal Control Fund	B-8	1,115	1,006
Accounts Payable Cancelled	A-1		19,811
Cancelled Overpayments	A-23	10,030	
Cancelled Escrow Deposits	B-10	318,385	
Cancelled Appropriated Grant Reserves	A-21	161,203	
Interfunds and Other Receivables Liquidated	A	-	339,758
		<u>53,242,364</u>	<u>50,688,902</u>
Total Income			
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	5,958,549	5,790,169
Other Expenses	A-3	6,213,028	6,146,253
Capital Improvements	A-3	764,474	617,500
Municipal Debt Service	A-3	701,835	779,670
Deferred Charges and Statutory Expenditures	A-3	1,487,965	1,219,420
County Taxes	A-26	13,868,869	13,555,079
Due County For Added and Omitted Taxes	A-27	5,663	54,447
Local District School Tax	A-28	13,317,709	13,072,227
Regional High School Tax	A-29	8,960,294	8,671,706
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-9	250	250
Cancelled Grants Receivable	A-14	23,559	
Interfunds and Other Receivables Created	A	309,194	-
		<u>51,611,389</u>	<u>49,906,721</u>
Total Expenditures			
Excess in Revenue		<u>1,630,975</u>	<u>782,181</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-15,A-16	359,000	139,000
Expenditures included above which were Funded by Capital Ordinance	A	-	250,000
		<u>359,000</u>	<u>389,000</u>
Statutory Excess to Fund Balance		1,989,975	1,171,181
Fund Balance, January 1	A	<u>2,546,024</u>	<u>3,247,843</u>
		4,535,999	4,419,024
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,849,700</u>	<u>1,873,000</u>
Fund Balance, December 31,	A	<u>\$ 2,686,299</u>	<u>\$ 2,546,024</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, 2011

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.</u> <u>40A:4-87</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,849,700	-	\$ 1,849,700	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-13	11,000		11,388	\$ 388
Other	A-2	24,000		25,374	1,374
Fees and Permits	A-2	36,200		81,438	45,238
Fines and Costs					
Municipal Court	A-13	240,000		374,814	134,814
Interest and Costs on Taxes	A-5	135,000		152,814	17,814
Consolidated Municipal Property					
Tax Relief Aid	A-13	77,150		77,150	
Energy Receipts Tax	A-13	1,227,064		1,227,064	
Uniform Fire Safety Act Fees	A-13	5,663		6,660	997
Uniform Fire Safety Act Rebate	A-13	32,000		30,047	(1,953)
Uniform Construction Code Fees	A-13	200,000		349,426	149,426
Public and Private Revenues Offset					
With Appropriations					
N.J. Transportation Trust Fund Authority Act	A-14	185,000		185,000	
Recycling Tonnage Grant	A-14	18,010		18,010	
Clean Communities Program - Unappropriated Reserve	A-20	15,392		15,392	
Safe and Secure Communities Program	A-14	49,802		49,802	
Municipal Alliance on Alcoholism	A-14	25,163		25,163	
FEMA - Firefighters	A-14	87,566		87,566	
Soldoveri Foundation - Unappropriated	A-20	5,000		5,000	
Body Armor - Unappropriated	A-20	1,188		1,188	
County of Passaic Open Space - Lincoln Field	A-14		\$ 79,800	79,800	
Special Items of General Revenue					
Police Highway Safety Reimbursements	A-30	48,000		48,000	
Hotel/Motel Tax	A-13	95,000		117,960	22,960
Sewer User Fees	A-13	275,000	-	401,823	126,823
 Total Miscellaneous Revenues	 A-1	 <u>2,793,198</u>	 <u>79,800</u>	 <u>3,370,879</u>	 <u>497,881</u>
Receipts from Delinquent Taxes	A-1,A-10	<u>455,000</u>	<u>-</u>	<u>652,501</u>	<u>197,501</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, 2011

	<u>Reference</u>	<u>Budget</u>	Added by N.J.S. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-11	\$ 10,314,140		\$ 10,250,164	\$ (63,976)
Minimum Library Tax	A-11	<u>835,013</u>	<u>-</u>	<u>835,013</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>11,149,153</u>	 <u>-</u>	 <u>11,085,177</u>	 <u>(63,976)</u>
 Budget Revenues	 A-3	 <u>\$ 16,247,051</u>	 <u>\$ 79,800</u>	 <u>16,958,257</u>	 <u>\$ 631,406</u>
 Non-Budget Revenues	 A-1,A-2			 <u>733,970</u>	
				 <u>\$ 17,692,227</u>	

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-11	\$ 46,677,712
Less: Reserve for Tax Appeals	A-24	<u>1,000,000</u>
Revenue Realized	A-1	45,677,712
Allocated to		
Local School, Regional High School and County Taxes	A-26,A-27 A-28,A-29	<u>36,152,535</u>
		9,525,177
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,560,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,085,177</u>
Licenses - Other		
Borough Clerk	A-13	\$ 10,136
Board of Health/Registrar of Vital Statistics	A-13	<u>15,238</u>
	A-2	<u>\$ 25,374</u>
Fees and Permits		
Borough Clerk	A-13	\$ 4,730
Board of Health/Registrar of Vital Statistics	A-13	41,599
Planning Board	A-13	19,949
Zoning Board of Adjustment	A-13	14,966
Police	A-13	<u>194</u>
	A-2	<u>\$ 81,438</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Investments and Deposits		\$ 46,564
Rent		81,748
Cable TV Franchise Fees		95,837
Host Community Fees		44,249
Misc. Refunds/Reimbursements		600
Accident Reports		4,747
Administrative Fee - Police Outside Duty		104,940
Motor Vehicle Fees		15,420
Other		198,222
State of NJ Storm Reimbursements		140,737
Administrative Fee - Sr. Citizens & Veterans Deductions		<u>906</u>
	A-1,A-2	<u>\$ 733,970</u>
Cash Receipts	A-4	\$ 730,195
Due from Assessment Trust Fund	B-4	3,715
Animal Control Fund	B-8	18
Due from General Capital Fund	C-5	<u>42</u>
	A-1,A-2	<u>\$ 733,970</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS"				
GENERAL GOVERNMENT				
Mayor and Council				
Salaries & Wages	\$ 32,040	\$ 32,040	\$ 31,673	\$ 367
Municipal Clerk				
Salaries & Wages	256,009	256,009	255,687	322
Other Expenses	25,000	25,000	17,878	7,122
Other Expenses-Codification of Ordinances	5,000	5,000	1,195	3,805
Grant Professional - Other Expenses	25,000	25,000	25,000	
Elections				
Salaries & Wages	15,881	15,881	15,845	36
Other Expenses	7,000	7,000	5,070	1,930
Financial Administration				
Salaries & Wages	68,000	68,000	67,964	36
Other Expenses	35,000	35,000	18,363	16,637
Annual Audit	36,000	36,000	36,000	
Assessment of Taxes				
Salaries & Wages	97,632	87,632	87,045	587
Other Expenses	30,000	25,000	10,372	14,628
Collection of Taxes				
Salaries & Wages	40,720	40,720	40,720	
Other Expenses	12,000	12,000	9,830	2,170
Legal Services & Costs				
Salaries & Wages	12,000	12,000	12,000	
Other Expenses	78,000	86,000	77,250	8,750
Engineering Services & Costs				
Other Expenses	40,000	45,000	39,141	5,859
Municipal Land Use Law (NJS 40:55D-1)				
Planning Board				
Salaries & Wages	9,675	9,675	9,675	
Other Expenses	30,000	16,000	2,814	13,186
Board of Adjustments				
Salaries & Wages	4,970	4,970	4,970	
Other Expenses	7,500	14,500	14,316	184
Insurance				
Unemployment Compensation Insurance	14,000	14,000	14,000	
General Liability	202,807	202,807	96,158	106,649
Workers Compensation	153,964	153,964	153,923	41
Employee Group Health	1,121,778	1,121,778	1,116,332	5,446
Employee Group Health - Waiver	4,000	4,000	4,000	
PUBLIC SAFETY				
Fire				
Salaries and Wages	6,200	6,200	6,200	
Other Expenses	135,000	135,000	56,020	78,980
Uniform Fire Safety Act (Ch. 383 P.L. 1983)				
Fire Officials				
Salaries and Wages	117,727	117,727	117,727	
Other Expenses	1,200	1,200	100	1,100
Police Dispatch/911				
Salaries and Wages	126,495	111,495	111,000	495
Other Expenses	1,000	1,000	274	726

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, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS"				
PUBLIC SAFETY (CONTD.)				
Police				
Salaries & Wages	\$ 3,141,501	\$ 3,141,501	\$ 3,124,406	\$ 17,095
Miscellaneous Other Expenses	60,000	60,000	34,540	25,460
Vehicle Purchases	48,000	48,000	47,406	594
First Aid Squad				
Contribution	15,000	15,000	15,000	
Other Expenses	17,000	17,000		17,000
Emergency Management Services				
Salaries and Wages	3,461	3,461	3,453	8
Other Expenses	5,000	5,000	4,021	979
Municipal Prosecutor (Municipal Court)				
Salaries and Wages	15,000	15,000	15,000	
Other Expenses	1,000	1,000		1,000
PUBLIC WORKS				
Road Repairs and Maintenance				
Salaries and Wages	844,908	844,908	837,559	7,349
Other Expenses	75,000	75,000	67,654	7,346
Public Buildings and Grounds				
Salaries and Wages	55,850	55,850	54,821	1,029
Other Expenses	30,000	30,000	22,719	7,281
Vehicle Maintenance				
Salaries and Wages	5,496	5,496	5,483	13
Other Expenses	100,000	100,000	86,603	13,397
Sewer System				
Salaries & Wages	335,416	335,416	332,463	2,953
Other Expenses	62,500	62,500	47,824	14,676
Shade Tree Commission				
Salaries & Wages	2,458	2,458	2,458	
Other Expenses	5,000	5,000	4,368	632
Garbage and Trash Removal				
Contractual	244,500	244,500	244,500	
Recycling Program				
Salaries & Wages	27,117	27,117	26,619	498
Other Expenses	50,000	50,000	50,000	
Solid Waste Transfer Fees	425,000	425,000	425,000	
Leaf/Grass Removal				
Other Expenses	60,000	60,000	60,000	
Condo Services Act				
Other Expenses	30,000	30,000		30,000
HEALTH AND WELFARE				
Board of Health				
Salaries & Wages	103,727	103,227	102,979	248
Other Expenses	14,000	14,500	9,089	5,411
Animal Control				
Other Expenses	20,000	20,000	15,000	5,000
Administration of Public Assistance				
Salaries and Wages	12,929	12,929	12,929	
Other Expenses	1,000	1,000	253	747

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, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS"				
HEALTH AND WELFARE (Continued)				
Hepatitis B Vaccine				
Other Expense	\$ 1,000	\$ 1,000		\$ 1,000
RECREATION AND EDUCATION				
Parks and Playgrounds				
Salaries & Wages	94,725	94,725	\$ 93,219	1,506
Other Expenses	8,500	8,500	7,982	518
Celebration of Public Events				
Other Expenses	5,000	5,000	3,347	1,653
Senior Citizen Program				
Salaries and Wages	19,770	19,770	19,329	441
Other Expenses	6,000	6,000	4,021	1,979
Contribution	3,000	3,000		3,000
MUNICIPAL COURT FUNCTIONS				
Municipal Court Administration				
Salaries and Wages	163,084	162,584	160,441	2,143
Other Expenses	12,000	12,500	12,043	457
Public Defender (P.L. 1997, C.256)				
Salaries and Wages	8,621	8,621	8,621	
Other Expenses	2,500	2,500	625	1,875
UNIFORM CONSTRUCTION CODE				
APPROPRIATIONS OFFSET BY DEDICATED				
DEDICATED REVENUES				
(N.J.A.C. 5:23-4-17)				
Construction Code Official				
Salaries & Wages	228,835	228,835	228,139	696
Other Expenses	7,000	7,000	3,559	3,441
UNCLASSIFIED AND BULK PURCHASES				
Utilities:				
Electricity and Natural Gas	260,000	260,000	255,285	4,715
Street Lighting	130,000	134,000	133,684	316
Gasoline	105,000	125,000	124,929	71
Telephone	50,000	50,000	49,704	296
Total Operations Within "CAPS"	<u>9,667,496</u>	<u>9,667,496</u>	<u>9,215,617</u>	<u>451,879</u>
Detail:				
Salaries & Wages	5,850,247	5,824,247	5,788,425	35,822
Other Expenses	<u>3,817,249</u>	<u>3,843,249</u>	<u>3,427,192</u>	<u>416,057</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS"				
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"				
Deferred Charges				
Anticipated Deficit in Swim Pool Operations	\$ 63,812	\$ 63,812	\$ 63,812	
Statutory Charges				
Social Security System (O.A.S.I.)	245,000	245,000	236,672	\$ 8,328
Public Employees Retirement System	278,480	278,480	278,480	
Police and Fireman's Retirement System	828,593	828,593	828,593	-
	<u>1,415,885</u>	<u>1,415,885</u>	<u>1,407,557</u>	<u>8,328</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,415,885</u>	<u>1,415,885</u>	<u>1,407,557</u>	<u>8,328</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,083,381</u>	<u>11,083,381</u>	<u>10,623,174</u>	<u>460,207</u>
OPERATIONS - EXCLUDED FROM "CAPS"				
Passaic Valley Sewerage - Contractual	1,182,013	1,182,013	1,182,013	
Recycling Tax	18,500	18,500	13,898	4,602
Maintenance of Free Public Library	835,013	835,013	788,851	46,162
Hurricane Irene				
Salaries and Wages		84,500	84,500	
Other Expenses		162,500	162,073	427
Repairs/Replace Infrastructure	-	112,000	91,830	20,170
	<u>2,035,526</u>	<u>2,394,526</u>	<u>2,323,165</u>	<u>71,361</u>
Total Operations Excluded from "CAPS"	<u>2,035,526</u>	<u>2,394,526</u>	<u>2,323,165</u>	<u>71,361</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES				
Safe and Secure Communities Program				
Police - Salaries and Wages	49,802	49,802	49,802	
Drug and Alcohol				
Municipal Alliance	25,163	25,163	22,154	3,009
Body Armor	1,188	1,188		1,188
Clean Communities Grant Program	15,392	15,392		15,392
Recycling Tonnage Grant	18,010	18,010	18,010	-
	<u>109,555</u>	<u>109,555</u>	<u>89,966</u>	<u>19,589</u>
Total Public and Private Programs Offset by Revenues	<u>109,555</u>	<u>109,555</u>	<u>89,966</u>	<u>19,589</u>
Total Operations Excluded from "CAPS"	<u>2,145,081</u>	<u>2,504,081</u>	<u>2,413,131</u>	<u>90,950</u>
Detail:				
Salaries & Wages	49,802	134,302	134,302	-
Other Expenses	2,095,279	2,369,779	2,278,829	90,950

