

BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012

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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, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Totowa, as of December 31, 2012 and 2011, 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, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Totowa prepare and present its financial statements on the regulatory basis of accounting as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Totowa as of December 31, 2012 and 2011, or changes in financial position, or, where applicable, cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Totowa as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

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

Other Information

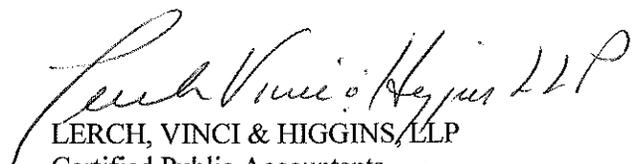
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Totowa as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the letter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

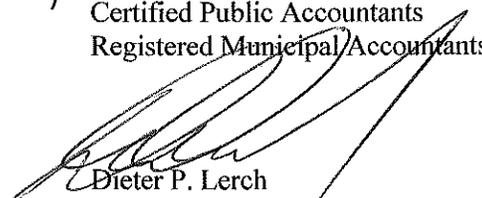
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2013 on our consideration of the Borough of Totowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Totowa's internal control over financial reporting and compliance.


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
June 17, 2013

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	A-4	\$ 11,332,032	\$ 12,369,564
Cash - Change Funds	A-6	220	220
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-13	<u>276,654</u>	<u>344,317</u>
		<u>11,609,056</u>	<u>12,714,251</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-10	731,342	527,264
Tax Title Liens	A-9		3,703
Property Acquired for Taxes	A-11	72,900	72,900
Revenue Accounts Receivable	A-12	47,153	55,297
Due from Assessment Trust Fund	B-4	2,730	3,657
Due from Animal Control Fund	B-8	2,398	1,116
Due from General Capital Fund	C-5	1,251,828	1,017,444
Due from Water Utility Operating Fund	D-12	71,659	155,595
Due from Swim Pool Utility Operating Fund	E-10	<u>7,787</u>	<u>-</u>
		<u>2,187,797</u>	<u>1,836,976</u>
Deferred Charges			
Emergency Authorization	A-15		247,000
Special Emergency Authorization	A-14	<u>173,000</u>	<u>267,480</u>
		<u>173,000</u>	<u>514,480</u>
		<u>\$ 13,969,853</u>	<u>\$ 15,065,707</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Appropriation Reserves	A-3,A-16	\$ 652,444	\$ 788,486
Encumbrance Payable	A-17	523,622	544,482
Accounts Payable	A-18	181,369	16,995
Prepaid Taxes	A-21	218,921	419,443
Tax Overpayments	A-22	8,255	
Fees Payable	A-24	11,243	11,460
County Taxes Payable-Added Taxes	A-26	7,400	5,663
Local District School Tax Payable	A-27	3,939,736	3,908,832
Regional High School Tax Payable	A-28	2,670,890	2,402,395
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-8	64,484	65,033
Due to Other Trust Fund	B-10	53,023	68,184
Due to Swim Pool Utility Operating Fund	E-10		27,261
Reserve for Unappropriated Grants	A-19	37,999	32,327
Reserve for Appropriated Grants	A-20	243,100	121,650
Reserve for Tax Appeals Pending	A-23	693,630	2,122,718
Miscellaneous Reserves	A-29	<u>7,503</u>	<u>7,503</u>
		9,313,619	10,542,432
Reserve for Receivables	A	2,187,797	1,836,976
Fund Balance	A-1	<u>2,468,437</u>	<u>2,686,299</u>
		<u>\$ 13,969,853</u>	<u>\$ 15,065,707</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,828,000	\$ 1,849,700
Miscellaneous Revenue Anticipated	A-2	3,182,766	3,370,879
Receipts from Delinquent Taxes	A-2	523,575	652,501
Receipts from Current Taxes	A-2	48,053,226	45,677,712
Non-Budget Revenue	A-2	397,993	733,970
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-16	352,121	457,185
Swim Pool Utility Fund - Prior Year			
Operating Deficit Returned	E-10	24,788	9,684
Statutory Excess - Animal Control Fund	B-8	1,283	1,115
Cancelled Overpayments	A-1		10,030
Cancelled Escrow Deposits	A-1		318,385
Cancelled Appropriated Grant Reserves	A-1	-	161,203
		<u>54,363,752</u>	<u>53,242,364</u>
Total Income			
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	6,147,320	5,958,549
Other Expenses	A-3	6,252,470	6,213,028
Capital Improvements	A-3	802,000	764,474
Municipal Debt Service	A-3	39,365	701,835
Deferred Charges and Statutory Expenditures	A-3	1,622,581	1,487,965
County Taxes	A-25	14,770,698	13,868,869
Due County For Added and Omitted Taxes	A-26	7,393	5,663
Local District School Tax	A-27	13,448,163	13,317,709
Regional High School Tax	A-28	9,497,284	8,960,294
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-8	7,750	250
Cancelled Grants Receivable	A-1		23,559
Interfunds Created	A	158,590	309,194
		<u>52,753,614</u>	<u>51,611,389</u>
Total Expenditures			
Excess in Revenue		<u>1,610,138</u>	<u>1,630,975</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-1	-	359,000
		<u>-</u>	<u>359,000</u>
Statutory Excess to Fund Balance		1,610,138	1,989,975
Fund Balance, January 1	A	<u>2,686,299</u>	<u>2,546,024</u>
		4,296,437	4,535,999
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,828,000</u>	<u>1,849,700</u>
Fund Balance, December 31,	A	<u>\$ 2,468,437</u>	<u>\$ 2,686,299</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, 2012

	<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	\$ 1,828,000	-	\$ 1,828,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	11,000		11,599	\$ 599
Other	A-2	21,000		26,776	5,776
Fees and Permits	A-2	52,000		51,100	(900)
Fines and Costs					
Municipal Court	A-12	300,000		341,389	41,389
Interest and Costs on Taxes	A-12	135,000		140,092	5,092
Consolidated Municipal Property					
Tax Relief Aid	A-12	32,643		32,643	
Energy Receipts Tax	A-12	1,271,571		1,271,571	
Uniform Fire Safety Act Fees	A-12	6,000		7,959	1,959
Cable Television Franchise Fee	A-12	142,000		142,403	403
Uniform Construction Code Fees	A-12	250,000		160,682	(89,318)
Public and Private Revenues Offset					
With Appropriations					
Recycling Tonnage Grant	A-13	4,738		4,738	
Recycling Tonnage Grant - Reserve	A-19	9,503		9,503	
Clean Communities Program - Reserve	A-19	15,209		15,209	
Alcohol Education and Rehabilitation - Reserve	A-19	2,265		2,265	
Safe and Secure Communities Program	A-13,A-19	62,550		62,550	
Municipal Alliance on Alcoholism	A-13	25,163		25,163	
NJDOT Safe Corridors	A-13	8,995		8,995	
Body Armor - Reserve	A-19	2,800		2,800	
Special Items of General Revenue					
FEMA Reimbursement	A-12	144,000		144,000	
Uniform Fire Safety Act	A-12	25,000		31,884	6,884
Hotel/Motel Tax	A-12	100,000		124,931	24,931
Sewer User Fees	A-12	385,000	-	564,514	179,514
 Total Miscellaneous Revenues	 A-1	 3,006,437	 -	 3,182,766	 176,329
Receipts from Delinquent Taxes	A-1,A-10	375,000	-	523,575	148,575

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, 2012**

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including					
Reserve for Uncollected Taxes	A-10	\$10,480,041		\$11,155,430	\$ 675,389
Minimum Library Tax	A-10	<u>784,258</u>	<u>-</u>	<u>784,258</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>11,264,299</u>	 <u>-</u>	 <u>11,939,688</u>	 <u>675,389</u>
 Budget Revenues	 A-3	 <u>\$16,473,736</u>	 <u>\$ -</u>	 <u>17,474,029</u>	 <u>\$ 1,000,293</u>
 Non-Budget Revenues	 A-1,A-2			 <u>397,993</u>	
				 <u>\$17,872,022</u>	

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-10	\$ 48,053,226
Allocated to	A-25,A-26	
Local School, Regional High School and County Taxes	A-27,A-28	<u>37,723,538</u>
		10,329,688
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,610,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,939,688</u>
Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-10	\$ 519,872
Tax Title Lien Collections	A-9	<u>3,703</u>
	A-2	<u>\$ 523,575</u>
Licenses - Other		
Borough Clerk	A-12	\$ 12,985
Board of Health/Registrar of Vital Statistics	A-12	<u>13,791</u>
	A-2	<u>\$ 26,776</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,590
Board of Health/Registrar of Vital Statistics	A-12	18,848
Planning Board	A-12	18,070
Zoning Board of Adjustment	A-12	9,100
Police	A-12	<u>492</u>
	A-2	<u>\$ 51,100</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, 2012
(Continued)**

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Investments and Deposits		\$ 35,299
Rent		176,836
Host Community Fees		31,885
Interest on Assessments		2,796
Misc. Refunds/Reimbursements		602
Accident Reports		3,987
Administrative Fee - Police Outside Duty		50,770
Motor Vehicle Fees		10,598
Other		1,152
Storm Reimbursements - FEMA		81,000
Administrative Fee - Sr. Citizens & Veterans Deductions		<u>3,068</u>
	A-1,A-2	<u>\$ 397,993</u>
Cash Receipts	A-4	\$ 393,842
Due from Assessment Trust Fund	B-4	2,796
Due from Animal Control Fund	B-8	13
Due from Other Trust Fund	B-10	1,090
Due from General Capital Fund	C-5	<u>252</u>
	A-1,A-2	<u>\$ 397,993</u>