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, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"				
Capital Improvement Fund	\$ 40,000	\$ 40,000	\$ 40,000	
Renovation of Public Buildings	20,000	20,000	20,000	
Acquisition of Office Equipment	10,000	10,000	6,401	\$ 3,599
Sewer Department Equipment	55,000	55,000	21,915	33,085
Acquisition of Various Technology Equipment for Police Dept.	20,000	20,000	7,272	12,728
Sewer Main Improvements	40,000	40,000		40,000
DPW Equipment	10,000	10,000	8,712	1,288
Fire Department Equipment	20,000	20,000	14,103	5,897
Road Improvements Program	100,000	100,000	99,463	537
Soldoveri - Recreation Improvements	5,000	5,000	5,000	
Improvements to Hudson Avenue				
State Share	185,000	185,000	185,000	
Local Share	87,500	87,500	53,768	33,732
FEMA-Acquisition of Firefighters Equipment				
Federal Share	87,566	87,566		87,566
Local Share	4,608	4,608		4,608
County Open Space - Minnisink Road Field Improvements	-	79,800	65,511	14,289
	<u>684,674</u>	<u>764,474</u>	<u>527,145</u>	<u>237,329</u>
Total Capital Improvements - Excluded from "CAPS"				
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"				
Payment of Bond Principal	647,000	647,000	647,000	
Interest on Bonds	7,683	7,684	7,684	
EDA Loan Repayments for Principal & Int.	47,152	47,151	47,151	-
	<u>701,835</u>	<u>701,835</u>	<u>701,835</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>701,835</u>	<u>701,835</u>	<u>701,835</u>	<u>-</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"				
Special Emergency Authorizations - 5 Years	\$ 72,080	\$ 72,080	\$ 72,080	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>72,080</u>	<u>72,080</u>	<u>72,080</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,603,670</u>	<u>4,042,470</u>	<u>3,714,191</u>	<u>\$ 328,279</u>
Subtotal General Appropriations	14,687,051	15,125,851	14,337,365	788,486
Reserve for Uncollected Taxes	<u>1,560,000</u>	<u>1,560,000</u>	<u>1,560,000</u>	<u>-</u>
Total General Appropriations	<u>\$ 16,247,051</u>	<u>\$ 16,685,851</u>	<u>\$ 15,897,365</u>	<u>\$ 788,486</u>
	<u>Reference</u>	A-2	A-1	A,A-1
Budget as Adopted	A-3	\$ 16,247,051		
Appropriation by 40A:4-87	A-2	79,800		
Emergency Appropriation	A-16	247,000		
Special Emergency Appropriation	A-15	<u>112,000</u>		
		<u>\$ 16,685,851</u>		
Cash Disbursed	A-4		\$ 13,616,991	
Encumbrances Payable	A-18		544,482	
Special Emergency Authorization	A-15		72,080	
Due to General Capital Fund	C-5		40,000	
Due to Swim Pool Utility Operating Fund	E-10		63,812	
Reserve for Uncollected Taxes	A-2		<u>1,560,000</u>	
	A-3		<u>\$ 15,897,365</u>	

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-1,B-2	\$ 27,343	\$ 8,155
Assessments Receivable	B-3	<u>74,178</u>	<u>95,059</u>
		<u>101,521</u>	<u>103,214</u>
ANIMAL CONTROL FUND			
Cash	B-1	<u>4,507</u>	<u>4,647</u>
OTHER TRUST FUND			
Cash	B-1	1,978,806	2,261,761
Due from Current Fund	B-10	68,184	15,076
Due from Assessment Trust Fund	B-5	528	
Due from Water Utility Operating Fund	D-23	3,500	
Due from Water Utility Capital Fund	D-24	16,633	16,633
Due from Swim Pool Utility Operating Fund	E-11	<u>100</u>	<u>-</u>
		<u>2,067,751</u>	<u>2,293,470</u>
		<u>\$ 2,173,779</u>	<u>\$ 2,401,331</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-4	\$ 3,657	\$ 5,878
Due to Other Trust Fund	B-5	528	
Due to General Capital Fund	C-6	<u>97,336</u>	<u>97,336</u>
		<u>101,521</u>	<u>103,214</u>
ANIMAL CONTROL FUND			
Due to Current Fund	B-8	1,116	1,050
Due to State of New Jersey	B-7	15	18
Reserve for Animal Control Expenditures	B-6	<u>3,376</u>	<u>3,579</u>
		<u>4,507</u>	<u>4,647</u>
OTHER TRUST FUND			
Due to General Capital Fund	B-11	450	
Escrow Deposits Payable	B-9	541,271	866,074
Premium Received at Tax Sale	B-12	72,000	37,600
Payroll Deductions Payable	B-13	5,395	5,393
Reserve for Unemployment Insurance	B-14	115,803	105,346
Due to State - Unemployment Claims	B-15	201	
Miscellaneous Reserves	B-16	<u>1,332,631</u>	<u>1,279,057</u>
		<u>2,067,751</u>	<u>2,293,470</u>
		<u>\$ 2,173,779</u>	<u>\$ 2,401,331</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	C-2,C-3	\$ 25,455	\$ 224,207
Grants Receivable	C-4	1,010,136	1,217,995
Due from Assessment Trust Fund	C-6	97,336	97,336
Due from Water Utility Capital Fund	D-17	507,022	507,022
Due from Other Trust Fund	B	450	
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Deferred Charges to Future Taxation			
Funded	C-8	39,365	733,516
Unfunded	C-9	1,728,842	1,899,664
		<u>\$ 3,455,606</u>	<u>\$ 4,726,740</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-17		\$ 647,000
EDA Loans Payable	C-16	\$ 39,365	86,516
Contracts Payable	C-10	534,908	611,206
Capital Improvements Fund	C-11	41,000	31,000
Due to Current Fund	C-5	1,017,444	724,780
Due to Water Utility Operating Fund	D-18		317
Improvement Authorizations			
Funded	C-15	388,645	416,617
Unfunded	C-15	647,418	1,251,656
Reserve for:			
Sewer Connection Charges	C-12	8,000	8,000
Capital Improvements	C-13	3,844	3,844
Land Sale Proceeds	C-14	175,571	175,571
Grants Receivable	C-4	429,178	600,000
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Fund Balance	C-1	123,233	123,233
		<u>\$ 3,455,606</u>	<u>\$ 4,726,740</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2011 and 2010 of \$1,803,020 and \$1,994,723 respectively (See Exhibit C-18).

**BOROUGH OF TOTOWA
 COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
 GENERAL CAPITAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	C	\$ 123,233	\$ 188,423
Increased by:			
Improvement Authorizations Cancelled	C	<u> -</u>	<u> 364,810</u>
		<u> 123,233</u>	<u> 553,233</u>
Decreased by:			
Due to Current Fund as Anticipated Revenue	C-1		80,000
Appropriation to Finance Improvement Authorizations	C-1	<u> -</u>	<u> 350,000</u>
		<u> -</u>	<u> 430,000</u>
Balance, December 31	C	<u><u>\$ 123,233</u></u>	<u><u>\$ 123,233</u></u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
OPERATING FUND			
Cash	D-6	\$ 327,236	\$ 370,795
Due from General Capital Fund	D-18	-	317
Due from Water Utility Capital Fund	D-15	<u>262,408</u>	<u>289,132</u>
		<u>589,644</u>	<u>660,244</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-10	434,821	474,600
Water Liens Receivable	D-11	<u>478</u>	<u>-</u>
		<u>435,299</u>	<u>474,600</u>
 Total Operating Fund		 <u>1,024,943</u>	 <u>1,134,844</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	784	784
Fixed Capital	D-13	4,071,958	3,856,332
Fixed Capital Authorized and Uncompleted	D-14	<u>2,310</u>	<u>200,000</u>
 Total Capital Fund		 <u>4,075,052</u>	 <u>4,057,116</u>
		<u>\$ 5,100,308</u>	<u>\$ 5,192,273</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2011 AND 2010
(Continued)

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-5,D-16	\$ 93,596	\$ 111,315
Encumbrances Payable	D-19	103,355	94,348
Accounts Payable	D-22	798	404
Accrued Interest on Bonds	D-20	639	888
Water Rent Overpayments	D-21	1,697	2,766
Due to Current Fund	D-12	155,595	109,727
Due to Other Trust Fund	D-23	<u>3,500</u>	<u>-</u>
		359,180	319,448
Reserve for Receivables	D	435,299	474,600
Fund Balance	D-1	<u>230,464</u>	<u>340,796</u>
		1,024,943	1,134,844
Total Operating Fund		<u>1,024,943</u>	<u>1,134,844</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-31	462,000	657,000
Due to Other Trust Fund	D-24	16,633	16,633
Due to General Capital Fund	D-17	507,022	507,022
Due to Water Utility Operating Fund	D-15	262,408	289,132
Contracts Payable	D-25	3,884	27,160
Improvement Authorizations			
Funded	D-26	2,310	2,310
Capital Improvement Fund	D-27	27,108	27,108
Reserve for Amortization	D-28	2,776,381	2,315,755
Deferred Reserve for Amortization	D-29	2,310	200,000
Reserve for Water Tower Fees	D-30	13,035	13,035
Fund Balance	D-3	<u>1,961</u>	<u>1,961</u>
		4,075,052	4,057,116
Total Capital Fund		<u>4,075,052</u>	<u>4,057,116</u>
		<u>\$ 5,100,308</u>	<u>\$ 5,192,273</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2011 and 2010 of \$833,577 and \$883,577 respectively. (See Exhibit D-32)

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, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-4	\$ 150,000	\$ 30,000
Water Rents	D-4	2,328,945	2,403,931
Miscellaneous Fees	D-4	273,211	286,284
Interest on Delinquent Accounts	D-4	22,220	20,422
Interest on Investments	D-4	2,386	6,350
Water Utility Capital Fund Balance	D-3		15,000
Other Credits			
Appropriation Reserves Lapsed	D-16	84,300	207,789
Cancelled Accounts Payable	D-1	-	11,867
		<u>2,861,062</u>	<u>2,981,643</u>
Total Income			
EXPENDITURES			
Operating	D-5	2,396,672	2,292,489
Capital Improvements	D-5	20,000	5,000
Debt Service	D-5	213,076	203,904
Deferred Charges and Statutory Expenditures	D-5	191,646	220,501
		<u>2,821,394</u>	<u>2,721,894</u>
Total Expenditures			
Statutory Excess to Fund Balance		<u>39,668</u>	<u>259,749</u>
Fund Balance, January 1,	D	<u>340,796</u>	<u>111,047</u>
		380,464	370,796
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-4	<u>150,000</u>	<u>30,000</u>
Balance, December 31,	D	<u>\$ 230,464</u>	<u>\$ 340,796</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE- REGULATORY BASIS
WATER UTILITY ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</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, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1,	D	\$ 1,961	\$ 16,961
Decreased by:			
Due to Water Utility Operating Fund as Anticipated Revenue	D-1, D-3	<u>-</u>	<u>15,000</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, 2011

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 150,000	\$ 150,000	
Rents	D-1,D-4	2,375,000	2,328,945	\$ (46,055)
Miscellaneous Fees	D-1,D-4	275,000	273,211	(1,789)
Interest on Delinquent Accounts	D-1,D-7	15,418	22,220	6,802
Interest on Investments	D-1,D-6	<u>6,000</u>	<u>2,386</u>	<u>(3,614)</u>
 Budget Revenues	 D-5	 <u>\$ 2,821,418</u>	 <u>\$ 2,776,762</u>	 <u>\$ (44,656)</u>

Analysis of Realized Revenue

Rents:

Cash Receipts-Rents	D-10	\$ 2,324,829
Cash Receipts-Liens	D-11	1,350
Overpayments Applied	D-10	<u>2,766</u>
	D-4	<u>\$ 2,328,945</u>

Miscellaneous Fees

Consumer Accounts Receivable Collected		
Sprinkler Fees		\$ 243,541
Water Meters		20,708
Special Readings		<u>8,962</u>

	D-4, D-10	<u>\$ 273,211</u>
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BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<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	\$ 683,672	\$ 683,672	\$ 680,784	\$ 2,888	
Other Expenses	<u>1,717,000</u>	<u>1,713,000</u>	<u>1,624,360</u>	<u>88,640</u>	<u>-</u>
Total Operating	<u>2,400,672</u>	<u>2,396,672</u>	<u>2,305,144</u>	<u>91,528</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>17,936</u>	<u>2,064</u>	<u>-</u>
Total Capital Improvements	<u>20,000</u>	<u>20,000</u>	<u>17,936</u>	<u>2,064</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	195,000	195,000	195,000		
Interest on Bonds	<u>18,100</u>	<u>18,100</u>	<u>18,076</u>	-	\$ 24
Total Debt Service	<u>213,100</u>	<u>213,100</u>	<u>213,076</u>	-	<u>24</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	78,546	78,546	78,546		
Social Security System (O.A.S.I.)	55,600	59,600	59,596	4	
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	-	-
Total Deferred Charges and Statutory Expenditures	<u>187,646</u>	<u>191,646</u>	<u>191,642</u>	<u>4</u>	<u>-</u>
	<u>\$ 2,821,418</u>	<u>\$ 2,821,418</u>	<u>\$ 2,727,798</u>	<u>\$ 93,596</u>	<u>\$ 24</u>

	<u>Reference</u>	D-4	D-1	D, D-1
Disbursed	D-6		\$ 2,466,999	
Encumbrances Payable	D-19		103,355	
Accrued Interest on Bonds	D-20		18,076	
Due to Current Fund	D-12		85,868	
Due to Water Utility Capital Fund	D-15		50,000	
Due to Other Trust Fund	D-23		<u>3,500</u>	
			<u>\$ 2,727,798</u>	

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 125	\$ 27,649
Due from Current Fund	E-10	<u>27,261</u>	<u>-</u>
		27,386	27,649
Deferred Charges: Operating Deficit	E-7	<u>213</u>	<u>6,572</u>
Total Operating Fund		<u>27,599</u>	<u>34,221</u>
CAPITAL FUND			
Cash	E-5,E-6	192	192
Fixed Capital	E-8	<u>239,372</u>	<u>212,033</u>
Total Capital Fund		<u>239,564</u>	<u>212,225</u>
		<u>\$ 267,163</u>	<u>\$ 246,446</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-9	\$ 25,463	\$ 9,684
Encumbrances Payable	E-12	537	
Accounts Payable	E-13	890	890
Due to Current Fund	E-10		23,038
Due to Other Trust Fund	E-11	<u>100</u>	<u>-</u>
		26,990	33,612
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>27,599</u>	<u>34,221</u>
CAPITAL FUND			
Reserve for Amortization	E-14	239,372	212,033
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>239,564</u>	<u>212,225</u>
		<u>\$ 267,163</u>	<u>\$ 246,446</u>

There were no bonds and notes authorized but not issued on December 31, 2010 and 2009.

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, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUE AND OTHER INCOME REALIZED			
Swimming Pool Receipts	E-3	\$ 44,601	\$ 46,528
Non-Budget Revenue	E-1	<u>86</u>	<u>-</u>
Total Income		<u>44,687</u>	<u>46,528</u>
EXPENDITURES			
Operating	E-4	91,440	87,728
Capital Improvements	E-4	5,000	5,000
Deferred Charges and Statutory Expenditures	E-4	<u>12,272</u>	<u>14,018</u>
Total Expenditures		<u>108,712</u>	<u>106,746</u>
Deficit in Revenue		(64,025)	(60,218)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>63,812</u>	<u>53,646</u>
Operating Deficit to be Raised in Budget of Succeeding Year	E-7	<u>\$ (213)</u>	<u>\$ (6,572)</u>
Statutory Excess to Fund Balance		-	-
Fund Balance, January 1	E	<u>\$ 609</u>	<u>\$ 609</u>
Fund Balance, December 31	E	<u>\$ 609</u>	<u>\$ 609</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</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, 2011

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Swim Pool Fees	E-1,E-3	\$ 44,900	\$ 44,601	\$ (299)
Deficit (General Budget)	E-1, E-10	<u>63,812</u>	<u>63,812</u>	<u>-</u>
Budget Revenues	E-4	<u>\$ 108,712</u>	108,413	<u>\$ (299)</u>
Non-Budget Revenues			<u>86</u>	
			<u>\$ 108,499</u>	
 <u>Analysis of Realized Swim Pool Fees:</u>				
Membership Fees			\$ 38,136	
Guest Fees			5,465	
Snack Bar Lease			<u>1,000</u>	
	E-3, E-5		<u>\$ 44,601</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Interest on Investments	E-3, E-5		<u>\$ 86</u>	

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<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	\$ 52,440	\$ 52,440	\$ 39,900	\$ 12,540
Other Expenses	<u>39,000</u>	<u>39,000</u>	<u>32,163</u>	<u>6,837</u>
 Total Operating	 <u>91,440</u>	 <u>91,440</u>	 <u>72,063</u>	 <u>19,377</u>
 CAPITAL IMPROVEMENTS				
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>1,462</u>	<u>3,538</u>
 Total Capital Improvements	 <u>5,000</u>	 <u>5,000</u>	 <u>1,462</u>	 <u>3,538</u>
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Deferred Charges				
Operating Deficit	6,572	6,572	6,572	
Statutory Expenditures				
Contribution to Social Security System (O.A.S.I.)	5,600	5,600	3,052	2,548
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>12,272</u>	 <u>12,272</u>	 <u>9,724</u>	 <u>2,548</u>
	<u>\$ 108,712</u>	<u>\$ 108,712</u>	<u>\$ 83,249</u>	<u>\$ 25,463</u>

	<u>Reference</u>	E-3	E-1	E,E-1
Cash Disbursed	E-5		\$ 72,211	
Deferred Charges -				
Operating Deficit	E-7		6,572	
Due to Current Fund	E-10		3,829	
Due to Other Trust Fund	E-11		100	
Encumbrances Payable	E-12		<u>537</u>	
			<u>\$ 83,249</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, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	F-1	\$ <u>61,768</u>	\$ <u>27,355</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance	F-2	\$ <u>61,768</u>	\$ <u>27,355</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</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>5,143,125</u>
	<u>\$ 44,794,159</u>	<u>\$ 44,603,304</u>
 Investment in Fixed Assets	 <u>\$ 44,794,159</u>	 <u>\$ 44,603,304</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough has the following funds and account group:

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

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

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

Animal Control Fund - This fund is used to account for fees collected from dog 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.

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:

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property Tax Revenues - 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.

Miscellaneous Revenues - 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 Rents - 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, single, senior, 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 - 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 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 2011 and 2010 the Borough Council increased the original budget by \$438,800 and \$627,000. The increases were funded by additional aid allotted to the Borough in the amount of \$79,800 and \$238,000 in 2011 and 2010, respectively. The increase in 2011 was also funded by emergency resolutions in the amount of \$359,000 for response and recovery and storm damage related to Hurricane Irene. The increase in 2010 was also funded by an emergency resolution in the amount of \$139,000 for the preparation and execution of a reassessment and an emergency resolution in the amount of \$250,000 for sewer main repairs. In addition, the governing body approved several budget transfers during 2011 and 2010.

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, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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.

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.

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

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.

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.

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.

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

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

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

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

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	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

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

Reclassifications - Certain reclassifications have been made to the December 31, 2010 balances to conform to the December 31, 2011 presentation.

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

C. Basic Financial Statements

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 financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 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.

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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the Borough's deposits were \$14,796,463 and \$14,279,367 and bank and brokerage firm balances of the Borough's deposits amounted to \$15,198,848 and \$14,933,428, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	<u>\$ 15,198,848</u>	<u>\$ 14,933,428</u>

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2011 and 2010, none of the Borough’s bank balances were exposed to custodial credit risk.

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, 2011 and 2010 the Borough had no outstanding investments.

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

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2011</u>			
Property Taxes	\$ 527,264		\$ 527,264
Tax Title Liens	3,703		3,703
Utility Rents		\$ 434,821	434,821
Utility Liens	-	478	478
	<u>\$ 530,967</u>	<u>\$ 435,299</u>	<u>\$ 966,266</u>

In 2011, the Borough collected \$652,501 and \$474,122 from delinquent taxes and utility rents, which represented 98% and 100% of the delinquent tax and water charges receivable at December 31, 2010.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE (Continued)

Receivables at December 31, 2010 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2010</u>			
Property Taxes	\$ 663,357		\$ 663,357
Utility Rents	<u>-</u>	<u>\$ 474,600</u>	<u>474,600</u>
	<u>\$ 663,357</u>	<u>\$ 474,600</u>	<u>\$ 1,137,957</u>

In 2010, the Borough collected \$436,419 and \$461,363 from delinquent taxes and utility rents, which represented 97% and 100% of the delinquent tax and water charges receivable at December 31, 2009.

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility funds. 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>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 39,365	\$ 733,516
Water Utility		
Bonds and Notes	<u>462,000</u>	<u>657,000</u>
Net Debt Issued	501,365	1,390,516
Authorized But Not Issued		
General		
Bonds and Notes	1,803,020	1,994,723
Water Utility		
Bonds and Notes	<u>833,577</u>	<u>883,577</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 3,137,962</u>	<u>\$ 4,268,816</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 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 .08 and .10% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 1,842,385		\$ 1,842,385
School Debt	9,956,709	\$ 9,956,709	
Utility Debt	<u>1,295,577</u>	<u>1,295,577</u>	<u>-</u>
Total	<u>\$ 13,094,671</u>	<u>\$ 11,252,286</u>	<u>\$ 1,842,385</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 2,728,239		\$ 2,728,239
School Debt	11,815,793	\$ 11,815,793	
Utility Debt	<u>1,540,577</u>	<u>1,540,577</u>	<u>-</u>
Total	<u>\$ 16,084,609</u>	<u>\$ 13,356,370</u>	<u>\$ 2,728,239</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>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 86,247,599	\$ 88,111,822
Net Debt	<u>1,842,385</u>	<u>2,728,239</u>
Remaining Borrowing Power	<u>\$ 84,405,214</u>	<u>\$ 85,383,583</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

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

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$3,770,000, 2003 Bonds, due in annual installments of \$647,000 through June 15, 2011, interest at 2.375%	\$ -	\$ 647,000
	<u>\$ -</u>	<u>\$ 647,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Economic Development Authority for the financing relating to the underground storage tank removal and replacement. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$77,865, 2001 Loan, due in annual installments of \$7,786 through April 4, 2011, interest free		\$ 7,786
\$393,651, 2002 Loan, due in annual installments of \$39,365 through September 1, 2012, interest free	\$ 39,365	78,730
	<u>\$ 39,365</u>	<u>\$ 86,516</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

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>2011</u>	<u>2010</u>
\$700,000, 1994 Bonds, due in annual installments of \$45,000 to \$50,000 through June 15, 2014, interest at 5.40%	\$ 144,000	\$ 189,000
\$1,203,000, 2003 Bonds, due in annual installments of \$135,000 to \$160,000 through June 15, 2013, interest at 2.375%	<u>318,000</u>	<u>468,000</u>
	<u>\$ 462,000</u>	<u>\$ 657,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar <u>Year</u>	<u>General</u>		<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 39,365		\$ 203,000	\$ 12,237	\$ 254,602
2013			210,000	5,896	215,896
2014	<u>-</u>	<u>-</u>	<u>49,000</u>	<u>1,323</u>	<u>50,323</u>
Total	<u>\$ 39,365</u>	<u>\$ -</u>	<u>\$ 462,000</u>	<u>\$ 19,456</u>	<u>\$ 520,821</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, December 31, <u>2010</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>				
General Capital Fund				
Bonds Payable	\$ 647,000	\$ 647,000		
Intergovernmental Loans Payable	<u>86,516</u>	<u>47,151</u>	\$ 39,365	\$ 39,365
General Capital Fund Long-Term Liabilities	<u>\$ 733,516</u>	<u>\$ 694,151</u>	<u>\$ 39,365</u>	<u>\$ 39,365</u>
Water Utility Capital Fund				
Bonds Payable	<u>\$ 657,000</u>	<u>\$ 195,000</u>	<u>\$ 462,000</u>	<u>\$ 203,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 657,000</u>	<u>\$ 195,000</u>	<u>\$ 462,000</u>	<u>\$ 203,000</u>
	Balance, December 31, <u>2009</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>				
General Capital Fund				
Bonds Payable	\$ 1,352,000	\$ 705,000	\$ 647,000	\$ 647,000
Intergovernmental Loans Payable	<u>133,667</u>	<u>47,151</u>	<u>86,516</u>	<u>47,151</u>
General Capital Fund Long-Term Liabilities	<u>\$ 1,485,667</u>	<u>\$ 752,151</u>	<u>\$ 733,516</u>	<u>\$ 694,151</u>
Water Utility Capital Fund				
Bonds Payable	<u>\$ 837,000</u>	<u>\$ 180,000</u>	<u>\$ 657,000</u>	<u>\$ 195,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 837,000</u>	<u>\$ 180,000</u>	<u>\$ 657,000</u>	<u>\$ 195,000</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 24,337,100			\$ 24,337,100
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>5,143,125</u>	<u>\$ 190,855</u>	<u>-</u>	<u>5,333,980</u>
	<u>\$ 44,603,304</u>	<u>\$ 190,855</u>	<u>\$ -</u>	<u>\$ 44,794,159</u>

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Land	\$ 24,337,100			\$ 24,337,100
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>5,663,834</u>	<u>\$ 231,006</u>	<u>\$ 751,715</u>	<u>5,143,125</u>
	<u>\$ 45,124,013</u>	<u>\$ 231,006</u>	<u>\$ 751,715</u>	<u>\$ 44,603,304</u>

Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>Water Utility Fund</u>				
<u>2011</u>				
Fixed Capital				
System and System Improvements	\$ 3,612,848	\$ 197,690		\$ 3,810,538
Vehicles and Equipment	<u>243,484</u>	<u>17,936</u>	<u>-</u>	<u>261,420</u>
	<u>\$ 3,856,332</u>	<u>\$ 215,626</u>	<u>\$ -</u>	<u>\$ 4,071,958</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 FIXED ASSETS (Continued)

Utility Fund Fixed Assets (Continued)

	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Fixed Capital				
System and System Improvements	\$ 3,612,848			\$ 3,612,848
Vehicles and Equipment	<u>237,584</u>	<u>\$ 5,900</u>	<u>-</u>	<u>243,484</u>
	<u>\$ 3,850,432</u>	<u>\$ 5,900</u>	<u>\$ -</u>	<u>\$ 3,856,332</u>
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>Swim Pool Utility Fund</u>				
<u>2011</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 212,033	<u>\$ 27,339</u>	<u>-</u>	<u>\$ 239,372</u>
	<u>\$ 212,033</u>	<u>\$ 27,339</u>	<u>\$ -</u>	<u>\$ 239,372</u>
<u>2010</u>				
Fixed Capital				
Facility and Facility Improvements	\$ 211,702	<u>\$ 331</u>	<u>-</u>	<u>\$ 212,033</u>
	<u>\$ 211,702</u>	<u>\$ 331</u>	<u>\$ -</u>	<u>\$ 212,033</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2011</u>		<u>2010</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 1,177,812	\$ 95,445	\$ 864,473	\$ 15,076
Trust Funds:				
Assessment Trust		101,521		103,214
Animal Control		1,116		1,050
Other Trust	88,945	450	31,709	
General Capital Fund	604,808	1,017,444	604,358	725,097
Water Utility Fund:				
Operating	262,408	159,095	289,449	109,727
Capital		786,063		812,787
Swim Pool Utility Fund:				
Operating	<u>27,261</u>	<u>100</u>	<u>-</u>	<u>23,038</u>
Total	<u>\$ 2,161,234</u>	<u>\$ 2,161,234</u>	<u>\$ 1,789,989</u>	<u>\$ 1,789,989</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and the results of receipts being deposited into one fund which are for and due to another fund.