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	244,670	244,670	244,234	436
Other Expenses	25,000	25,000	21,787	3,213
Other Expenses-Codification of Ordinances	5,000	5,000	1,539	3,461
Grant Professional - Other Expenses	25,000	25,000	25,000	
Elections				
Salaries & Wages	16,498	16,498	16,474	24
Other Expenses	7,000	7,000	4,897	2,103
Financial Administration				
Salaries & Wages	65,200	65,200	61,173	4,027
Other Expenses	25,000	25,000	17,066	7,934
Annual Audit	36,700	36,700	36,700	
Assessment of Taxes				
Salaries & Wages	88,927	88,927	88,927	
Other Expenses	25,000	27,500	16,274	11,226
Collection of Taxes				
Salaries & Wages	45,535	45,535	44,869	666
Other Expenses	12,000	12,000	9,382	2,618
Legal Services & Costs				
Salaries & Wages	12,000	12,000	12,000	
Other Expenses	80,000	86,000	85,289	711
Engineering Services & Costs				
Other Expenses	50,000	68,000	66,456	1,544
Municipal Land Use Law (NJS 40:55D-1)				
Planning Board				
Salaries & Wages	9,839	9,839	9,839	
Other Expenses	20,000	20,000	15,689	4,311
Board of Adjustments				
Salaries & Wages	5,049	5,049	5,049	
Other Expenses	15,000	17,000	16,364	636
Insurance				
Unemployment Compensation Insurance	14,000	14,000	14,000	
General Liability	183,458	183,458	173,259	10,199
Workers Compensation	186,994	186,994	186,994	
Employee Group Health	1,140,748	1,140,748	1,135,434	5,314
Employee Group Health - Waiver	4,000	4,000	4,000	
PUBLIC SAFETY				
Fire				
Salaries and Wages	6,324	6,324	6,319	5
Other Expenses	135,000	151,000	84,881	66,119
Uniform Fire Safety Act (Ch. 383 P.L. 1983)				
Fire Officials				
Salaries and Wages	120,082	120,182	120,146	36
Other Expenses	1,000	900		900
Police Dispatch/911				
Salaries and Wages	129,025	129,025	128,642	383
Other Expenses	1,000	1,000		1,000

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 (CONT'D.)				
Police				
Salaries & Wages	\$ 3,299,956	\$ 3,290,456	\$ 3,283,373	\$ 7,083
Other Expenses	55,000	63,300	56,776	6,524
Vehicle Purchases	60,000	61,200	61,191	9
First Aid Squad				
Contribution	15,000	15,000	15,000	
Other Expenses	18,500	18,500		18,500
Emergency Management Services				
Salaries and Wages	5,200	5,200	5,133	67
Other Expenses	5,000	5,000	2,618	2,382
Municipal Prosecutor (Municipal Court)				
Salaries and Wages	15,300	15,300	15,300	
Other Expenses	1,000	1,000		1,000
PUBLIC WORKS				
Road Repairs and Maintenance				
Salaries and Wages	944,860	912,160	884,474	27,686
Other Expenses	75,000	80,000	71,640	8,360
Public Buildings and Grounds				
Salaries and Wages	56,947	56,947	55,917	1,030
Other Expenses	30,000	30,000	22,517	7,483
Vehicle Maintenance				
Salaries and Wages	5,606	5,606	5,602	4
Other Expenses	100,000	125,000	117,162	7,838
Sewer System				
Salaries & Wages	341,642	341,642	330,972	10,670
Other Expenses	62,500	62,500	34,996	27,504
Shade Tree Commission				
Salaries & Wages	2,507	2,507	2,507	
Other Expenses	5,000	5,000	161	4,839
Garbage and Trash Removal				
Contractual	234,000	234,000	234,000	
Recycling Program				
Salaries & Wages	28,004	28,004	27,182	822
Other Expenses	37,200	37,400	37,362	38
Solid Waste Transfer Fees				
Leaf/Grass Removal	400,000	400,000	400,000	
Condo Services Act				
Other Expenses	30,000	30,000		30,000
HEALTH AND WELFARE				
Board of Health				
Salaries & Wages	105,456	105,306	104,982	324
Other Expenses	15,000	15,000	6,818	8,182
Animal Control				
Other Expenses	20,000	20,000	15,000	5,000
Administration of Public Assistance				
Salaries and Wages	13,188	13,188	13,188	
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, 2012
(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"				
HEALTH AND WELFARE (Continued)				
Hepatitis B Vaccine				
Other Expense	\$ 1,000	\$ 1,150	\$ 1,144	\$ 6
 RECREATION AND EDUCATION				
Parks and Playgrounds				
Salaries & Wages	95,020	95,020	92,551	2,469
Other Expenses	9,000	9,000	9,000	
Celebration of Public Events				
Other Expenses	5,000	5,000	3,927	1,073
Senior Citizen Program				
Salaries and Wages	20,165	20,165	19,363	802
Other Expenses	6,000	6,000	4,074	1,926
Contribution	3,000	3,000		3,000
 MUNICIPAL COURT FUNCTIONS				
Municipal Court Administration				
Salaries and Wages	175,027	175,027	172,884	2,143
Other Expenses	13,000	13,000	12,390	610
Public Defender (P.L. 1997, C.256)				
Salaries and Wages	8,793	8,793	8,793	
Other Expenses	2,500	2,500	2,275	225
 UNIFORM CONSTRUCTION CODE				
APPROPRIATIONS OFFSET BY DEDICATED				
DEDICATED REVENUES				
(N.J.A.C. 5:23-4-17)				
Construction Code Official				
Salaries & Wages	234,160	234,160	233,986	174
Other Expenses	7,000	7,000	2,709	4,291
 UNCLASSIFIED AND BULK PURCHASES				
Utilities:				
Electricity and Natural Gas	270,000	229,000	218,961	10,039
Street Lighting	138,000	138,000	126,436	11,564
Gasoline	170,000	154,000	133,201	20,799
Telephone	50,000	90,000	88,608	1,392
	<u>10,044,620</u>	<u>10,069,620</u>	<u>9,705,251</u>	<u>364,369</u>
Total Operations Within "CAPS"				
Detail:				
Salaries & Wages	6,127,020	6,084,770	6,025,552	59,218
Other Expenses	3,917,600	3,984,850	3,679,699	305,151

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	\$ 80,813	\$ 80,813	\$ 80,813	
Statutory Charges				
Social Security System (O.A.S.I.)	251,200	251,200	236,931	\$ 14,269
Public Employees Retirement System	306,300	281,300	281,246	54
Police and Fireman's Retirement System	667,788	667,788	667,788	-
	<u>1,306,101</u>	<u>1,281,101</u>	<u>1,266,778</u>	<u>14,323</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"				
	<u>1,306,101</u>	<u>1,281,101</u>	<u>1,266,778</u>	<u>14,323</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,350,721</u>	<u>11,350,721</u>	<u>10,972,029</u>	<u>378,692</u>
OPERATIONS - EXCLUDED FROM "CAPS"				
Passaic Valley Sewerage - Contractual	1,397,189	1,397,189	1,397,189	
Recycling Tax	17,500	17,500	12,541	4,959
Maintenance of Free Public Library	784,258	784,258	784,258	-
	<u>2,198,947</u>	<u>2,198,947</u>	<u>2,193,988</u>	<u>4,959</u>
Total Operations Excluded from "CAPS"				
	<u>2,198,947</u>	<u>2,198,947</u>	<u>2,193,988</u>	<u>4,959</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES				
Safe and Secure Communities Program				
Police - Salaries and Wages	62,550	62,550	62,550	
Drug and Alcohol				
Municipal Alliance	25,163	25,163	15,231	9,932
Body Armor	2,800	2,800		2,800
Clean Communities Grant Program	15,209	15,209		15,209
Alcohol Education and Rehabilitation Fund	2,265	2,265	1,488	777
NJ DOT - Safe Corridors	8,995	8,995		8,995
Recycling Tonnage Grant	14,241	14,241	4,109	10,132
	<u>131,223</u>	<u>131,223</u>	<u>83,378</u>	<u>47,845</u>
Total Public and Private Programs Offset by Revenues				
	<u>131,223</u>	<u>131,223</u>	<u>83,378</u>	<u>47,845</u>
Total Operations Excluded from "CAPS"	<u>2,330,170</u>	<u>2,330,170</u>	<u>2,277,366</u>	<u>52,804</u>
Detail:				
Salaries & Wages	62,550	62,550	62,550	-
Other Expenses	2,267,620	2,267,620	2,214,816	52,804