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,827,502	\$ 1,827,502	\$ 2,007,107	\$ 1,849,700
Non-Cash Surplus	<u>858,797</u>	<u>498</u>	<u>538,917</u>	<u>-</u>
	<u>\$ 2,686,299</u>	<u>\$ 1,828,000</u>	<u>\$ 2,546,024</u>	<u>\$ 1,849,700</u>
Water Utility Operating Fund				
Cash Surplus	\$ 230,464	\$ 180,000	\$ 340,796	\$ 150,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 230,464</u>	<u>\$ 180,000</u>	<u>\$ 340,796</u>	<u>\$ 150,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 396			
Non-Cash Surplus	<u>213</u>	<u>-</u>	<u>\$ 609</u>	<u>-</u>
	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ -</u>

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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:

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2011</u>			
Current Fund			
Emergency Authorization	\$247,000	\$247,000	
Special Emergency Authorizations (40A:4-55)	267,480	94,480	\$173,000
Swim Pool Utility			
Operating Deficit	213	213	
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	227,560	72,080	155,480
Swim Pool Utility			
Operating Deficit	6,572	6,572	

NOTE 9 COMPENSATED ABSENCES

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$835,113 and \$723,079 at December 31, 2011 and 2010, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2011 and 2010, the Borough has reserved in the Other Trust Fund \$282,781 and \$287,227, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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 and are considered in the annual actuarial calculation of the required contributions for the system.

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

Investment Valuation

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

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 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:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is 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), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. 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 and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. 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 is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion, respectively.

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

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

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

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% for PERS and 8.50% for PFRS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011, 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, 2011, 2010 and 2009, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>
2011	\$ 828,593	\$ 392,623
2010	675,203	300,162
2009	663,496	255,183

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

NOTE 11 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 11 RISK MANAGEMENT (Continued)

The Borough of Totowa is a member of the New Jersey Intergovernmental Insurance Fund (NJIIIF). The joint insurance fund is 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 NJIIF 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 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 December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 17,600	\$ 8,337	\$ 15,503	\$ 115,803
2010	16,500	8,615	13,424	105,346
2009	16,500	8,264	16,802	93,650

NOTE 12 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 except for the following:

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 12 CONTINGENT LIABILITIES (Continued)

Pending Litigation – Department of Environmental Protection and the Administrator of the New Jersey Spill Compensation 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 discover 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. At this time, combined legal fees and related costs in this matter may be between \$50,000 to \$150,000.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011 and 2010. 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, 2011 and 2010, the Borough reserved \$2,122,718 and \$1,331,864, 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, 2011 and 2010, 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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 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, 2011 and 2010, the Borough has not estimated its arbitrage earnings due to the IRS, if any.

NOTE 14 DEFERRED SCHOOL TAXES

Regulations provide for the deferral 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>Regional High School</u>		<u>Local District School</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Balance of Tax	\$ 4,495,404	\$ 4,351,110	\$ 6,934,098	\$ 6,801,894
Deferred	<u>2,093,009</u>	<u>2,093,009</u>	<u>3,025,266</u>	<u>3,025,266</u>
Taxes Payable	<u>\$ 2,402,395</u>	<u>\$ 2,258,101</u>	<u>\$ 3,908,832</u>	<u>\$ 3,776,628</u>

NOTE 15 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2011</u>		
Installation of Lighting – Union Blvd.	\$299,348	2012
Minnisink Field Improvements	127,180	2012
Lincoln Field Drainage Improvements	65,511	2012
<u>2010</u>		
Installation of Lighting – Union Blvd.	\$299,348	2012
Grant Ave. Improvements	156,849	2011

CURRENT FUND

BOROUGH OF TOTOWA
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2010		\$ 11,353,139
Increased by Receipts:		
Tax Collector	\$ 47,606,472	
Non-Budget Revenue	730,195	
Revenue Accounts Receivable	2,703,144	
Grants Receivable	177,369	
NJ Senior Citizens' and Veterans' Deductions	176,181	
Fees Payable	36,796	
Received from Municipal Library	4,145	
Received from Assessment Trust Fund	5,936	
Received from Animal Control Fund	1,067	
Received from Other Trust Fund	462,271	
Received from Water Utility Operating Fund	40,000	
Reserve for Unappropriated Grants	<u>32,327</u>	
		<u>51,975,903</u>
		63,329,042
Decreased by Disbursements:		
2011 Budget Appropriations	13,616,991	
2010 Appropriation Reserves	239,855	
Fees Payable	36,663	
Encumbrances Payable	367,418	
Accounts Payable	87,111	
Refund of Tax Overpayments	19,093	
Reserve for Appropriated Grants	24,556	
Reserve for Tax Appeals	209,146	
County Taxes Payable	13,868,869	
Added County Taxes Payable	54,447	
Local District School Tax	13,185,505	
Regional High School Tax	8,816,000	
Payments made for Other Trust Fund	127,355	
Payments made to Other Trust Fund	22,900	
Payments made for General Capital Fund	193,872	
Payments made for Water Utility Operating Fund	85,868	
Payments made for Swim Pool Operating Fund	<u>3,829</u>	
		<u>50,959,478</u>
Balance, December 31, 2011		<u>\$ 12,369,564</u>

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

Received:		
Taxes Receivable	\$ 47,034,209	
Interest and Cost on Taxes	152,814	
Prepaid Taxes	419,443	
Tax Overpayments	<u>6</u>	
		\$ 47,606,472
Decreased by:		
Payments to Treasurer		<u>\$ 47,606,472</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Title</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</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>2010</u>	Balance, December 31, <u>2011</u>
Borough Clerk	<u>\$ 150</u>	<u>\$ 150</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE FROM LIBRARY**

Balance, December 31, 2010	\$	4,145
Decreased by:		
Cash Received	\$	<u>4,145</u>

EXHIBIT A-9

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

Balance, December 31, 2010	\$	59,327
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Current Year	\$	2,525
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Prior Year		250
Received in Cash from the State		<u>176,181</u>
		<u>178,956</u>
		238,283
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed Per Tax Billings		169,250
Senior Citizens' and Veterans' Deductions Allowed by the Tax Collector		<u>4,000</u>
		<u>173,250</u>
Balance, December 31, 2011	\$	<u>65,033</u>

EXHIBIT A-10

STATEMENT OF TAX TITLE LIENS

Increased by:		
Transfers from Taxes Receivable	\$	3,677
Interest and Costs from Tax Sale		<u>26</u>
Balance, December 31, 2011	\$	<u>3,703</u>

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

Year	Balance, December 31, 2010	2011 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2010	2011	Senior Citizens' and Veterans' Deductions Allowed	Cancelled Title Liens	Transferred to Tax Title Liens	Balance, December 31, 2011
2001	\$ 11,066								\$ 11,066
2010	<u>652,291</u>	-	250	-	\$ 652,501	-	-	-	<u>40</u>
	663,357	-	250	-	652,501	-	-	-	11,106
2011	-	<u>\$ 47,327,305</u>	2,525	\$ 125,279	<u>46,381,708</u>	\$ 173,250	\$ 129,758	\$ 3,677	<u>516,158</u>
	<u>\$ 663,357</u>	<u>\$ 47,327,305</u>	<u>\$ 2,775</u>	<u>\$ 125,279</u>	<u>\$ 47,034,209</u>	<u>\$ 173,250</u>	<u>\$ 129,758</u>	<u>\$ 3,677</u>	<u>\$ 527,264</u>

Analysis of 2011 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 47,308,021
Added Taxes (RS 54:4-36.1 et seq.)	<u>19,284</u>
	<u>\$ 47,327,305</u>

Tax Levy	
Regional High School Taxes	\$ 8,960,294
Local District School Taxes	13,317,709
County Taxes	
County Tax	\$ 13,621,640
Open Space Tax	247,229
Due County for Added Tax	<u>5,663</u>
	13,874,532

Local Tax for Municipal Purposes	10,314,140
Minimum Library Tax	835,013
Add: Additional Tax Levied	<u>25,617</u>
	<u>11,174,770</u>
	<u>\$ 47,327,305</u>

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

Balance, December 31, 2010	\$ <u>72,900</u>
Balance, December 31, 2011	\$ <u>72,900</u>

Analysis of Balance

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

BOROUGH OF TOTOWA
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2010</u>	Accrued In 2011	Collected In 2011	Balance, December 31, <u>2011</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 11,388	\$ 11,388	
Other		10,136	10,136	
Fees and Permits		4,730	4,730	
Board of Health/Registrar of Vital Statistics				
Licenses		15,238	15,238	
Fees and Permits		41,599	41,599	
Planning Board				
Fees and Permits		19,949	19,949	
Zoning Board of Adjustments				
Fees and Permits		14,966	14,966	
Building Department				
Uniform Construction Code Fees		349,426	349,426	
Police Department				
Fees and Permits		194	194	
Municipal Court				
Fines and Costs	\$ 20,451	380,124	374,814	\$ 25,761
Energy Receipts Tax		1,227,064	1,227,064	
Consolidated Municipal Property Tax				
Relief Aid		77,150	77,150	
Fire Inspection Official				
Uniform Fire Safety Act Fees		6,660	6,660	
Uniform Fire Safety Act Rebate		30,047	30,047	
Sewer User Fees	18,730	412,629	401,823	29,536
Hotel/Motel Tax	-	117,960	117,960	-
	<u>\$ 39,181</u>	<u>\$ 2,719,260</u>	<u>\$ 2,703,144</u>	<u>\$ 55,297</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2010</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2011</u>
Municipal Alliance Program	\$ 47,808	\$ 25,163	\$ 34,292	\$ 23,900	\$ 14,779
Improvements to Dewey Section I	61,689			61,689	
Storm Water Grant	8,468			8,468	
Buffer Zone Protection Program	406			406	
Safe and Secure Communities	1,799	49,802	49,802	1,799	
FEMA - Assistance to Fire Fighters	75,265	87,566	75,265		87,566
New Jersey Transportation Trust Fund - Grant Ave Phase II	115,922				115,922
New Jersey Transportation Trust Fund Auth. - Hudson Ave.		185,000	138,750		46,250
Passaic County Open Space - Lincoln Field		79,800			79,800
Recycling Tonnage Grant	-	18,010	18,010	-	-
	<u>\$ 311,357</u>	<u>\$ 445,341</u>	<u>\$ 316,119</u>	<u>\$ 96,262</u>	<u>\$ 344,317</u>
Cash Receipts			\$ 177,369		
Due from General Capital Fund			138,750		
Reserve for Appropriated Grants				\$ 72,703	
Cancelled to Operations			-	23,559	
			<u>\$ 316,119</u>	<u>\$ 96,262</u>	

EXHIBIT A-15

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

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net</u> <u>Amount</u> <u>Authorized</u>	<u>1//5 of Net</u> <u>Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>December 31,</u> <u>2010</u>	<u>Authorized</u> <u>in 2011</u>	<u>Amount</u> <u>in 2011</u> <u>Budget</u>	<u>Balance,</u> <u>December 31,</u> <u>2011</u>
6/1/2007	Revaluation of Real Property	\$ 221,400	\$ 44,280	\$ 88,560		\$ 44,280	\$ 44,280
6/15/2010	Revaluation of Real Property	139,000	27,800	139,000		27,800	111,200
11/29/2011	Hurricane Irene E.O. #73, Storm Damage	112,000	22,400	-	\$ 112,000	-	112,000
				<u>\$ 227,560</u>	<u>\$ 112,000</u>	<u>\$ 72,080</u>	<u>\$ 267,480</u>