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	\$ 125,000	\$ 125,000	\$ 125,000	
Renovation of Public Buildings	81,000	81,000	52,120	\$ 28,880
Acquisition of Office Equipment	10,000	10,000	184	9,816
Sewer Department Equipment	30,000	30,000	14,599	15,401
Acquisition of Various Technology				
Equipment for Police Dept.	32,000	32,000		32,000
Sewer Main Improvements	112,000	112,000	111,482	518
DPW Equipment	160,000	160,000	26,687	133,313
Road Department - Storm Sewer Drainage Improvements	78,000	78,000	78,000	
Fire Department Equipment	24,000	24,000	23,930	70
Road Improvements Program	150,000	150,000	149,050	950
	<u>802,000</u>	<u>802,000</u>	<u>581,052</u>	<u>220,948</u>
Total Capital Improvements -				
Excluded from "CAPS"				
	<u>802,000</u>	<u>802,000</u>	<u>581,052</u>	<u>220,948</u>
MUNICIPAL DEBT SERVICE -				
EXCLUDED FROM "CAPS"				
EDA Loan Repayments for Principal & Int.	39,365	39,365	39,365	-
	<u>39,365</u>	<u>39,365</u>	<u>39,365</u>	<u>-</u>
Total Municipal Debt Service Excluded				
from "CAPS"				
	<u>39,365</u>	<u>39,365</u>	<u>39,365</u>	<u>-</u>
DEFERRED CHARGES - MUNICIPAL				
EXCLUDED FROM "CAPS"				
Emergency Authorizations	247,000	247,000	247,000	
Special Emergency Authorizations - 5 Years	94,480	94,480	94,480	-
	<u>341,480</u>	<u>341,480</u>	<u>341,480</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded				
from "CAPS"				
	<u>341,480</u>	<u>341,480</u>	<u>341,480</u>	<u>-</u>
Total General Appropriations for Municipal				
Purposes Excluded from "CAPS"				
	<u>3,513,015</u>	<u>3,513,015</u>	<u>3,239,263</u>	<u>273,752</u>
Subtotal General Appropriations				
	14,863,736	14,863,736	14,211,292	652,444
Reserve for Uncollected Taxes				
	<u>1,610,000</u>	<u>1,610,000</u>	<u>1,610,000</u>	<u>-</u>
Total General Appropriations				
	<u>\$ 16,473,736</u>	<u>\$ 16,473,736</u>	<u>\$ 15,821,292</u>	<u>\$ 652,444</u>
	<u>Reference</u>	<u>A-2</u>	<u>A-1</u>	<u>A,A-1</u>
Budget as Adopted	A-3	<u>\$ 16,473,736</u>		
Cash Disbursed	A-4		\$ 13,129,190	
Encumbrances Payable	A-17		523,622	
Emergency Authorization	A-15		247,000	
Special Emergency Authorization	A-14		94,480	
Due to General Capital Fund	C-5		203,000	
Due to Other Trust Fund	B-10		14,000	
Reserve for Uncollected Taxes	A-2		<u>1,610,000</u>	
	A-3		<u>\$ 15,821,292</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-1,B-2	\$ 11,993	\$ 27,343
Assessments Receivable	B-3	<u>58,097</u>	<u>74,178</u>
		<u>70,090</u>	<u>101,521</u>
ANIMAL CONTROL FUND			
Cash	B-1	<u>5,316</u>	<u>4,507</u>
OTHER TRUST FUND			
Cash	B-1	2,031,488	1,978,806
Due from Current Fund	B-10	53,023	68,184
Due from Assessment Trust Fund	B-5	24	528
Due from Water Utility Operating Fund	D-22		3,500
Due from Water Utility Capital Fund	D-23	16,633	16,633
Due from Swim Pool Utility Operating Fund	E-11	<u>100</u>	<u>100</u>
		<u>2,101,268</u>	<u>2,067,751</u>
		<u>\$ 2,176,674</u>	<u>\$ 2,173,779</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011
(Continued)

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ASSESSMENT TRUST FUND			
Due to Current Fund	B-4	\$ 2,730	\$ 3,657
Due to Other Trust Fund	B-5	24	528
Due to General Capital Fund	C-6	<u>67,336</u>	<u>97,336</u>
		<u>70,090</u>	<u>101,521</u>
ANIMAL CONTROL FUND			
Due to Current Fund	B-8	2,398	1,116
Due to State of New Jersey	B-7	26	15
Reserve for Animal Control Expenditures	B-6	<u>2,892</u>	<u>3,376</u>
		<u>5,316</u>	<u>4,507</u>
OTHER TRUST FUND			
Due to General Capital Fund	B-11		450
Due to Water Utility Operating Fund	D-22	35,777	
Escrow Deposits Payable	B-9	543,529	541,271
Premium Received at Tax Sale	B-12	63,300	72,000
Payroll Deductions Payable	B-13	12,561	5,395
Reserve for Unemployment Insurance	B-14	118,051	115,803
Due to State - Unemployment Claims	B-15	626	201
Miscellaneous Reserves	B-16	<u>1,327,424</u>	<u>1,332,631</u>
		<u>2,101,268</u>	<u>2,067,751</u>
		<u>\$ 2,176,674</u>	<u>\$ 2,173,779</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	C-2,C-3	\$ 31,437	\$ 25,455
Grants Receivable	C-4	1,155,413	1,010,136
Due from Other Trust Fund	B-11	-	450
Due from Assessment Trust Fund	C-6	67,336	97,336
Due from Water Utility Capital Fund	D-17	507,022	507,022
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Deferred Charges to Future Taxation			
Funded	C-8	-	39,365
Unfunded	C-9	<u>1,728,842</u>	<u>1,728,842</u>
		<u>\$ 3,537,050</u>	<u>\$ 3,455,606</u>
LIABILITIES, RESERVES AND FUND BALANCE			
EDA Loans Payable	C-16		\$ 39,365
Contracts Payable	C-10	\$ 348,520	534,908
Capital Improvements Fund	C-11	166,000	41,000
Due to Current Fund	C-5	1,251,828	1,017,444
Improvement Authorizations			
Funded	C-15	582,267	388,645
Unfunded	C-15	684,609	647,418
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
Grants Receivable	C-4	429,178	429,178
Prospective Assessments Raised by Taxation	C-7	47,000	47,000
Fund Balance	C-1	<u>15,804</u>	<u>123,233</u>
		<u>\$ 3,537,050</u>	<u>\$ 3,455,606</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 of \$1,786,939 and \$1,803,020 respectively (See Exhibit C-17).

**BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 123,233	\$ 123,233
Decreased by:			
Appropriation to Finance Improvement Authorizations	C-15	<u>107,429</u>	<u>-</u>
Balance, December 31	C	<u>\$ 15,804</u>	<u>\$ 123,233</u>

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
OPERATING FUND			
Cash	D-6	\$ 404,638	\$ 327,236
Due from Other Trust Fund	D-22	35,777	
Due from Water Utility Capital Fund	D-15	<u>139,720</u>	<u>262,408</u>
		<u>580,135</u>	<u>589,644</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-10	523,978	434,821
Water Liens Receivable	D-11	<u>-</u>	<u>478</u>
		<u>523,978</u>	<u>435,299</u>
Total Operating Fund		<u>1,104,113</u>	<u>1,024,943</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	786	784
Fixed Capital	D-13	4,087,242	4,071,958
Fixed Capital Authorized and Uncompleted	D-14	<u>-</u>	<u>2,310</u>
Total Capital Fund		<u>4,088,028</u>	<u>4,075,052</u>
		<u>\$ 5,192,454</u>	<u>\$ 5,100,308</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011
(Continued)

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-5,D-16	\$ 70,852	\$ 93,596
Encumbrances Payable	D-18	169,319	103,355
Accounts Payable	D-21	884	798
Accrued Interest on Bonds	D-19	381	639
Water Rent Overpayments	D-20	905	1,697
Due to Current Fund	D-12	71,659	155,595
Due to Other Trust Fund	D-22	<u>-</u>	<u>3,500</u>
		314,000	359,180
Reserve for Receivables	D	523,978	435,299
Fund Balance	D-1	<u>266,135</u>	<u>230,464</u>
		1,104,113	1,024,943
ASSESSMENT TRUST FUND			
Fund Balance	D-2	<u>313</u>	<u>313</u>
		313	313
CAPITAL FUND			
Serial Bonds	D-30	259,000	462,000
Contracts Payable	D-24	3,884	3,884
Due to Other Trust Fund	D-23	16,633	16,633
Due to General Capital Fund	D-17	507,022	507,022
Due to Water Utility Operating Fund	D-15	139,720	262,408
Improvement Authorizations			
Funded	D-25		2,310
Capital Improvement Fund	D-26	102,108	27,108
Reserve for Amortization	D-27	3,044,665	2,776,381
Deferred Reserve for Amortization	D-28		2,310
Reserve for Water Tower Fees	D-29	13,035	13,035
Fund Balance	D-3	<u>1,961</u>	<u>1,961</u>
		4,088,028	4,075,052
Total Capital Fund		<u>\$ 5,192,454</u>	<u>\$ 5,100,308</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 of \$783,577 and \$833,577 respectively. (See Exhibit D-31)

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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-4	\$ 180,000	\$ 150,000
Water Rents	D-4	2,540,085	2,328,945
Miscellaneous Fees	D-4	312,368	273,211
Interest on Delinquent Accounts	D-4	49,434	22,220
Interest on Investments	D-4	1,462	2,386
Other Credits			
Appropriation Reserves Lapsed	D-16	<u>80,402</u>	<u>84,300</u>
 Total Income		 <u>3,163,751</u>	 <u>2,861,062</u>
 EXPENDITURES			
Operating	D-5	2,434,201	2,396,672
Capital Improvements	D-5	101,000	20,000
Debt Service	D-5	214,979	213,076
Deferred Charges and Statutory Expenditures	D-5	<u>197,900</u>	<u>191,646</u>
 Total Expenditures		 <u>2,948,080</u>	 <u>2,821,394</u>
 Statutory Excess to Fund Balance		 215,671	 39,668
 Fund Balance, January 1,	 D	 <u>230,464</u>	 <u>340,796</u>
		446,135	380,464
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-4	<u>180,000</u>	<u>150,000</u>
 Balance, December 31,	 D	 <u>\$ 266,135</u>	 <u>\$ 230,464</u>

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE- REGULATORY BASIS
WATER UTILITY ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1,	D	\$ <u>1,961</u>	\$ <u>1,961</u>
Balance, December 31,	D	\$ <u>1,961</u>	\$ <u>1,961</u>

BOROUGH OF TOTOWA
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 180,000	\$ 180,000	
Rents	D-1,D-4	2,484,140	2,540,085	\$ 55,945
Miscellaneous Fees	D-1,D-4	265,000	312,368	47,368
Interest on Delinquent Accounts	D-1,D-7	17,000	49,434	32,434
Interest on Investments	D-1,D-6	<u>2,200</u>	<u>1,462</u>	<u>(738)</u>
 Budget Revenues	 D-5	 <u>\$ 2,948,340</u>	 <u>\$ 3,083,349</u>	 <u>\$ 135,009</u>

Analysis of Realized Revenue

Rents:				
Cash Receipts-Rents	D-10		\$ 2,537,910	
Overpayments Applied	D-10		1,697	
Cash Receipts-Liens	D-11		<u>478</u>	
	D-4		<u>\$ 2,540,085</u>	
Miscellaneous Fees				
Consumer Accounts Receivable				
Collected				
Sprinkler Fees			\$ 266,335	
Water Meters			37,766	
Special Readings			<u>8,267</u>	
	D-4, D-10		<u>\$ 312,368</u>	
Interest on Investments				
Cash Receipts	D-6		\$ 1,460	
Due from Water Utility Capital Fund	D-15		<u>2</u>	
			<u>\$ 1,462</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 663,327	\$ 588,067	\$ 555,547	\$ 32,520	
Other Expenses	<u>1,771,134</u>	<u>1,846,134</u>	<u>1,828,576</u>	<u>17,558</u>	<u>-</u>
Total Operating	<u>2,434,461</u>	<u>2,434,201</u>	<u>2,384,123</u>	<u>50,078</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	26,000	26,000	10,910	15,090	
Capital Improvement Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>101,000</u>	<u>101,000</u>	<u>85,910</u>	<u>15,090</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	203,000	203,000	203,000		
Interest on Bonds	<u>11,979</u>	<u>12,239</u>	<u>11,979</u>	<u>-</u>	<u>\$ 260</u>
Total Debt Service	<u>214,979</u>	<u>215,239</u>	<u>214,979</u>	<u>-</u>	<u>260</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	86,400	86,400	86,377	23	
Social Security System (O.A.S.I.)	58,000	58,000	52,339	5,661	
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>197,900</u>	<u>197,900</u>	<u>192,216</u>	<u>5,684</u>	<u>-</u>
	<u>\$2,948,340</u>	<u>\$ 2,948,340</u>	<u>\$2,877,228</u>	<u>\$ 70,852</u>	<u>\$ 260</u>

	<u>Reference</u>	D-4	D-1	D, D-1
Disbursed	D-6		\$2,381,743	
Encumbrances Payable	D-18		169,319	
Accrued Interest on Bonds	D-19		11,979	
Due to Current Fund	D-12		185,687	
Due to Other Trust Fund	D-22		3,500	
Due to Water Utility Capital Fund	D-15		<u>125,000</u>	
			<u>\$2,877,228</u>	

**BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 46,235	\$ 125
Due from Current Fund	E-10	<u>-</u>	<u>27,261</u>
		46,235	27,386
Deferred Charges:			
Operating Deficit	E-7	<u>4,175</u>	<u>213</u>
Total Operating Fund		<u>50,410</u>	<u>27,599</u>
CAPITAL FUND			
Cash	E-5,E-6	192	192
Fixed Capital	E-8	<u>239,372</u>	<u>239,372</u>
Total Capital Fund		<u>239,564</u>	<u>239,564</u>
		<u>\$ 289,974</u>	<u>\$ 267,163</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-4, E-9	\$ 40,604	\$ 25,463
Encumbrances Payable	E-12	420	537
Accounts Payable	E-13	890	890
Due to Current Fund	E-10	7,787	
Due to Other Trust Fund	E-11	<u>100</u>	<u>100</u>
		49,801	26,990
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>50,410</u>	<u>27,599</u>
CAPITAL FUND			
Reserve for Amortization	E-14	239,372	239,372
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>239,564</u>	<u>239,564</u>
		<u>\$ 289,974</u>	<u>\$ 267,163</u>

There were no bonds and notes authorized but not issued on December 31, 2012 and 2011.

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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Swimming Pool Receipts	E-3	\$ 40,162	\$ 44,601
Non-Budget Revenue	E-3	<u>163</u>	<u>86</u>
Total Income		<u>40,325</u>	<u>44,687</u>
EXPENDITURES			
Operating	E-4	93,500	91,440
Capital Improvements	E-4	27,000	5,000
Deferred Charges and Statutory Expenditures	E-4	<u>4,813</u>	<u>12,272</u>
Total Expenditures		<u>125,313</u>	<u>108,712</u>
Deficit in Revenue		(84,988)	(64,025)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>80,813</u>	<u>63,812</u>
Operating Deficit to be Raised in Budget of Succeeding Year	E-7	<u>\$ (4,175)</u>	<u>\$ (213)</u>
Statutory Excess to Fund Balance		-	-
Fund Balance, January 1	E	<u>\$ 609</u>	<u>\$ 609</u>
Fund Balance, December 31	E	<u>\$ 609</u>	<u>\$ 609</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</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, 2012

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Swim Pool Fees	E-1,E-3	\$ 44,500	\$ 40,162	\$ (4,338)
Deficit (General Budget)	E-1, E-5	<u>80,813</u>	<u>80,813</u>	<u>-</u>
Budget Revenues	E-4	<u>\$ 125,313</u>	120,975	<u>\$ (4,338)</u>
Non-Budget Revenues	E-1,E-3		<u>163</u>	
			<u>\$ 121,138</u>	
 <u>Analysis of Realized Swim Pool Fees:</u>				
Cash Receipts				
Membership Fees			\$ 30,182	
Guest Fees			8,900	
Party Fees			150	
Swimming Lessons			540	
Snack Bar Lease			<u>390</u>	
	E-3, E-5		<u>\$ 40,162</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Interest on Investments	E-3, E-5		<u>\$ 163</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TOTOWA
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 53,500	\$ 53,500	\$ 47,272	\$ 6,228
Other Expenses	40,000	40,000	33,508	6,492
 Total Operating	 93,500	 93,500	 80,780	 12,720
 CAPITAL IMPROVEMENTS				
Capital Outlay	27,000	27,000	-	27,000
 Total Capital Improvements	 27,000	 27,000	 -	 27,000
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Deferred Charges				
Operating Deficit	213	213	213	
Statutory Expenditures				
Contribution to				
Social Security System (O.A.S.I.)	4,500	4,500	3,616	884
Unemployment Compensation				
Insurance (NJSA 43:21-3 et seq.)	100	100	100	-
 Total Deferred Charges and Statutory Expenditures	 4,813	 4,813	 3,929	 884
	<u>\$ 125,313</u>	<u>\$ 125,313</u>	<u>\$ 84,709</u>	<u>\$ 40,604</u>

	<u>Reference</u>	E-3	E-1	E,E-1
Cash Disbursed	E-5		\$ 83,976	
Deferred Charges -				
Operating Deficit	E-7		213	
Due to Other Trust Fund	E-11		100	
Encumbrances Payable	E-12		420	
			<u>\$ 84,709</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	F-1	<u>\$ 40,118</u>	<u>\$ 61,768</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance	F-2	<u>\$ 40,118</u>	<u>\$ 61,768</u>

BOROUGH OF TOTOWA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</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>5,470,477</u>	<u>5,333,980</u>
	<u>\$ 44,930,656</u>	<u>\$ 44,794,159</u>
Investment in Fixed Assets	<u>\$ 44,930,656</u>	<u>\$ 44,794,159</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

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

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

B. 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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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:

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

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

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

- Trust Funds
- General Capital Fund
- Water Utility Assessment and Capital Funds
- Swim Pool Utility Capital Fund
- Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012 the Borough Council did not increase the original budget. In 2011 the Borough Council increased the original budget by \$438,800. The increase was funded by additional aid allotted to the Borough in the amount of \$79,800. 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. In addition, the governing body approved several budget transfers during 2012 and 2011.

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 unmaturing interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

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.

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Reclassifications - Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

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.

D. Financial Statements – Regulatory Basis

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

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 for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$13,904,918 and \$14,796,463 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,282,012 and \$15,198,848, 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>2012</u>	<u>2011</u>
Insured	\$ 14,282,012	\$ 15,198,848

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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, 2012 and 2011, 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). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2012 and 2011 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, 2012 consisted of the following:

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

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE (Continued)

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.

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans		\$ 39,365
Water Utility		
Bonds and Notes	\$ 259,000	<u>462,000</u>
Net Debt Issued	259,000	501,365
Authorized But Not Issued		
General		
Bonds and Notes	1,786,939	1,803,020
Water Utility		
Bonds and Notes	<u>783,577</u>	<u>833,577</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 2,829,516</u>	<u>\$ 3,137,962</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 .08% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 1,786,939		\$ 1,786,939
School Debt	13,799,665	\$ 13,799,665	
Utility Debt	<u>1,042,577</u>	<u>1,042,577</u>	<u>-</u>
Total	<u>\$ 16,629,181</u>	<u>\$ 14,842,242</u>	<u>\$ 1,786,939</u>

	<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>

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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 81,625,424	\$ 86,247,599
Net Debt	<u>1,786,939</u>	<u>1,842,385</u>
Remaining Borrowing Power	<u>\$ 79,838,485</u>	<u>\$ 84,405,214</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

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

General Intergovernmental Loans Payable

The Borough has entered into a loan agreements 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>2012</u>	<u>2011</u>
\$393,651, 2002 Loan, due in annual installments of \$39,365 through September 1, 2012, interest free	-	\$ 39,365
	<u>\$ -</u>	<u>\$ 39,365</u>

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>2012</u>	<u>2011</u>
\$700,000, 1994 Bonds, due in annual installments of \$45,000 to \$50,000 through June 15, 2014, interest at 5.40%	\$ 99,000	\$ 144,000
\$1,203,000, 2003 Bonds, due in annual installments of \$158,000 to \$160,000 through June 15, 2013, interest at 2.375%	160,000	318,000
	<u>\$ 259,000</u>	<u>\$ 462,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	Water Utility		Total
	Principal	Interest	
2013	\$ 210,000	\$ 5,896	\$ 215,896
2014	49,000	1,323	50,323
Total	<u>\$ 259,000</u>	<u>\$ 7,219</u>	<u>\$ 266,219</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>				
General Capital Fund				
Intergovernmental Loans Payable	\$ 39,365	\$ 39,365	\$ -	\$ -
General Capital Fund Long-Term Liabilities	\$ 39,365	\$ 39,365	\$ -	\$ -
Water Utility Capital Fund				
Bonds Payable	\$ 462,000	\$ 203,000	\$ 259,000	\$ 210,000
Water Utility Capital Fund Long-Term Liabilities	\$ 462,000	\$ 203,000	\$ 259,000	\$ 210,000
	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	86,516	47,151	\$ 39,365	\$ 39,365
General Capital Fund Long-Term Liabilities	\$ 733,516	\$ 694,151	\$ 39,365	\$ 39,365
Water Utility Capital Fund				
Bonds Payable	\$ 657,000	\$ 195,000	\$ 462,000	\$ 203,000
Water Utility Capital Fund Long-Term Liabilities	\$ 657,000	\$ 195,000	\$ 462,000	\$ 203,000

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

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

	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>	\$ 190,855	-	<u>5,333,980</u>
	<u>\$ 44,603,304</u>	<u>\$ 190,855</u>	<u>\$ -</u>	<u>\$ 44,794,159</u>

Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2012 and 2011.