EXHIBIT A-16

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATION

	<u>Added in</u> <u>2011</u>	<u>Balance,</u> <u>December 31,</u> <u>2011</u>
Emergency Authorization - Hurricane Irene E.O. #73 Response and Recovery	<u>\$ 247,000</u>	<u>\$ 247,000</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, December 31, 2010	Encumbrance Payable Cancelled	Balance After Modification	Prior Year Adjustment	Paid or Charged	Balance Lapsed
SALARIES AND WAGES						
Municipal Clerk	\$ 2,628		\$ 2,628		\$ 2,628	
Elections	903		903		903	
Financial Administration	210		210		210	
Assessment of Taxes	1,351		1,351		1,351	
Collection of Taxes	2,048		2,048		2,048	
Police Dispatch/911	18,904		18,904		18,904	
Police	3,291		3,291		3,291	
Road Repairs and Maintenance	6,682		6,682		6,682	
Public Buildings and Grounds	1,179		1,179		1,179	
Sewer System	4,014		4,014		4,014	
Recycling Program	152		152		152	
Board of Health	4,360		4,360		4,360	
Senior Citizen Program	537		537		537	
Municipal Court	1,649		1,649		1,649	
Public Defender	704		704		704	
Construction Code Official	3,346	-	3,346	-	3,346	-
	<u>51,958</u>	<u>-</u>	<u>51,958</u>	<u>-</u>	<u>51,958</u>	<u>-</u>
OTHER EXPENSES						
Municipal Clerk	6,398		6,398		407	\$ 5,991
Codification of Ordinances	5,000		5,000			5,000
Elections	1,331		1,331			1,331
Assessment of Taxes	20,764		20,764		30	20,734
Financial Administration						
Other Expenses	18,795		18,795		7,646	11,149
Annual Audit	35,000		35,000		35,000	-
Collection of Taxes	985		985		12	973
Legal Services and Costs	14,800		14,800		14,800	-
Engineering Services & Costs	39,290		39,290		36,540	2,750
Planning Board	28,304		28,304		1,591	26,713
Board of Adjustment	7,290		7,290		3,614	3,676
Insurance						
General Liability	1,570		1,570		1,570	-
Employee Group Health	4,897		4,897	\$ 54,258	556	58,599
Fire	83,259		83,259		62,196	21,063
Fire Officials	638		638			638
Police Dispatch/911	686		686			686
Police	12,825		12,825		6,089	6,736
First Aid Squad						
Other Expenses	17,000		17,000		11,500	5,500
Emergency Management Services	1,176		1,176			1,176
Municipal Prosecutor	975		975		95	880
Road Repairs and Maintenance	10,481		10,481		1,964	8,517
Public Buildings and Grounds	1,421	\$ 1,464	2,885			2,885
Vehicle Maintenance	8,320		8,320		1,281	7,039
Sewer System	9,669	2,418	12,087			12,087
Shade Tree Commission	5,000		5,000		3,728	1,272
Recycling Program	937		937		694	243
Solid Waste Transfer Fees	-	99,048	99,048			99,048
Leaf/Grass Removal	7,944		7,944			7,944
Condo Services Act	50,000		50,000		6,957	43,043
Board of Health	6,566		6,566		5,091	1,475
Animal Control	4,915		4,915			4,915

BOROUGH OF TOTOWA
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, December 31, 2010	Encumbrance Payable Cancelled	Balance After Modification	Prior Year Adjustment	Paid or Charged	Balance Lapsed
OTHER EXPENSES: (Continued)						
Administration of Public Assistance	\$ 745		\$ 745		\$ 15	\$ 730
Hepatitis B Vaccine	2,396		2,396			2,396
Parks and Playgrounds	837		837			837
Celebration of Public Events	1,525		1,525			1,525
Senior Citizen Program						
Contribution	3,000		3,000			3,000
Other Expense	5,988		5,988		4,004	1,984
Municipal Court	1,623		1,623		314	1,309
Public Defender	1,500		1,500			1,500
Construction Code Official	3,169		3,169		35	3,134
Utilities						
Street Lighting	3,047	\$ 2,251	5,298			5,298
Electricity	17,158		17,158		16,222	936
Gasoline	5,391		5,391		3,416	1,975
Telephone	2,328		2,328			2,328
Social Security System (O.A.S.I.)	2,965		2,965			2,965
Contribution to Public Employees Retirement Sys.	4,145		4,145			4,145
Passaic Valley Sewerage-Contractual	140		140			140
Recycling Tax	4,259		4,259			4,259
Maintenance of Free Public Library	58,401		58,401	\$ (54,258)	4,143	
Clean Communities Grant Program	14,782		14,782		14,782	
Recycling Tonnage Grant	15,299		15,299		15,299	
Drug and Alcohol Municipal Alliance	3,296		3,296		3,296	
H1N1 Grant	9,318		9,318		9,318	
Alcohol Education and Rehabilitation Fund	302		302		302	
Rehabilitation of Recreation Fields	10,000		10,000			10,000
Renovation of Public Buildings	9,916		9,916		9,916	
Acquisition of Equipment for Police Dept.	5,350		5,350		5,350	
Acquisition of Office Equipment	1,320		1,320			1,320
Sewer Department Equipment	831		831			831
Fire Department Equipment	14,269		14,269		14,269	
DPW Department Equipment	8,769		8,769		8,769	
Improvements to Dewey Section I & II						
State Share	16,229		16,229		16,229	
Local Share	53,500		53,500		8,990	44,510
Machuga Foundation - Defibrillators	690	-	690	-	690	-
	<u>688,724</u>	<u>105,181</u>	<u>793,905</u>	<u>-</u>	<u>336,720</u>	<u>457,185</u>
	<u>\$ 740,682</u>	<u>\$ 105,181</u>	<u>\$ 845,863</u>	<u>\$ -</u>	<u>\$ 388,678</u>	<u>\$ 457,185</u>
Cash Disbursed					\$ 239,855	
Due to Other Trust Fund - Accumulated						
Absence Reserve					59,477	
Transferred to:						
Accounts Payable					16,995	
Grants Appropriated					<u>72,351</u>	
					<u>\$ 388,678</u>	

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2010		\$ 472,599
Increased by:		
Charges to 2011 Budget Appropriations		<u>544,482</u>
		1,017,081
Decreased by:		
Payments	\$ 367,418	
Cancellations Restored to Appropriation Reserves	<u>105,181</u>	
		<u>472,599</u>
Balance, December 31, 2011		<u>\$ 544,482</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2010		\$ 87,111
Increased by:		
Transferred from 2010 Appropriation Reserves		<u>16,995</u>
		104,106
Decreased by:		
Payments		<u>87,111</u>
Balance, December 31, 2011		<u>\$ 16,995</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2010</u>	<u>Received</u>	Anticipated in 2011 <u>Budget</u>	Balance, December 31, <u>2011</u>
Clean Communities	\$ 15,392	\$ 15,209	\$ 15,392	\$ 15,209
Body Armor	1,188	2,800	1,188	2,800
Soldiveri - Recreation	5,000		5,000	
Alcohol Ed & Rehabilitation		2,265		2,265
Recycling Tonnage		9,503		9,503
Safe and Secure	-	2,550	-	2,550
	<u>\$ 21,580</u>	<u>\$ 32,327</u>	<u>\$ 21,580</u>	<u>\$ 32,327</u>

EXHIBIT A-21

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2010</u>	Transferred From 2010 Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Cancelled</u>	Balance, December 31, <u>2011</u>
Clean Communities Program	\$ 31,994	\$ 14,782	\$ 2,455		\$ 44,321
Alcohol Ed & Rehabilitation	1,145	302			1,447
Recycling Tonnage Grant	21,761	15,299	21,761		15,299
Body Armor Replacement Fund	5,534				5,534
NJSLAEHOP	1,462			\$ 1,462	-
Stormwater Grant	16,936		340	8,468	8,128
Bicycle Patrol Program	893			893	
Buffer Zone Protection	65			65	
Supplemental Fire Services Pgm. - Local	912			912	
Drunk Driving Enforcement Fund	3,135				3,135
NJ Transportation Trust - Roosevelt/Coolidge - Local	37,764			37,764	
NJ Transportation Trust - Elizabeth	23,457			23,457	
NJ Transportation Trust - Grant Ave - Section II	-	33,067			33,067
FEMA - Firefighters Equipment - Local	1,205			1,205	
Soldiveri - Recreation	1,818				1,818
NJTTF - Dewey Ave - Local	91,500			91,500	
NJTTF - Dewey Ave - State	65,699			65,699	
Municipal Alliance	2,481	492		2,481	492
H1N1	-	7,719			7,719
Muchuga	-	690			690
	<u>\$ 307,761</u>	<u>\$ 72,351</u>	<u>\$ 24,556</u>	<u>\$ 233,906</u>	<u>\$ 121,650</u>
			\$ 24,556		
				\$ 72,703	
			-	161,203	
			<u>\$ 24,556</u>	<u>\$ 233,906</u>	

**BOROUGH OF TOTOWA
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2010		\$ 125,279
Increased by:		
Collection of 2012 Taxes		<u>419,443</u>
		544,722
Decreased by:		
Application to 2011 Taxes		<u>125,279</u>
Balance, December 31, 2011		<u><u>\$ 419,443</u></u>

EXHIBIT A-23

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2010		\$ 29,117
Increased by:		
Overpayments in 2011		<u>6</u>
		29,123
Decreased by:		
Refunds	\$ 19,093	
Cancelled	<u>10,030</u>	
		<u><u>\$ 29,123</u></u>

EXHIBIT A-24

STATEMENT OF RESERVE FOR TAX APPEALS PENDING

Balance, December 31, 2010		\$ 1,331,864
Increased by:		
Transfer from 2011 Tax Collections		<u>1,000,000</u>
		2,331,864
Decreased by:		
Tax Appeal Refunds		<u>209,146</u>
Balance, December 31, 2011		<u><u>\$ 2,122,718</u></u>

**BOROUGH OF TOTOWA
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2010</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2011</u>
Due to State				
Construction Code Training Fees	\$ 7,305	\$ 34,921	\$ 35,063	\$ 7,163
Elevator Inspection Fees	3,887			3,887
Marriage License Fees	<u>135</u>	<u>1,875</u>	<u>1,600</u>	<u>410</u>
	<u>\$ 11,327</u>	<u>\$ 36,796</u>	<u>\$ 36,663</u>	<u>\$ 11,460</u>

EXHIBIT A-26

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:			
2011 Levy			
General County		\$ 13,621,640	
County Open Space Preservation		<u>247,229</u>	
			\$ 13,868,869
Decreased by:			
Payments			<u>\$ 13,868,869</u>

EXHIBIT A-27

STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES

Balance, December 31, 2010	\$ 54,447
Increased by:	
County Share of 2011 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>5,663</u>
	60,110
Decreased by:	
Payments	<u>54,447</u>
Balance, December 31, 2011	<u>\$ 5,663</u>

BOROUGH OF TOTOWA
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance, December 31, 2010		
School Tax Payable	\$ 3,776,628	
School Tax Deferred	<u>3,025,266</u>	
		\$ 6,801,894
Increased by:		
Levy - School Year July 1, 2011 to June 30, 2012		<u>13,317,709</u>
		20,119,603
Decreased by:		
Payments		<u>13,185,505</u>
Balance, December 31, 2011		
School Tax Payable	3,908,832	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 6,934,098</u>
 <u>Analysis of Amount Charged to Operations</u>		
2011 Liability for Local District School Tax		
Tax Paid		\$ 13,185,505
Tax Payable at December 31, 2011		<u>3,908,832</u>
		17,094,337
Less: Tax Payable at December 31, 2010		<u>3,776,628</u>
Amount Charged to 2011 Operations		<u>\$ 13,317,709</u>

BOROUGH OF TOTOWA
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, December 31, 2010		
School Tax Payable	\$ 2,258,101	
School Tax Deferred	<u>2,093,009</u>	\$ 4,351,110
Increased by:		
Levy - School Year July 1, 2011 to June 30, 2012		<u>8,960,294</u>
		13,311,404
Decreased by:		
Payments		<u>8,816,000</u>
Balance, December 31, 2011		
School Tax Payable	2,402,395	
School Tax Deferred	<u>2,093,009</u>	<u>\$ 4,495,404</u>
 <u>Analysis of Amount Charged to Operations</u>		
2011 Liability for Regional High School Tax		
Tax Paid		\$ 8,816,000
Tax Payable at December 31, 2011		<u>2,402,395</u>
		11,218,395
Less: Tax Payable at December 31, 2010		<u>2,258,101</u>
Amount Charged to 2011 Operations		<u>\$ 8,960,294</u>

BOROUGH OF TOTOWA
STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2010</u>	Anticipated in 2011 <u>Budget</u>	Balance, December 31, <u>2011</u>
Codification of Ordinances	\$ 7,503		\$ 7,503
Highway Traffic Safety Program Reimbursement	<u>48,000</u>	<u>\$ 48,000</u>	<u>-</u>
	<u>\$ 55,503</u>	<u>\$ 48,000</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, 2010	\$ 8,155	\$ 4,647	\$ 2,261,761
Increased by:			
Interest on Deposits		18	10,162
Assessments Receivable	\$ 20,881		
Interest on Assessments	3,715		
Miscellaneous Reserves			382,507
Budget Appropriation - Unemployment Insurance			14,000
Received from Current Fund			22,900
Due to Other Trust - POAA Fees	528		
Escrow Deposits			71,957
Premiums Received from Tax Sale			49,000
Dog License Fees Collected		1,302	
Due State of NJ - Dog Registration Fees		292	
Payroll Deposits	<u> -</u>	<u> -</u>	<u>7,784,411</u>
	<u>25,124</u>	<u>1,612</u>	<u>8,334,937</u>
Decreased by Disbursements:			
Reserve for Animal Control Expenditures	33,279	6,259	10,596,698
Due State of NJ - Dog Registration Fees			
Miscellaneous Reserves			273,094
Unemployment Claims Due to State			15,302
Escrow Disbursements			84,653
Tax Sale Premium Refunds			6,500
Payments made to Current Fund	5,936	1,067	462,271
Payroll Disbursements	<u> -</u>	<u> -</u>	<u>7,776,072</u>
	<u>5,936</u>	<u>1,752</u>	<u>8,617,892</u>
Balance , December 31, 2011	<u>\$ 27,343</u>	<u>\$ 4,507</u>	<u>\$ 1,978,806</u>