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

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS (Continued)

Utility Fund Fixed Assets (Continued)

<u>Water Utility Fund (Continued)</u>	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</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>
<u>Swim Pool Utility Fund</u>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
Facility and Facility Improvements	\$ <u>239,372</u>	<u>-</u>	<u>-</u>	\$ <u>239,372</u>
	<u>\$ 239,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,372</u>
<u>2011</u>	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
Fixed Capital				
Facility and Facility Improvements	\$ <u>212,033</u>	<u>\$ 27,339</u>	<u>-</u>	\$ <u>239,372</u>
	<u>\$ 212,033</u>	<u>\$ 27,339</u>	<u>\$ -</u>	<u>\$ 239,372</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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>2012</u>		<u>2011</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 1,336,402	\$ 53,023	\$ 1,177,812	\$ 95,445
Trust Funds:				
Assessment Trust		70,090		101,521
Animal Control		2,398		1,116
Other Trust	69,780	35,777	88,945	450
General Capital Fund	574,358	1,251,828	604,808	1,017,444
Water Utility Fund:				
Operating	175,497	71,659	262,408	159,095
Capital		663,375		786,063
Swim Pool Utility Fund:				
Operating	-	7,887	27,261	100
Total	<u>\$ 2,156,037</u>	<u>\$ 2,156,037</u>	<u>\$ 2,161,234</u>	<u>\$ 2,161,234</u>

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

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

BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

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>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,018,783	\$ 1,800,000	\$ 1,827,502	\$ 1,827,502
Non-Cash Surplus	<u>449,654</u>	<u>-</u>	<u>858,797</u>	<u>498</u>
	<u>\$ 2,468,437</u>	<u>\$ 1,800,000</u>	<u>\$ 2,686,299</u>	<u>\$ 1,828,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 266,135	\$ 200,000	\$ 230,464	\$ 180,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 266,135</u>	<u>\$ 200,000</u>	<u>\$ 230,464</u>	<u>\$ 180,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus (Deficit)	\$ (3,566)		\$ 396	
Non-Cash Surplus	<u>4,175</u>	<u>-</u>	<u>213</u>	<u>-</u>
	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ -</u>

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$173,000	\$50,200	\$122,800
Swim Pool Utility			
Operating Deficit	4,175	4,175	
<u>2011</u>			
Current Fund			
Emergency Authorizations	247,000	247,000	
Special Emergency Authorizations	267,480	94,480	173,000
Swim Pool Utility			
Operating Deficit	213	213	

NOTE 9 COMPENSATED ABSENCES

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$748,535 and \$835,113 at December 31, 2012 and 2011, 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, 2012 and 2011, the Borough has reserved in the Other Trust Fund \$283,826 and \$282,781, 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, 2012 AND 2011**

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, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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

Basis of Accounting

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

Significant Legislation

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 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 was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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

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

Actuarial Methods and Assumptions

In the July 1, 2011 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: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

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, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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, 2012, 2011 and 2010, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>
2012	\$ 667,788	\$ 392,623
2011	828,593	357,026
2010	675,203	300,162

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

**BOROUGH OF TOTOWA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

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.

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

The relationship between the Borough and respective insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance fund, to report claims on a timely basis, to cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the funds 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 funds can be obtained by contacting the respective fund's Treasurer.

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 17,600		\$ 15,483	\$ 118,051
2011	17,600	\$ 8,337	15,503	115,803
2010	16,500	8,615	13,424	105,346

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.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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. A potential settlement has been reached with each of the Municipal Defendants including the Borough of Totowa in the sum of \$95,000 with the plaintiff N.J.D.E.P. In these cases, there is a process that potential settlement must go through with the Court and the direct Defendants and the public have a right to object to same. Once the Court hears the matter and if it approves the settlement, the Defendants will probably appeal to the Appellate Court and the Borough will have to await its decision. However, it is to be noted that once this litigation is over, the EPA will be filing suit against the same Defendants, who, as in this pending case, will file a Third Party action against the Municipalities, including the Borough of Totowa.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. 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, 2012 and 2011, the Borough reserved \$693,630 and \$2,122,718, 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, 2012 and 2011, 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, 2012 AND 2011**

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, 2012 and 2011, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 14 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31.

	<u>Regional High School</u>		<u>Local District School</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Balance of Tax	\$ 4,763,899	\$ 4,495,404	\$ 6,965,002	\$ 6,934,098
Deferred	<u>2,093,009</u>	<u>2,093,009</u>	<u>3,025,266</u>	<u>3,025,266</u>
Taxes Payable	<u>\$ 2,670,890</u>	<u>\$ 2,402,395</u>	<u>\$ 3,939,736</u>	<u>\$ 3,908,832</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>2012</u>		
Storm Sewer Check Valve Project	\$108,700	2013
Sanitary Sewer Main Rehabilitation	198,539	2013
<u>2011</u>		
Installation of Lighting – Union Blvd.	\$299,348	2012
Minnisink Field Improvements	127,180	2012
Lincoln Field Drainage Improvements	65,511	2012

NOTE 16 DEFICIT FUND BALANCES

The Borough has an accumulated deficit of \$4,175 in the Swim Pool Utility Operating Fund. The Borough anticipated funding this deficit through a budget contribution from Current Fund in 2013.

**BOROUGH OF TOTOWA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 17 HURRICANE SANDY

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

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

On February 12, 2013 the Borough adopted a Bond Ordinance authorizing the issuance of \$1,057,000 in Bonds or Bond Anticipation Notes to fund the local share for the replacement of a portion of the sanitary sewer force main shared by Little Falls, Totowa and Woodland Park. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

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

Balance, December 31, 2011		\$ 12,369,564
Increased by Receipts:		
Tax Collector	\$ 48,394,086	
Non-Budget Revenue	393,842	
Revenue Accounts Receivable	2,911,451	
Grants Receivable	166,559	
NJ Senior Citizens' and Veterans' Deductions	153,422	
Fees Payable	14,548	
Received from Assessment Trust Fund	3,723	
Received from Animal Control Fund	14	
Received from Other Trust Fund	69,538	
Received from Water Utility Operating Fund	269,623	
Reserve for Unappropriated Grants	37,999	
	52,414,805	
		64,784,369
Decreased by Disbursements:		
2012 Budget Appropriations	13,129,190	
2011 Appropriation Reserves	202,075	
Fees Payable	14,765	
Encumbrances Payable	399,847	
Accounts Payable	16,995	
Refund of Tax Overpayments	31,181	
Reserve for Appropriated Grants	35,783	
Reserve for Tax Appeals	1,429,088	
County Taxes Payable	14,770,698	
Added County Taxes Payable	5,656	
Local District School Tax	13,417,259	
Regional High School Tax	9,228,789	
Payments made for Other Trust Fund	740	
Payments made to Other Trust Fund	137,192	
Payments made for General Capital Fund	437,132	
Payments made for Water Utility Operating Fund	185,687	
Payments made to Swim Pool Operating Fund	10,260	
	53,452,337	
Balance, December 31, 2012		\$ 11,332,032

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

Received:		
Taxes Receivable	\$ 47,991,934	
Tax Title Liens Receivable	3,703	
Interest and Cost on Taxes	140,092	
Prepaid Taxes	218,921	
Tax Overpayments	<u>39,436</u>	
		\$ 48,394,086
Decreased by:		
Payments to Treasurer		<u>\$ 48,394,086</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Title</u>	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</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>2011</u>	Balance, December 31, <u>2012</u>
Borough Clerk	<u>\$ 150</u>	<u>\$ 150</u>

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

Balance, December 31, 2011		\$ 65,033
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Current Year	\$ 5,029	
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Prior Year	7,750	
Received in Cash from the State	<u>153,422</u>	
		<u>166,201</u>
		231,234
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed Per Tax Billings	164,250	
Senior Citizens' and Veterans' Deductions Allowed by the Tax Collector	<u>2,500</u>	
		<u>166,750</u>
Balance, December 31, 2012		<u>\$ 64,484</u>

EXHIBIT A-9

STATEMENT OF TAX TITLE LIENS

Balance, December 31, 2011		\$ 3,703
Decreased by:		
Cash Receipts		<u>\$ 3,703</u>

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

Year	Balance, December 31, 2011	2012 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2011	2012	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Balance, December 31, 2012
2001	\$ 11,066							\$ 11,066
2010	40				\$ 40			-
2011	516,158	-	\$ 7,750	-	519,832	-	\$ 4,064	12
2012	527,264	-	7,750	-	519,872	-	4,064	11,078
	-	\$ 49,018,166	5,029	\$ 419,443	47,472,062	\$ 166,750	\$ 244,676	720,264
	\$ 527,264	\$ 49,018,166	\$ 12,779	\$ 419,443	\$ 47,991,934	\$ 166,750	\$ 248,740	\$ 731,342

Analysis of 2012 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 48,993,649
Added Taxes (RS 54:4-36.1 et seq.)	<u>24,517</u>
	<u>\$ 49,018,166</u>
Tax Levy	
Regional High School Taxes	\$ 9,497,284
Local District School Taxes	13,448,163
County Taxes	
County Tax	\$ 14,536,843
Open Space Tax	233,855
Due County for Added Tax	<u>7,393</u>
	14,778,091
Local Tax for Municipal Purposes	10,480,041
Minimum Library Tax	784,258
Add: Additional Tax Levied	<u>30,329</u>
	<u>11,294,628</u>
	<u>\$ 49,018,166</u>

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

Balance, December 31, 2011	<u>\$ 72,900</u>
Balance, December 31, 2012	<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>2011</u>	Accrued In 2012	<u>Collected by</u>		Balance, December 31, <u>2012</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Borough Clerk					
Licenses					
Alcoholic Beverages		\$ 11,599	\$ 11,599		
Other		12,985	12,985		
Fees and Permits		4,590	4,590		
Tax Collector					
Interest and Costs on Taxes		161,339		\$ 140,092	\$ 21,247
Board of Health/Registrar of Vital Statistics					
Licenses		13,791	13,791		
Fees and Permits		18,848	18,848		
Planning Board					
Fees and Permits		18,070	18,070		
Zoning Board of Adjustments					
Fees and Permits		9,100	9,100		
Building Department					
Uniform Construction Code Fees		160,682	160,682		
Police Department					
Fees and Permits		492	492		
Municipal Court					
Fines and Costs	\$ 25,761	335,267	341,389		19,639
Energy Receipts Tax		1,271,571	1,271,571		
Consolidated Municipal Property Tax					
Relief Aid		32,643	32,643		
Fire Inspection Official					
Uniform Fire Safety Act Fees		7,959	7,959		
Uniform Fire Safety Act Rebate		31,884	31,884		
FEMA Reimbursements		144,000	144,000		
Sewer User Fees	29,536	541,245	564,514		6,267
Cable Television Franchise Fee		142,403	142,403		
Hotel/Motel Tax	-	124,931	124,931	-	-
	<u>\$ 55,297</u>	<u>\$ 3,043,399</u>	<u>\$ 2,911,451</u>	<u>\$ 140,092</u>	<u>\$ 47,153</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	<u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2012</u>
Municipal Alliance Program	\$ 14,779	\$ 25,163	\$ 12,521	\$ 27,421
FEMA - Assistance to Fire Fighters	87,566			87,566
New Jersey Transportation Trust Fund - Grant Ave Phase II	115,922		82,855	33,067
New Jersey Transportation Trust Fund Auth. - Hudson Ave.	46,250			46,250
Passaic County Open Space - Lincoln Field	79,800			79,800
Safe Corridors		8,995	8,995	
Recycling Tonnage Grant		4,738	4,738	
Safe & Secure Communities	-	60,000	57,450	2,550
	<u>\$ 344,317</u>	<u>\$ 98,896</u>	<u>\$ 166,559</u>	<u>\$ 276,654</u>

EXHIBIT A-14

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

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	Net Amount <u>Authorized</u>	1/5 of Net Amount <u>Authorized</u>	Balance, December 31, <u>2011</u>	Amount in 2012 <u>Budget</u>	Balance, December 31, <u>2012</u>
6/1/2007	Revaluation of Real Property	\$ 221,400	\$ 44,280	\$ 44,280	\$ 44,280	
6/15/2010	Revaluation of Real Property	139,000	27,800	111,200	27,800	\$ 83,400
11/29/2011	Hurricane Irene E.O. #73, Storm Damage	112,000	22,400	<u>112,000</u>	<u>22,400</u>	<u>89,600</u>
				<u>\$ 267,480</u>	<u>\$ 94,480</u>	<u>\$ 173,000</u>

EXHIBIT A-15

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATION

	Balance, December 31, <u>2011</u>	Raised in 2012 <u>Budget</u>	Balance, December 31, <u>2012</u>
Emergency Authorization - Hurricane Irene E.O. #73 Response and Recovery	<u>\$ 247,000</u>	<u>\$ 247,000</u>	<u>\$ -</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, <u>2011</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
SALARIES AND WAGES					
Municipal Clerk	\$ 322		\$ 322	\$ 322	
Mayor and Council	367		367	367	
Elections	36		36	36	
Financial Administration	36		36	36	
Assessment of Taxes	587		587	587	
Police Dispatch/911	495		495	495	
Police	17,095		17,095	17,095	
Emergency Management Services	8		8	8	
Road Repairs and Maintenance	7,349		7,349	7,349	
Public Buildings and Grounds	1,029		1,029	1,029	
Vehicle Maintenance	13		13	13	
Sewer System	2,953		2,953	2,953	
Recycling Program	498		498	498	
Board of Health	248		248	248	
Parks and Playgrounds	1,506		1,506	1,506	
Senior Citizen Program	441		441	441	
Municipal Court	2,143		2,143	2,143	
Construction Code Official	696	-	696	696	-
	<u>35,822</u>	<u>-</u>	<u>35,822</u>	<u>35,822</u>	<u>-</u>
OTHER EXPENSES					
Municipal Clerk	7,122	\$ 2,051	9,173		\$ 9,173
Codification of Ordinances	3,805		3,805	3,805	
Elections	1,930		1,930	1,011	919
Assessment of Taxes	14,628		14,628	8,080	6,548
Financial Administration					
Other Expenses	16,637		16,637	1,513	15,124
Collection of Taxes	2,170		2,170	169	2,001
Legal Services and Costs	8,750		8,750	1,145	7,605
Engineering Services & Costs	5,859		10,859	4,400	6,459
Planning Board	13,186		13,186	570	12,616
Board of Adjustment	184		8,184	7,935	249
Insurance					
General Liability	106,649		106,649	106,649	
Workers Compensation	41		41	41	
Employee Group Health	5,446	18,350	23,796		23,796
Fire	78,980		78,980	63,181	15,799
Fire Officials	1,100		1,100		1,100
Police Dispatch/911	726		726		726
Police	25,460		25,460	13,809	11,651
Vehicle Purchases	594		594	594	
First Aid Squad					
Other Expenses	17,000		17,000	9,775	7,225
Emergency Management Services	979		3,979	2,184	1,795
Municipal Prosecutor	1,000		1,000		1,000
Road Repairs and Maintenance	7,346	16,152	23,498		23,498
Public Buildings and Grounds	7,281		7,281	588	6,693
Vehicle Maintenance	13,397		13,397	10,290	3,107
Sewer System	14,676		14,676	1,536	13,140
Shade Tree Commission	632		632		632
Solid Waste Transfer Fees		75,781	55,781		55,781
Condo Services Act	30,000		34,000	33,779	221
Board of Health	5,411	906	6,317		6,317
Animal Control	5,000		5,000	5,000	

**BOROUGH OF TOTOWA
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, 2011	Encumbrance Payable Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER EXPENSES: (Continued)					
Administration of Public Assistance	\$ 747		\$ 747	\$ 6	\$ 741
Hepatitis B Vaccine	1,000		1,000	1,000	
Parks and Playgrounds	518		518		518
Celebration of Public Events	1,653		1,653		1,653
Senior Citizen Program					
Contribution	3,000		3,000		3,000
Other Expense	1,979		1,979	6	1,973
Municipal Court	457		457	33	424
Public Defender	1,875		1,875		1,875
Construction Code Official	3,441		3,441	84	3,357
Utilities					
Street Lighting	316	\$ 5,441	5,757		5,757
Electricity	4,715		4,715	1,023	3,692
Gasoline	71		71		71
Telephone	296		296		296
Social Security System (O.A.S.I.)	8,328		8,328		8,328
Contribution to Public Employees Retirement Sys.	-	25,954	25,954		25,954
Recycling Tax	4,602		4,602	1,239	3,363
Maintenance of Free Public Library	46,162		46,162	46,162	
Clean Communities Grant Program	15,392		15,392	15,392	
Drug and Alcohol Municipal Alliance	3,009		3,009	3,009	
Body Armor	1,188		1,188	1,188	
Road Improvements Program	537		537	537	
Acquisition of Equipment for Police Dept.	12,728		12,728	12,728	
Acquisition of Office Equipment	3,599		3,599	3,599	
Sewer Department Equipment	33,085		33,085	33,085	
Sewer Main Improvements	40,000		40,000		40,000
DPW Department Equipment	1,288		1,288	194	1,094
Fire Department Equipment	5,897		5,897	5,897	
FEMA - Acquisition of Firefighters Equipment					
Federal Share	87,566		87,566	87,566	
Local Share	4,608		4,608	4,608	
Hurricane Irene					
Other Expenses	427		427	427	
Repairs/Replace Infrastructure	20,170		20,170	3,320	16,850
County Open Space - Minnisink Road Field Improvements	14,289		14,289	14,289	
Improvements to Hudson Ave - Local Share	33,732	-	33,732	33,732	-
	<u>752,664</u>	<u>144,635</u>	<u>897,299</u>	<u>545,178</u>	<u>352,121</u>
	<u>\$ 788,486</u>	<u>\$ 144,635</u>	<u>\$ 933,121</u>	<u>\$ 581,000</u>	<u>\$ 352,121</u>
Cash Disbursed				\$ 202,075	
Due to Other Trust Fund - Accumulated					
Absence Reserve				40,323	
Transferred to:					
Accounts Payable				181,369	
Grants Appropriated				157,233	
				<u>\$ 581,000</u>	