**BOROUGH OF TOTOWA
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, <u>2011</u>
Due to Current Fund	\$ 3,657
Due to Other Trust Fund	528
Due to General Capital Fund	97,336
Unfinanced Assessments	
Ord. 08-04 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd.	<u>(74,178)</u>
	<u>\$ 27,343</u>

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	<u>Balance December 31, 2010</u>	<u>Collected</u>	<u>Balance December 31, 2011</u>	<u>Balance Pledged to Due General Capital Fund</u>
08-04	Replacement of Sidewalks, Curbs and Driveways on Union Blvd.	\$ 95,059	\$ 20,881	\$ 74,178	\$ 74,178

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

Balance, December 31, 2010	\$ 5,878
Increased by:	
Interest on Assessment	<u>3,715</u>
	9,593
Decreased by:	
Payments to Current Fund	<u>5,936</u>
Balance, December 31, 2011	<u>\$ 3,657</u>

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

Increased by:	
Other Trust Fund Fees Received in Assessment Trust Fund	<u>\$ 528</u>
Balance, December 31, 2011	<u>\$ 528</u>

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

Balance, December 31, 2010		\$ 3,579
Increased by:		
Dog License Fees Collected		1,302
		4,881
Decreased by:		
Cash Disbursements	\$ 390	
Statutory Excess Due Current Fund	1,115	
		1,505
Balance, December 31, 2011		\$ 3,376

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

Balance, December 31, 2010		\$ 18
Increased by;		
Dog License Registration Fees Collected		292
		310
Decreased by:		
Payments		295
Balance, December 31, 2011		\$ 15

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

Balance, December 31, 2010		\$ 1,050
Increased by:		
Interest Earnings Due to Current Fund	\$ 18	
Statutory Excess in Reserve for Animal Control Expenditures	1,115	
		1,133
		2,183
Decreased by:		
Payments to Current Fund		1,067
Balance, December 31, 2011		\$ 1,116

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

Balance, December 31, 2010		\$ 866,074
Increased by:		
Interest on Investments	\$ 6,278	
Escrow Deposits	<u>71,957</u>	
		<u>78,235</u>
		944,309
Decreased by:		
Disbursements	84,653	
Cancelled Escrow Balances - Due Current Fund	<u>318,385</u>	
		<u>403,038</u>
Balance, December 31, 2011		<u>\$ 541,271</u>

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

Balance, December 31, 2010		\$ 15,076
Increased by:		
2010 Appropriation Reserves - Accumulated Absences Reserve	\$ 59,477	
Payments to Current Fund	<u>462,271</u>	
		<u>521,748</u>
		536,824
Decreased by:		
Trust Fund Disbursements Made by Current Fund -		
Miscellaneous Reserve	\$ 119,255	
Tax Premium Refunds Made by Current Fund	<u>8,100</u>	
		127,355
Cancellation of Builders' Escrow Deposits	318,385	
Cash Received from Current Fund	<u>22,900</u>	
		<u>468,640</u>
Balance, December 31, 2011		<u>\$ 68,184</u>

Analysis of Balance

Escrow Account (Due from)		\$ 39,628
Builders' Escrow Account (Due from)		41,168
Payroll Agency Account (Due To)		<u>(12,612)</u>
		<u>\$ 68,184</u>

**BOROUGH OF TOTOWA
STATEMENT OF DUE TO GENERAL CAPITAL FUND
OTHER TRUST FUND**

Increased by:		
Payments Made by General Capital Fund		\$ <u>450</u>
Balance, December 31, 2011		\$ <u>450</u>

EXHIBIT B-12

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

Balance, December 31, 2010		\$ 37,600
Increased by:		
Cash Receipts		<u>49,000</u>
		86,600
Decreased by:		
Payments	\$ 6,500	
Payments Made by Current Fund	<u>8,100</u>	
		<u>14,600</u>
Balance, December 31, 2011		\$ <u>72,000</u>

EXHIBIT B-13

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

Balance, December 31, 2010		\$ 5,393
Increased by:		
Net Pay	\$ 4,983,580	
Payroll Deductions	<u>2,800,831</u>	
		<u>7,784,411</u>
		7,789,804
Decreased by:		
Payroll Disbursements	7,776,072	
Employee Contributions Transferred to Unemployment Compensation Ins. Reserve	<u>8,337</u>	
		<u>7,784,409</u>
Balance, December 31, 2011		\$ <u>5,395</u>

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

Balance, December 31, 2010		\$ 105,346
Increased by:		
Cash Received		
Budget Appropriation - Current Fund	\$ 14,000	
Budget Appropriation - Due from Water Utility Operating Fund	3,500	
Budget Appropriation - Due from Swim Pool Utility Operating Fund	100	
	\$ 17,600	
Interest on Deposits		23
Employee Contributions Transferred from Payroll Deductions Payable		8,337
		25,960
		131,306
Decreased by:		
Unemployment Claims Due to State		15,503
Balance, December 31, 2011		\$ 115,803

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

Balance, December 31, 2010		\$ -
Increased by:		
Unemployment Claims		15,503
		15,503
Decreased by:		
Payments to State		15,302
Balance, December 31, 2011		\$ 201

BOROUGH OF TOTOWA
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2011</u>
Reserve for Recycling	\$ 73,187	\$ 58,087	\$ 20,100	\$ 111,174
Reserve for Centennial Club	22,805			22,805
Reserve for Senior Citizen Donations	529			529
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	46,509	6,325	90	52,744
Reserve for Recreation	47,501	50,820	39,461	58,860
Reserve for Polling Place	146			146
Reserve for Affordable Housing	755,272	3,861		759,133
Reserve for Police Outside Duty	43,401	267,275	269,225	41,451
Reserve for Accumulated Absence Liability	287,227	59,477	63,923	282,781
Reserve for POAA	1,538	528	-	2,066
	<u>\$ 1,279,057</u>	<u>\$ 446,373</u>	<u>\$ 392,799</u>	<u>\$ 1,332,631</u>
Interest on Investments		\$ 3,861		
Cash Receipts		382,507		
Due from Assessment Trust Fund		528		
Due from Current Fund - 2010 Appropriation Reserves		59,477		
Cash Disbursements			\$ 273,094	
Due to Current Fund			119,255	
Due to General Capital Fund		-	450	
		<u>\$ 446,373</u>	<u>\$ 392,799</u>	

GENERAL CAPITAL FUND

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

Balance, December 31, 2010		\$ 224,207
Increased by:		
Interest Earnings	\$ 42	
Grant Receipts	207,859	
Grant Receipts Due to Current Fund	<u>138,750</u>	
		<u>346,651</u>
		570,858
Decreased by:		
Payments Made for Other Trust Fund	450	
Payments to Water Utility Operating Fund	317	
Improvement Authorizations	133,272	
Contracts Payable	<u>411,364</u>	
		<u>545,403</u>
Balance, December 31, 2011		<u><u>\$ 25,455</u></u>

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

		Balance, December 31, <u>2011</u>
Fund Balance		\$ 123,233
Capital Improvement Fund		41,000
Contracts Payable		534,908
Due to Current Fund		1,017,444
Due from Assessment Trust Fund		(97,336)
Due From Water Utility Capital Fund		(507,022)
Due From Other Trust Fund		(450)
Grants Receivable		(580,958)
Reserve for Sewer Connection Charges		8,000
Reserve for Capital Improvements		3,844
Reserve for Land Sale		175,571
Improvement		
Authorizations:		
Ordinance		
<u>Number</u>		
	<u>General Improvements</u>	
08-04	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase I	34,878
14-06	Union Boulevard Beautification Program	61,933
15-08	Tree Planting Program	218,427
7-09	Reconstruction of West End Road	28,656
02-10	Union Boulevard Streetscape Improvements	(402,669)
03-10	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase II	(678,755)
04-10	Improvements to Minnisink Field	5,970
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
		<u>\$ 25,455</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANT RECEIVABLE**

Ord. No.	Agency	Balance, December 31, 2010	Cash Receipts	Balance, December 31, 2011	Balance, Pledged to Improvement Authorization	Reserve for Grants Receivable
14-06	Union Boulevard Beautification	\$ 113,073	\$ 37,037	\$ 76,036	\$ 76,036	
15-08	Tree Planting Program	228,900		228,900	228,900	
07-09	NJ DOT Reconstruction of West End Rd	38,022		38,022	38,022	
02-10	NJ DOT Union Blvd Streetscape Imprv	600,000	170,822	429,178		\$ 429,178
04-10	Passaic County O.S. Minnisink Field	<u>238,000</u>	<u>-</u>	<u>238,000</u>	<u>238,000</u>	<u>-</u>
		<u>\$ 1,217,995</u>	<u>\$ 207,859</u>	<u>\$ 1,010,136</u>	<u>\$ 580,958</u>	<u>\$ 429,178</u>

EXHIBIT C-5

STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2010	\$ 724,780
Increased by:	
Interest Earnings	\$ 42
General Capital Expenditures paid by Current Fund - Contracts Payable	193,872
Current Fund Grant Receipts Deposited in General Capital Fund	<u>138,750</u>
	<u>332,664</u>
	1,057,444
Decreased by:	
2011 Budget Appropriation - Capital Improvement Fund	<u>40,000</u>
Balance, December 31, 2011	<u>\$ 1,017,444</u>

EXHIBIT C-6

STATEMENT OF DUE FROM ASSESSMENT TRUST FUND

Balance, December 31, 2010	<u>\$ 97,336</u>
Balance, December 31, 2011	<u>\$ 97,336</u>

BOROUGH OF TOTOWA
STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</u>
03-2010	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	\$ 47,000	\$ 47,000

EXHIBIT C-8

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2010	\$ 733,516
Decreased by:	
Budget Appropriation to Pay Bonds	\$ 647,000
Budget Appropriation to Pay Loans	<u>47,151</u>
	<u>694,151</u>
Balance, December 31, 2011	<u>\$ 39,365</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2010</u>	Grant Proceeds <u>Received</u>	Balance, December 31, <u>2011</u>	<u>Expenditures</u>	Analysis of Balance December 31, <u>2011</u> Unexpended Improvement <u>Authorizations</u>
	<u>General Improvements</u>					
02-10	Union Blvd. Streetscape Improvements Phase I & II - NJ DOT	\$ 840,000	\$ 170,822	\$ 669,178	\$ 402,669	266,509
	<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	<u>923,000</u>	-	<u>923,000</u>	<u>678,755</u>	<u>244,245</u>
		<u>\$ 1,899,664</u>	<u>\$ 170,822</u>	<u>\$ 1,728,842</u>	<u>\$ 1,081,424</u>	<u>\$ 647,418</u>

**BOROUGH OF TOTOWA
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2010		\$ 611,206
Increased by:		
Charged to Improvement Authorizations		<u>534,908</u>
		1,146,114
Decreased by:		
Contracts Canceled	\$ 5,970	
Cash Disbursements	411,364	
Payments Made by Current Fund	<u>193,872</u>	
		<u>611,206</u>
Balance, December 31, 2011		<u>\$ 534,908</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2010		\$ 31,000
Increased by:		
2011 Budget Appropriation Due from Current Fund		<u>40,000</u>
		71,000
Decreased by:		
Appropriation to Finance Improvement Appropriations		<u>30,000</u>
Balance, December 31, 2011		<u>\$ 41,000</u>

STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES

Balance, December 31, 2010		<u>\$ 8,000</u>
Balance, December 31, 2011		<u>\$ 8,000</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS

Balance, December 31, 2010	\$ <u>3,844</u>
Balance, December 31, 2011	\$ <u>3,844</u>

STATEMENT OF RESERVE FOR LAND SALE PROCEEDS

Balance, December 31, 2010	\$ <u>175,571</u>
Balance, December 31, 2011	\$ <u>175,571</u>

**BOROUGH OF TOTOWA
STATEMENT OF EDA LOANS PAYABLE**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Loans Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Decrease</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Underground Storage Tank	04/01/01	\$ 77,865			0%	\$ 7,786	\$ 7,786	
Underground Storage Tank	09/01/02	393,651	09/01/12	\$ 39,365	0%	<u>78,730</u>	<u>39,365</u>	<u>\$ 39,365</u>
						<u>\$ 86,516</u>	<u>\$ 47,151</u>	<u>\$ 39,365</u>
					Paid by Budget Appropriation		<u>\$ 47,151</u>	

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

Ord. No.	Purpose	Balance, December 31, <u>2010</u>	Funded by Assessments <u>Collected</u>	Grant Proceeds <u>Received</u>	Balance, <u>December 31, 2011</u>	
					Capital <u>Fund</u>	Trust <u>Fund</u>
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	\$ 231,723	\$ 20,881		\$ 136,664	\$ 74,178
02-10	Union Blvd. Streetscape Improvements Phase I & II - NJDOT	840,000		\$ 170,822	669,178	
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	<u>923,000</u>	<u>-</u>	<u>-</u>	<u>923,000</u>	<u>-</u>
		<u>\$ 1,994,723</u>	<u>\$ 20,881</u>	<u>\$ 170,822</u>	<u>\$ 1,728,842</u>	<u>\$ 74,178</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, 2010	\$ 370,795	\$ 313	\$ 784
Increased by Receipts:			
Collector	\$ 2,623,307		
Due from General Capital Fund	317		
Interest Earned	<u>2,386</u>	<u>-</u>	<u>-</u>
	<u>2,626,010</u>	<u>-</u>	<u>-</u>
Decreased by Disbursements:			
2011 Budget Appropriations	2,466,999		
2010 Appropriation Reserves	27,015		
Encumbrances Payable	93,954		
Interest on Bonds	18,325		
Payments Made to Current Fund	40,000		
Payments Made for Water Utility Capital Fund	<u>23,276</u>	<u>-</u>	<u>-</u>
	<u>2,669,569</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2011	<u>\$ 327,236</u>	<u>\$ 313</u>	<u>\$ 784</u>

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

Received in 2011		
Consumer Accounts Receivable	\$ 2,598,040	
Water Lien Receipts	1,350	
Interest on Delinquent Accounts	22,220	
Overpayments	<u>1,697</u>	
		\$ 2,623,307
Decreased by:		
Payment to Treasurer		<u>\$ 2,623,307</u>

EXHIBIT D-8

**ANALYSIS OF CASH
WATER UTILITY ASSESSMENT FUND**

	Balance, December 31, <u>2011</u>
Fund Balance	<u>\$ 313</u>

EXHIBIT D-9

**ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2011</u>
Fund Balance	\$ 1,961
Capital Improvement Fund	27,108
Due to General Capital Fund	507,022
Due to Water Utility Operating Fund	262,408
Due to Other Trust Fund	16,633
Reserve for Water Tower Fees	13,035
Contracts Payable	3,884
Improvement Authorizations	
<u>Ord. No.</u>	
02-08 Acquisition of Pump for Shepherds Lane	2,310
12-01 Construction of Water Line @ Totowa Village	<u>(833,577)</u>
	<u>\$ 784</u>

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

Balance, December 31, 2010		\$ 474,600
Increased by:		
Water Rents Levied		<u>2,562,628</u>
Decreased by:		3,037,228
Collections:		
Water Rents	\$ 2,324,829	
Miscellaneous Fees	<u>273,211</u>	
	\$ 2,598,040	
Overpayments Applied - Water Rents	<u>2,766</u>	
		\$ 2,600,806
Transferred to Water Liens Receivable		<u>1,601</u>
		<u>2,602,407</u>
Balance, December 31, 2011		<u>\$ 434,821</u>

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

Increased by:		
Water Rents Transferred to Water Liens	\$ 1,601	
Interest and Costs - Tax Sale	<u>227</u>	
		\$ 1,828
Decreased by:		
Cash Receipts		<u>1,350</u>
Balance, December 31, 2011		<u>\$ 478</u>

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

Balance, December 31, 2010		\$ 109,727
Increased by:		
Water Utility Operating Fund Expenditures Paid by Current Fund		<u>85,868</u>
		195,595
Decreased by:		
Payments to Current Fund		<u>40,000</u>
Balance, December 31, 2011		<u>\$ 155,595</u>

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

	Balance, December 31, <u>2010</u>	Additions		Balance, December 31, <u>2011</u>
		<u>Budget Capital Outlay</u>	<u>Ordinance</u>	
Distribution Mains, Lines and Accessories	\$ 1,985,349			\$ 1,985,349
Pump Stations	693,743		\$ 197,690	891,433
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	142,365	\$ 17,936	-	160,301
	<u>\$ 3,856,332</u>	<u>\$ 17,936</u>	<u>\$ 197,690</u>	<u>\$ 4,071,958</u>

EXHIBIT D-14

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

Ord. No.	Improvement Description	Balance December 31, <u>2010</u>	Costs to Fixed Capital	Balance, December 31, <u>2011</u>
02-08	Acquisition of Pump for Shepherds Lane	\$ 200,000	\$ 197,690	\$ 2,310
		<u>\$ 200,000</u>	<u>\$ 197,690</u>	<u>\$ 2,310</u>

EXHIBIT D-15

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

Balance, December 31, 2010	\$ 289,132
Increased by:	
Payments Made by Water Operating Fund - Contracts Payable	<u>23,276</u>
	312,408
Decreased by:	
2011 Budget Appropriation - Cost of Improvements - Ord. 12-01	<u>50,000</u>
Balance, December 31, 2011	<u>\$ 262,408</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2010 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, December 31, <u>2010</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Salaries and Wages	\$ 9,576	\$ 9,576	\$ 6,163	\$ 3,413
Other Expenses	<u>100,799</u>	<u>100,799</u>	<u>20,852</u>	<u>79,947</u>
	<u>110,375</u>	<u>110,375</u>	<u>27,015</u>	<u>83,360</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to Social Security System (O.A.S.I)	<u>940</u>	<u>940</u>	<u>-</u>	<u>940</u>
	<u>111,315</u>	<u>111,315</u>	<u>27,015</u>	<u>84,300</u>

EXHIBIT D-17

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

Balance, December 31, 2010	\$ <u>507,022</u>
Balance, December 31, 2011	\$ <u>507,022</u>

EXHIBIT D-18

**STATEMENT OF DUE FROM GENERAL CAPITAL FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 317
Decreased by:	
Cash Receipt	\$ <u>317</u>

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

Balance, December 31, 2010		\$ 94,348
Increased by:		
Charges to 2011 Budget Appropriations		<u>103,355</u>
		197,703
Decreased by:		
Transferred to Accounts Payable	\$ 394	
Cash Disbursements	<u>93,954</u>	
		<u>94,348</u>
Balance, December 31, 2011		<u>\$ 103,355</u>

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

Balance, December 31, 2010		\$ 888
Increased by:		
Budget Appropriation for Interest on Bonds		<u>18,076</u>
		18,964
Decreased by:		
Interest Paid		<u>18,325</u>
Balance, December 31, 2011		<u>\$ 639</u>

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

Balance, December 31, 2010	\$	2,766
Increased by:		
Overpayments Received in 2011		1,697
4,463		
Decreased by:		
Overpayments Applied in 2011		2,766
Balance, December 31, 2011	\$	1,697

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

Balance, December 31, 2010	\$	404
Increased by:		
Transfer from Encumbrances Payable		394
Balance, December 31, 2011	\$	798

EXHIBIT D-23

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

Increased by:	
2011 Budget Appropriation for Unemployment Compensation	<u>\$ 3,500</u>
Balance, December 31, 2011	<u>\$ 3,500</u>

EXHIBIT D-24

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

Balance, December 31, 2010	<u>\$ 16,633</u>
Balance, December 31, 2011	<u>\$ 16,633</u>

EXHIBIT D-25

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

Balance, December 31, 2010	\$ 27,160
Decreased by:	
Payments Made by Water Operating Fund	<u> 23,276</u>
Balance, December 31, 2011	<u>\$ 3,884</u>

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

Ord. No.	<u>Improvement Description</u>	Ordinance <u>Amount</u>	Balance, <u>December 31, 2010</u>		Balance, <u>December 31, 2011</u>	
			<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
02-08	Acquisition of Pump for Shepherds Lane	\$ 200,000	\$ 2,310	-	\$ 2,310	-
			<u>\$ 2,310</u>	<u>\$ -</u>	<u>\$ 2,310</u>	<u>\$ -</u>

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

Balance, December 31, 2010	<u>\$ 27,108</u>
Balance, December 31, 2011	<u>\$ 27,108</u>

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

Balance, December 31, 2010		<u>\$ 2,315,755</u>
Increased by:		
Serial Bonds Paid by Operating Budget	\$ 195,000	
Transfer from Deferred Reserve for Amortization	197,690	
Ordinance Funded by Operating Budget	50,000	
Capital Outlay		
2011 Operating Budget	<u>17,936</u>	
		<u>460,626</u>
Balance, December 31, 2011		<u>\$ 2,776,381</u>

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

Ord. No.	<u>Improvement Description</u>	Balance December 31, <u>2010</u>	To Reserve for Amortization <u>Fixed Capital</u>	Balance, December 31, <u>2011</u>
02-08	Acquisition of Pump for Shepherds Lane	<u>\$ 200,000</u>	<u>\$ 197,690</u>	<u>\$ 2,310</u>
		<u>\$ 200,000</u>	<u>\$ 197,690</u>	<u>\$ 2,310</u>

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

Balance, December 31, 2010	<u>\$ 13,035</u>
Balance, December 31, 2011	<u><u>\$ 13,035</u></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, 2011</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Water Utility Bonds	6/15/1994	\$ 700,000	6/15/2012	\$ 45,000	5.40%	\$ 189,000	\$ 45,000	\$ 144,000
			6/15/2013	50,000				
			6/15/2014	49,000				
Water Utility Bonds	6/15/2003	1,203,000	6/15/2012	158,000	2.375%	468,000	150,000	318,000
			6/15/2013	160,000				
						<u>\$ 657,000</u>	<u>\$ 195,000</u>	<u>\$ 462,000</u>
							<u>\$ 195,000</u>	

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

<u>Ord.</u> <u>No.</u>	<u>Purpose</u>	Balance, December 31, <u>2010</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2011</u>
12-01	Construction of Water Line @ Totowa Villages	\$ 883,577	\$ 50,000	\$ 833,577
		<u>\$ 883,577</u>	<u>\$ 50,000</u>	<u>\$ 833,577</u>

SWIM POOL UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2010	\$ 27,649	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 44,601	
Non-Budget Revenues	<u>86</u>	<u>-</u>
	<u>44,687</u>	<u>-</u>
	72,336	192
Decreased by Disbursements:		
2011 Budget Appropriations	<u>72,211</u>	<u>-</u>
	<u>72,211</u>	<u>-</u>
Balance, December 31, 2011	<u>\$ 125</u>	<u>\$ 192</u>

EXHIBIT E-6

ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH

	Balance, December 31, <u>2011</u>
Fund Balance	<u>\$ 192</u>

EXHIBIT E-7

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

	Balance December 31, <u>2010</u>	Raised in 2011 <u>Budget</u>	Added in 2011	Balance, December 31, <u>2011</u>
Operating Deficit	<u>\$ 6,572</u>	<u>\$ 6,572</u>	<u>\$ 213</u>	<u>\$ 213</u>

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

<u>Description</u>	Balance, December 31, 2010	Additions:		Balance, December 31, 2011
		<u>2011 Budget Capital Outlay</u>	<u>General Capital Ordinance</u>	
Improvement of Municipal Swimming Pool	\$ 119,745			\$ 119,745
Installation of Various Improvements on the Site of Existing Swimming Pool	<u>92,288</u>	<u>\$ 1,462</u>	<u>\$ 25,877</u>	<u>119,627</u>
	<u>\$ 212,033</u>	<u>\$ 1,462</u>	<u>\$ 25,877</u>	<u>\$ 239,372</u>

EXHIBIT E-9

**STATEMENT OF 2010 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, 2011	Balance After Transfer	Paid or Charged	Balance Lapsed
Operating Other Expenses	\$ 5,014	\$ 5,014		\$ 5,014
CAPITAL IMPROVEMENTS Capital Outlay	4,669	4,669		4,669
DEFERRED CHARGES AND STATUTORY EXPENDITURES Contribution to Social Security System (O.A.S.I.)	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>\$ 9,684</u>	<u>\$ 9,684</u>	<u>\$ -</u>	<u>\$ 9,684</u>
		Due to Current Fund		<u>\$ 9,684</u>

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

Balance, December 31, 2010 (Due to)		\$ 23,038
Increased by:		
Payments made by Current Fund	\$ 3,829	
2010 Appropriation Reserves Cancelled - Prior Year Balance Returned	<u>9,684</u>	
		<u>13,513</u>
		36,551
Decreased by:		
2011 Deficit (General Budget) Realized		<u>63,812</u>
Balance, December 31, 2011 (Due from)		<u>\$ 27,261</u>

EXHIBIT E-11

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

Increased by:		
2011 Budget Appropriation	\$ 100	
Balance, December 31, 2011		<u>\$ 100</u>

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

Increased by:

Charges to 2011 Budget Appropriations	\$ <u>537</u>
Balance, December 31, 2011	\$ <u><u>537</u></u>

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

Balance, December 31, 2010	\$ <u>890</u>
Balance, December 31, 2011	\$ <u><u>890</u></u>

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

Balance, December 31, 2010	\$ 212,033
Increased by:	
Capital Outlay - Operating Budget	\$ 1,462
Improvements Funded by General Capital Ordinance	<u>25,877</u>
	<u>27,339</u>
Balance, December 31, 2011	\$ <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, 2010	\$ 27,355	\$ 470	\$ 26,885
Increased by:			
State Aid	92,800		92,800
SSI Reimbursement	24,690		24,690
Interest	<u>135</u>	<u>-</u>	<u>135</u>
	<u>117,625</u>	<u>-</u>	<u>117,625</u>
	<u>144,980</u>	<u>470</u>	<u>144,510</u>
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	<u>83,212</u>	<u>-</u>	<u>83,212</u>
	<u>83,212</u>	<u>-</u>	<u>83,212</u>
Balance, December 31, 2011	<u>\$ 61,768</u>	<u>\$ 470</u>	<u>\$ 61,298</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, 2010	\$ 27,355	\$ 7,331	\$ 20,024
Increased by:			
Revenues	<u>117,625</u>	<u>-</u>	<u>117,625</u>
Decreased by:			
Expenditures	<u>144,980</u>	<u>7,331</u>	<u>137,649</u>
	<u>83,212</u>	<u>-</u>	<u>83,212</u>
Balance, December 31, 2011	<u>\$ 61,768</u>	<u>\$ 7,331</u>	<u>\$ 54,437</u>

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 92,800		\$ 92,800
SSI Reimbursement - Municipal Refund	24,690		24,690
Interest	<u>135</u>	<u>-</u>	<u>135</u>
 Total Revenues/Receipts	 <u>\$ 117,625</u>	 <u>\$ -</u>	 <u>\$ 117,625</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	\$ 25,173		\$ 25,173
Rent	3,425		3,425
Temporary Rental Assistance	53,216		53,216
Other	<u>1,398</u>	<u>-</u>	<u>1,398</u>
 Total Expenditures/Disbursements	 <u>\$ 83,212</u>	 <u>\$ -</u>	 <u>\$ 83,212</u>

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2011

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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FAIR LAWN, NJ 07410
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JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, 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

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

We have audited the financial statements – regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2011, and have issued our report thereon dated May 30, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in 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.