**BOROUGH OF TOTOWA
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$ 544,482
Increased by:		
Charges to 2012 Budget Appropriations		<u>523,622</u>
		1,068,104
Decreased by:		
Payments	\$ 399,847	
Cancellations Restored to Appropriation Reserves	<u>144,635</u>	
		<u>544,482</u>
Balance, December 31, 2012		<u>\$ 523,622</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2011		\$ 16,995
Increased by:		
Transferred from 2011 Appropriation Reserves		<u>181,369</u>
		198,364
Decreased by:		
Payments		<u>16,995</u>
Balance, December 31, 2012		<u>\$ 181,369</u>

BOROUGH OF TOTOWA
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2011</u>	<u>Received</u>	Anticipated in 2012 <u>Budget</u>	Balance, December 31, <u>2012</u>
Clean Communities	\$ 15,209	\$ 15,037	\$ 15,209	\$ 15,037
Body Armor	2,800	2,865	2,800	2,865
Securing the Cities		591		591
Alcohol Ed & Rehabilitation	2,265	2,051	2,265	2,051
Recycling Tonnage	9,503	17,455	9,503	17,455
Safe and Secure	<u>2,550</u>	<u>-</u>	<u>2,550</u>	<u>-</u>
	<u>\$ 32,327</u>	<u>\$ 37,999</u>	<u>\$ 32,327</u>	<u>\$ 37,999</u>

EXHIBIT A-20

STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2011</u>	Transferred From 2011 Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2012</u>
Clean Communities Program	\$ 44,321	\$ 15,392	\$ 10,942	\$ 48,771
Alcohol Ed & Rehabilitation	1,447		1,447	
Recycling Tonnage Grant	15,299		15,299	
Body Armor Replacement Fund	5,534	1,188	1,183	5,539
Stormwater Grant	8,128		6,912	1,216
Drunk Driving Enforcement Fund	3,135			3,135
Open Space Grant - Lincoln Field		14,289		14,289
Improvements to Hudson Ave. - Local		31,932		31,932
NJ Transportation Trust - Grant Ave - Section II	33,067			33,067
FEMA - Firefighters Equipment - Local		4,608		4,608
FEMA - Firefighters Equipment - Federal		87,566		87,566
Soldiveri - Recreation	1,818			1,818
Municipal Alliance	492	2,258		2,750
H1N1	7,719			7,719
Muchuga	<u>690</u>	<u>-</u>	<u>-</u>	<u>690</u>
	<u>\$ 121,650</u>	<u>\$ 157,233</u>	<u>\$ 35,783</u>	<u>\$ 243,100</u>

**BOROUGH OF TOTOWA
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2011	\$ 419,443
Increased by:	
Collection of 2013 Taxes	<u>218,921</u>
	638,364
Decreased by:	
Application to 2012 Taxes	<u>419,443</u>
Balance, December 31, 2012	<u>\$ 218,921</u>

EXHIBIT A-22

STATEMENT OF TAX OVERPAYMENTS

Increased by:	
Overpayments in 2012	\$ 39,436
Decreased by:	
Refunds	<u>31,181</u>
Balance, December 31, 2012	<u>\$ 8,255</u>

EXHIBIT A-23

STATEMENT OF RESERVE FOR TAX APPEALS PENDING

Balance, December 31, 2011	\$ 2,122,718
Decreased by:	
Tax Appeal Refunds	<u>1,429,088</u>
Balance, December 31, 2012	<u>\$ 693,630</u>

**BOROUGH OF TOTOWA
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2011</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2012</u>
Due to State				
Construction Code Training Fees	\$ 7,163	\$ 13,198	\$ 13,530	\$ 6,831
Elevator Inspection Fees	3,887			3,887
Marriage License Fees	<u>410</u>	<u>1,350</u>	<u>1,235</u>	<u>525</u>
	<u>\$ 11,460</u>	<u>\$ 14,548</u>	<u>\$ 14,765</u>	<u>\$ 11,243</u>

EXHIBIT A-25

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:			
2012 Levy			
General County			\$ 14,536,843
County Open Space Preservation			<u>233,855</u>
			\$ 14,770,698
Decreased by:			
Payments			<u>\$ 14,770,698</u>

EXHIBIT A-26

STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES

Balance, December 31, 2011	\$ 5,663
Increased by:	
County Share of 2012 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>7,393</u>
	13,056
Decreased by:	
Payments	<u>5,656</u>
Balance, December 31, 2012	<u>\$ 7,400</u>

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

Balance, December 31, 2011		
School Tax Payable	\$ 3,908,832	
School Tax Deferred	<u>3,025,266</u>	
		\$ 6,934,098
Increased by:		
Levy - School Year July 1, 2012 to June 30, 2013		<u>13,448,163</u>
		20,382,261
Decreased by:		
Payments		<u>13,417,259</u>
Balance, December 31, 2012		
School Tax Payable	3,939,736	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 6,965,002</u>
 <u>Analysis of Amount Charged to Operations</u>		
2012 Liability for Local District School Tax		
Tax Paid		\$ 13,417,259
Tax Payable at December 31, 2012		<u>3,939,736</u>
		17,356,995
Less: Tax Payable at December 31, 2011		<u>3,908,832</u>
Amount Charged to 2012 Operations		<u>\$ 13,448,163</u>

BOROUGH OF TOTOWA
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, December 31, 2011		
School Tax Payable	\$ 2,402,395	
School Tax Deferred	<u>2,093,009</u>	
		\$ 4,495,404
Increased by:		
Levy - School Year July 1, 2012 to June 30, 2013		<u>9,497,284</u>
		13,992,688
Decreased by:		
Payments		<u>9,228,789</u>
Balance, December 31, 2012		
School Tax Payable	2,670,890	
School Tax Deferred	<u>2,093,009</u>	
		<u>\$ 4,763,899</u>
 <u>Analysis of Amount Charged to Operations</u>		
2012 Liability for Regional High School Tax		
Tax Paid		\$ 9,228,789
Tax Payable at December 31, 2012		<u>2,670,890</u>
		11,899,679
Less: Tax Payable at December 31, 2011		<u>2,402,395</u>
Amount Charged to 2012 Operations		<u>\$ 9,497,284</u>

BOROUGH OF TOTOWA
STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</u>
Codification of Ordinances	\$ <u>7,503</u>	\$ <u>7,503</u>
	<u>\$ 7,503</u>	<u>\$ 7,503</u>

TRUST FUND

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

	<u>Assessments</u>	<u>Animal Control</u>	<u>Other</u>
Balance, December 31, 2011	\$ 27,343	\$ 4,507	\$ 1,978,806
Increased by:			
Interest on Deposits		\$ 13	\$ 4,271
Assessments Receivable	\$ 16,081		
Interest on Assessments	2,796		
Miscellaneous Reserves			354,729
Received from Current Fund			137,192
Receipts from Water Utility Operating Fund			3,500
Receipts from Swim Pool Utility Operating Fund			100
Receipts from Other Trust - POAA Fees	24		
Receipts from Assessment Trust Fund			528
Escrow Deposits			63,219
Premiums Received from Tax Sale		1,204	35,800
Dog License Fees Collected		281	
Due State of NJ - Dog Registration Fees		-	
Payroll Deposits	<u>18,901</u>	<u>1,498</u>	<u>7,672,779</u>
			<u>8,272,118</u>
Decreased by Disbursements:			
Reserve for Animal Control Expenditures			10,250,924
Due State of NJ - Dog Registration Fees	46,244	6,005	
Miscellaneous Reserves			363,316
Unemployment Claims Due to State			15,058
Escrow Disbursements			60,961
Tax Sale Premium Refunds			44,500
Payments made to Current Fund	3,723	14	69,538
Payments made to Other Trust Fund	528		
Payments made to General Capital Fund	30,000		450
Payroll Disbursements			7,665,613
	<u>34,251</u>	<u>689</u>	<u>8,219,436</u>
Balance, December 31, 2012	<u>\$ 11,993</u>	<u>\$ 5,316</u>	<u>\$ 2,031,488</u>

**BOROUGH OF TOTOWA
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, <u>2012</u>
Due to Current Fund	\$ 2,730
Due to Other Trust Fund	24
Due to General Capital Fund	67,336
Unfinanced Assessments	
Ord. 08-04 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd.	(58,097)
	\$ 11,993

EXHIBIT B-3

**STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, <u>2011</u>	<u>Collected</u>	Balance December 31, <u>2012</u>	Balance <u>Pledged to</u> Due General Capital Fund
08-04	Replacement of Sidewalks, Curbs and Driveways on Union Blvd.	\$ 74,178	\$ 16,081	\$ 58,097	\$ 58,097

EXHIBIT B-4

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

Balance, December 31, 2011	\$ 3,657
Increased by:	
Interest on Assessment	2,796
	6,453
Decreased by:	
Payments made to Current Fund	3,723
Balance, December 31, 2012	\$ 2,730

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

Balance, December 31, 2011	\$ 528
Increased by:	
Other Trust Fund Fees Received in Assessment Trust Fund	24
	552
Decreased by:	
Payment made to Other Trust	528
Balance, December 31, 2012	\$ 24

EXHIBIT B-6

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

Balance, December 31, 2011	\$ 3,376
Increased by:	
Dog License Fees Collected	1,204
	4,580
Decreased by:	
Cash Disbursements	\$ 405
Statutory Excess Due Current Fund	1,283
	1,688
Balance, December 31, 2012	\$ 2,892

EXHIBIT B-7

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

Balance, December 31, 2011	\$ 15
Increased by;	
Dog License Registration Fees Collected	281
	296
Decreased by:	
Payments	270
Balance, December 31, 2012	\$ 26

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

Balance, December 31, 2011		\$	1,116
Increased by:			
Interest Earnings Due to Current Fund		\$	13
Statutory Excess in Reserve for Animal Control Expenditures			<u>1,283</u>
			<u>1,296</u>
			2,412
Decreased by:			
Payments to Current Fund			<u>14</u>
Balance, December 31, 2012		\$	<u>2,398</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2011		\$	541,271
Increased by:			
Cash Receipts			<u>63,219</u>
			604,490
Decreased by:			
Disbursements			<u>60,961</u>
Balance, December 31, 2012		\$	<u>543,529</u>