Internal Control Over Financial Reporting

Management of the Borough of Totowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Totowa's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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.

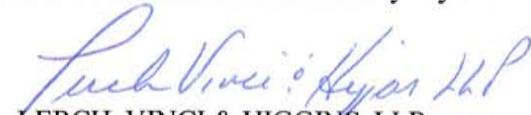
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Totowa’s financial statements are free of 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.

We noted certain matters that we reported to management of the Borough of Totowa in Part III of this report of audit entitled “Letter of Comments and Recommendations”.

This report is intended solely for the information and use of management, the governing body, others within the Borough, New Jersey Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 30, 2012

**BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2011 Grant Receipts</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Refunds (Cancelled)</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expended</u>
Drug and Alcohol Municipal Alliance	N/A	2011	\$ 25,163	\$ 10,384	\$ 3,296	\$ 25,163	\$ 22,154	\$ 3,009	\$ 3,009	\$ 22,154
		2010	27,200	23,908	3,296		2,804	492	492	26,708
		2009	27,200		1,992			(1,992)	-	25,208
		2007	28,200		489			(489)	-	27,711
Clean Communities Grant Program	42-4900-765-004	2011	15,209	15,209		15,392			15,392	-
		2010	15,392						14,782	-
		2009	14,782		14,782				11,531	-
		2008	11,531		11,531				11,025	-
		2007	11,025		11,025				6,983	3,574
		2006	10,557		9,438		2,455			
Drunk Driving Enforcement Fund	1110-448-031020-22	2003	647	647	647				647	1,348
		2000	1,429	1,429	81				81	3,739
		1998	4,399	4,399	660				660	2,176
		1997	2,926	2,926	750				750	997
		1996	4,019	4,019	997				997	3,022
Alcohol Education and Rehabilitation	16-9735-760-001	2011	2,265	2,265					302	-
		2010	302	302	302				420	-
		2009	420	420	420				214	-
		2008	214	214	214				511	-
		2005	511	511	511				-	-
Safe and Secure Communities Program	66-1020-100-232	2011	2,550	2,550					-	2,550
		2011	49,802	49,802		49,802	49,802		-	49,802
Bicycle Patrol Program	N/A	1998	3,847	3,847	893			(893)	-	2,954
Department of Health and Senior Services H1N1 Influenza Vaccine Planning Grant	N/A	2010	20,502	20,502	9,318		1,599		7,719	12,783

**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, 2011**

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 presented using the regulatory basis of accounting as prescribed or permitted 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(B) 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	\$ 413,303	\$ 109,555	\$ 522,858
General Capital Fund			-
Public Assistance Fund	<u>-</u>	<u>92,800</u>	<u>92,800</u>
Total Financial Awards	<u>\$ 413,303</u>	<u>\$ 202,355</u>	<u>\$ 615,658</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.

**BOROUGH OF TOTOWA
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2011, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Total</u>
DEP Underground Storage Tank Loan Program	L04704/L-5384	<u>\$39,365</u>

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified _____ yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

There are none.

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

NOT APPLICABLE.

CURRENT YEAR STATE AWARDS

NOT APPLICABLE.

**BOROUGH OF TOTOWA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 2010-1

There were none.

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,849,700	3.47 %	\$ 1,873,000	3.70 %
Miscellaneous - From Other Than Local				
Property Tax Levies	4,104,849	7.71	3,361,410	6.63
Collection of Delinquent Taxes	652,501	1.23	436,419	0.86
Collection of Current Tax Levy	45,677,712	85.79	44,040,116	86.88
Other Credits to Income	<u>957,602</u>	<u>1.80</u>	<u>977,957</u>	<u>1.93</u>
Total Income	<u>53,242,364</u>	<u>100.00 %</u>	<u>50,688,902</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,125,851	29.31 %	14,553,012	29.16 %
County Taxes	13,874,532	26.88	13,609,526	27.27
Local and Regional School Taxes	22,278,003	43.16	21,743,933	43.57
Other Expenditures	<u>333,003</u>	<u>0.65</u>	<u>250</u>	<u>0.01</u>
Total Expenditures	<u>51,611,389</u>	<u>100.00 %</u>	<u>49,906,721</u>	<u>100.00 %</u>
Excess in Revenue	<u>1,630,975</u>		<u>782,181</u>	
Adjustment to Income before Fund Balance:				
Expenditures included above which are by Statute				
Deferred Charges to Budget of Succeeding year	359,000		139,000	
Expenditures included above which were Funded				
by Capital Ordinance	<u>-</u>		<u>250,000</u>	
	<u>359,000</u>		<u>389,000</u>	
Statutory Excess to Fund Balance	1,989,975		1,171,181	
Fund Balance, January 1	<u>2,546,024</u>		<u>3,247,843</u>	
	4,535,999		4,419,024	
Less Utilization as Anticipated Revenue	<u>1,849,700</u>		<u>1,873,000</u>	
Fund Balance, December 31	<u>\$ 2,686,299</u>		<u>\$ 2,546,024</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 150,000	5.24 %	\$ 30,000	1.01 %
Collection of Water Rents	2,328,945	81.40	2,403,931	80.62
Miscellaneous - From Other Than				
Water Rents	297,817	10.41	328,056	11.00
Other Credits to Income	<u>84,300</u>	<u>2.95</u>	<u>219,656</u>	<u>7.37</u>
Total Income	<u>2,861,062</u>	<u>100.00 %</u>	<u>2,981,643</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	2,396,672	84.95 %	2,292,489	84.22 %
Capital Improvements	20,000	0.71	5,000	0.18
Debt Service	213,076	7.55	203,904	7.49
Deferred Charges and Statutory Expenditures	<u>191,646</u>	<u>6.79</u>	<u>220,501</u>	<u>8.10</u>
Total Expenditures	<u>2,821,394</u>	<u>100.00 %</u>	<u>2,721,894</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	39,668		259,749	
Fund Balance, January 1	<u>340,796</u>		<u>\$ 111,047</u>	
	380,464		370,796	
Less Utilization as Anticipated Revenue	<u>150,000</u>		<u>30,000</u>	
Fund Balance, December 31	<u>\$ 230,464</u>		<u>\$ 340,796</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Collection of Swimming Pool Fees	\$ 44,601	99.81 %	\$ 46,528	100.00 %
Miscellaneous	86	0.19		
Other Credits to Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Income	 <u>44,687</u>	 <u>100.00 %</u>	 <u>46,528</u>	 <u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	91,440	84.11 %	87,728	82.18 %
Capital Improvements	5,000	4.60	5,000	4.68
Deferred Charges and Statutory Expenditures	<u>12,272</u>	<u>11.29</u>	<u>14,018</u>	<u>13.13</u>
 Total Expenditures	 <u>108,712</u>	 <u>100.00 %</u>	 <u>106,746</u>	 <u>100.00 %</u>
 Deficit in Revenue	 (64,025)		 (60,218)	
Adjustments to Income Before Fund Balance				
Realized from General Budget for Anticipated Deficit	<u>63,812</u>		<u>53,646</u>	
 Operating Deficit to be Raised in Budget of Succeeding Year	 <u>\$ (213)</u>		 <u>\$ (6,572)</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>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$1.965</u>	<u>\$1.708</u>	<u>\$1.62</u>
<u>Apportionment of Tax Rate</u>			
Municipal (1)	.4286	.3910	.391
Library	.0347		
County	.5660	.4962	.458
County – Open Space	.0103	.0097	.009
Local District School	.5532	.4876	.468
Regional High School	.3722	.3235	.294

(1) 2010 and 2009 the Library tax rate is included in the municipal portion of the tax rate.

Assessed Valuation

2011	<u>\$2,407,532,421</u>	
2010		<u>\$2,680,942,786</u>
2009		<u>\$2,703,305,198</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>
2011	\$ 47,327,305	\$ 46,677,712	98.63%
2010	45,974,066	44,765,116	97.37%
2009	43,864,895	43,181,342	98.44%

**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>
2011	\$ 527,264	\$ 3,703	\$ 530,967	1.12%
2010	663,357		663,357	1.44%
2009	450,961		450,961	1.03%

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>
2011	\$72,900
2010	72,900
2009	72,900

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2011	\$2,562,628	\$2,600,806	101.49%
2010	2,703,452	2,690,215	99.51%
2009	2,396,451	2,404,600	100.34%

*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	2011	\$2,686,299	\$1,828,000
	2010	2,546,024	1,849,700
	2009	3,247,843	1,873,000
	2008	3,962,899	1,826,000
	2007	3,787,348	1,955,000
Water Utility Fund	2011	230,464	180,000
	2010	340,796	150,000
	2009	111,047	30,000
	2008	235,047	124,000
	2007	303,947	68,900
Swim Pool Utility Operating Fund	2011	609	-
	2010	609	-
	2009	609	-
	2008	609	-
	2007	609	-

**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		
James Niland	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	Water Registrar	10,000	Travelers Casualty and Surety Co.
James M. Ten Hoeve	Tax Collector/Chief Financial Officer	50,000	Travelers Casualty and Surety Co.
Elaine Reddin	Deputy Tax Collector	200,000	Travelers Casualty and Surety Co.
Lisa Nash	Treasurer	(a)	
Kathryn Wasilewski	Deputy Borough Clerk	(a)	
Jennifer Bernardo	Deputy Water Registrar	80,000	Travelers Casualty and Surety Co.
Curt T. Masklee	Tax Assessor	(a)	
Douglas Wright	Superintendent of Public Works	(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		
Matt Dibrino	Prosecutor (01/01/11-03/31/11)	(a)	
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	Magistrate	(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>
Katherine Schroeter	Deputy Court Clerk	(b)	Travelers Casualty and Surety Co.
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 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 State Council on Affordable Housing.

Our audit revealed numerous interfund balances existed between the various funds at December 31, 2011. It is recommended that continued efforts be made to clear all interfund balances of record.

Our audit of the various municipal departments revealed the following:

- a) Monthly reports were not prepared and submitted to the Treasurer by various municipal departments.
- b) Prenumbered cash receipts were not issued for non-cash transactions by the various municipal departments.
- c) Cash receipt journals were not maintained by the Police Department and Fire Prevention Bureau.

It is recommended that internal control procedures related to revenue collection, accounting and reporting in the various municipal departments be reviewed and revised.

Current Year Findings

Our audit of police outside duty fees revealed that collections were not turned over for deposit in a timely manner. It is recommended that amounts received for police outside duty services be turned over for deposit within forty-eight hours of receipt.

Our audit revealed a contract was awarded for grant consulting services without public advertising for bids. It is recommended that the Borough attorney's opinion be obtained for the award of grant consulting services as an exemption from public advertising for bids or other procedures deemed appropriate under the Local Public Contracts Law.

Our audit of the Municipal Court collections revealed the following:

- Fine and bail receipts were not deposited in a timely manner.
- Noted two (2) instances where amounts deposited did not agree with amounts recorded in daily receipt journals.
- Noted an instance where composition of deposit (i.e., cash vs. check) per deposit slip was not in agreement with daily receipts journal.

It is recommended that internal control procedures over revenue collections be reviewed and enhanced in the Municipal Court.

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

GENERAL COMMENTS (Continued)

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:

Union Boulevard Curb and Sidewalk Replacement	2011 Road Improvements
Two (2) Pool Filters	Lincoln Field Drainage Improvements
Hudson Avenue Improvements	Purchase, Delivery and Planting of Trees
	Solid Waste Collection Services

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, 2011 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%

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

GENERAL COMMENTS (Continued)

Collection of Interest of Delinquent Taxes, Assessments and Water Charges (Continued)

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.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 27, 2011.

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>
2011	1
2010	0
2009	0

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

- A review be made of water purchased from Passaic Valley Water Commission (PVWC) comparing the amount of water purchased from PVWC to the amount subsequently billed to the Borough's utility customers.

APPRECIATION

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

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

RECOMMENDATIONS

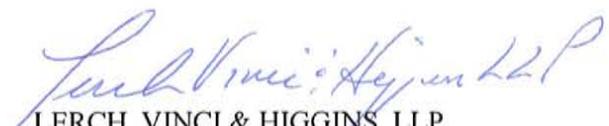
It is recommended that:

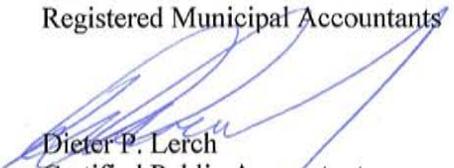
- * 1. The Borough's Affordable Housing Reserve account activity be reported in the annual report required to be filed with the State Council on Affordable Housing.
- * 2. Continued efforts be made to clear all interfund balances of record.
- * 3. Internal control procedures related to revenue collection, accounting and reporting in the various municipal departments be reviewed and revised.
- 4. Amounts received for police outside duty services be turned over for deposit within forty-eight hours of receipt.
- 5. The Borough attorney's opinion be obtained for the award of grant consulting services as an exemption from public advertising for bids or other procedures deemed appropriate under the Local Public Contracts Law.
- 6. Internal control procedures over revenue collections be reviewed and enhanced in the Municipal Court.

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