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

Balance, December 31, 2011		\$	68,184
Increased by:			
2012 Budget Appropriation - Unemployment Compensation Insurance	\$		14,000
2011 Appropriation Reserves - Accumulated Absences Reserve			40,323
Payments to Current Fund			69,538
			123,861
			192,045
Decreased by:			
Trust Fund Disbursements Made by Current Fund		740	
Receipts from Current Fund		137,192	
Interest on Investments		1,090	
			139,022
Balance, December 31, 2012		\$	53,023

Analysis of Balance

Unemployment Account (Due from)		\$	14,000
Escrow Account (Due to)			(1,300)
Net Payroll Account (Due From)			40,323
			\$ 53,023

EXHIBIT B-11

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

Balance, December 31, 2011		\$	450
Decreased by:			
Payments made to General Capital		\$	450

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

Balance, December 31, 2011		\$ 72,000
Increased by:		
Cash Receipts		<u>35,800</u>
		107,800
Decreased by:		
Payments		<u>44,500</u>
Balance, December 31, 2012		<u>\$ 63,300</u>

EXHIBIT B-13

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

Balance, December 31, 2011		\$ 5,395
Increased by:		
Net Pay	\$ 4,696,803	
Payroll Deductions	<u>2,975,976</u>	
		<u>7,672,779</u>
		7,678,174
Decreased by:		
Payroll Disbursements		<u>7,665,613</u>
Balance, December 31, 2012		<u>\$ 12,561</u>

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

Balance, December 31, 2011		\$ 115,803
Increased by:		
Budget Appropriation - Due from Current Fund	\$ 14,000	
Budget Appropriation - Due from Water Utility Operating Fund	3,500	
Budget Appropriation - Due from Swim Pool Utility Operating Fund	<u>100</u>	
	\$ 17,600	
Interest on Deposits		<u>131</u>
		<u>17,731</u>
		133,534
Decreased by:		
Unemployment Claims Due to State		<u>15,483</u>
Balance, December 31, 2012		<u>\$ 118,051</u>

EXHIBIT B-15

STATEMENT OF DUE TO STATE - UNEMPLOYMENT CLAIMS
OTHER TRUST FUND

Balance, December 31, 2011		\$ 201
Increased by:		
Unemployment Claims		<u>15,483</u>
		15,684
Decreased by:		
Payments to State		<u>15,058</u>
Balance, December 31, 2012		<u>\$ 626</u>

BOROUGH OF TOTOWA
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>
Reserve for Recycling	\$ 111,174	\$ 41,677	\$ 33,554	\$ 119,297
Reserve for Centennial Club	22,805			22,805
Reserve for Senior Citizen Donations	529	1,250	1,250	529
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	52,744	5,570	1,507	56,807
Reserve for Recreation	58,860	52,719	75,246	36,333
Reserve for Polling Place	146			146
Reserve for Affordable Housing	759,133	3,050		762,183
Reserve for Police Outside Duty	41,451	151,820	150,620	42,651
Reserve for Accumulated Absence Liability	282,781	40,323	39,278	283,826
Reserve for O/S Lien Holders		100,358	100,338	20
Reserve for Hickory Hill II Deposit		1,087	895	192
Reserve for POAA	2,066	272	645	1,693
	<u>\$ 1,332,631</u>	<u>\$ 398,126</u>	<u>\$ 403,333</u>	<u>\$ 1,327,424</u>
Interest on Investments		\$ 3,050		
Cash Receipts		354,729		
Due from Current Fund - 2011 Appropriation Reserves		40,323		
Due from Assessment Trust Fund		24		
Cash Disbursements			\$ 363,316	
Due to Current Fund			740	
Due to Water Utility Operating Fund		-	39,277	
		<u>\$ 398,126</u>	<u>\$ 403,333</u>	

GENERAL CAPITAL FUND

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

Balance, December 31, 2011		\$ 25,455
Increased by:		
Interest Earnings	\$ 252	
Grant Receipts	237,973	
Receipts from Assessment Trust Fund	30,000	
Receipts from Other Trust	<u>450</u>	
		<u>268,675</u>
		294,130
Decreased by:		
Improvement Authorizations	218,203	
Contracts Payable	<u>44,490</u>	
		<u>262,693</u>
Balance, December 31, 2012		<u>\$ 31,437</u>

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

	Balance, December 31, <u>2012</u>
Fund Balance	\$ 15,804
Capital Improvement Fund	166,000
Contracts Payable	348,520
Due to Current Fund	1,251,828
Due from Assessment Trust Fund	(67,336)
Due From Water Utility Capital Fund	(507,022)
Grants Receivable	(726,235)
Reserve for Sewer Connection Charges	8,000
Reserve for Capital Improvements	3,844

Improvement Authorizations:

<u>Ordinance Number</u>	<u>Description</u>	
08-04	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase I	34,878
14-05	Various Road Improvements	8,294
14-06	Union Boulevard Beautification Program	61,933
03-07	Acquisition of New Fire Truck	6,730
15-08	Tree Planting Program	181,698
7-09	Reconstruction of West End Road	28,656
02-10	Union Boulevard Streetscape Improvements	(403,740)
03-10	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase II	(640,493)
04-10	Improvements to Minnisink Field	27
05-10	Acquisition of Street Sweeper	10,758
11-10	Sanitary Line at Lincoln Ave	23,900
06-11	Acquisition of a Filtration System for the Municipal Swimming Pool	4,123
08-12	Various Sanitary Sewer, Storm Sewer, and Road Improvements	221,011
12-12	Replacement of 24" Sanitary Sewer Force Main(Phase III)	259
		<u>\$ 31,437</u>

**BOROUGH OF TOTOWA
STATEMENT OF GRANT RECEIVABLE**

Ord. No.	Agency	Balance, December 31, 2011	Grant Award	Cash Receipts	Balance, December 31, 2012	Balance, Pledged to Improvement Authorization	Reserve for Grants Receivable
14-06	Union Boulevard Beautification	\$ 76,036			\$ 76,036	\$ 76,036	
15-08	Tree Planting Program	228,900			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	429,178			429,178		\$ 429,178
04-10	Passaic County O.S. Minnisink Field	238,000		\$ 237,973	27	27	
08-12	Community Development Block Grant	-	\$ 208,250		208,250	208,250	
08-12	Dept. of Transportation Grant	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
		<u>\$ 1,010,136</u>	<u>\$ 383,250</u>	<u>\$ 237,973</u>	<u>\$ 1,155,413</u>	<u>\$ 726,235</u>	<u>\$ 429,178</u>

EXHIBIT C-5

STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2011	\$ 1,017,444
Increased by:	
Interest Earnings	\$ 252
General Capital Expenditures paid by Current Fund - Contracts Payable	<u>437,132</u>
	437,384
	1,454,828
Decreased by:	
2012 Budget Appropriation - Capital Improvement Fund	125,000
2012 Budget Appropriation - Ord. 08-12 Sanitary Sewer, Storm and Road Improvements	<u>78,000</u>
	<u>203,000</u>
Balance, December 31, 2012	<u>\$ 1,251,828</u>

EXHIBIT C-6

STATEMENT OF DUE FROM ASSESSMENT TRUST FUND

Balance, December 31, 2011	\$ 97,336
Decreased by:	
Cash Receipts from Assessment Trust	<u>30,000</u>
Balance, December 31, 2012	<u>\$ 67,336</u>

BOROUGH OF TOTOWA
STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2011</u>
03-2010	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	<u>\$ 47,000</u>	<u>\$ 47,000</u>

EXHIBIT C-8

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2011	\$ 39,365
Decreased by:	
Budget Appropriation to Pay Loans	<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>2011</u>	Balance, December 31, <u>2012</u>	<u>Expenditures</u>	Analysis of Balance <u>December 31, 2012</u> Unexpended Improvement <u>Authorizations</u>
	<u>General Improvements</u>				
02-10	Union Blvd. Streetscape Improvements Phase I & II - NJ DOT	\$ 669,178	\$ 669,178	\$ 403,740	\$ 265,438
	<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>640,493</u>	<u>282,507</u>
		<u>\$ 1,728,842</u>	<u>\$ 1,728,842</u>	<u>\$ 1,044,233</u>	<u>\$ 684,609</u>

**BOROUGH OF TOTOWA
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2011		\$ 534,908
Increased by:		
Charged to Improvement Authorizations		<u>348,520</u>
		883,428
Decreased by:		
Canceled Contracts Restored to Improvement Authorizations	\$ 53,286	
Cash Disbursements		44,490
Payments Made by Current Fund	<u>437,132</u>	
		<u>534,908</u>
Balance, December 31, 2012		<u>\$ 348,520</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2011		\$ 41,000
Increased by:		
2012 Budget Appropriation Due from Current Fund		<u>125,000</u>
Balance, December 31, 2012		<u>\$ 166,000</u>

STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES

Balance, December 31, 2011		<u>\$ 8,000</u>
Balance, December 31, 2012		<u>\$ 8,000</u>

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

Balance, December 31, 2011	\$ <u>3,844</u>
Balance, December 31, 2012	\$ <u>3,844</u>

STATEMENT OF RESERVE FOR LAND SALE PROCEEDS

Balance, December 31, 2011	\$ 175,571
Decreased by:	
Appropriation to Finance Improvement Authorizations	\$ <u>175,571</u>

**BOROUGH OF TOTOWA
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		Authorizations		Reserve for Land Sale Proceeds	Grant Awards	Contracts Payable Cancelled	Paid or Charged	Balance, December 31, 2012	
			Funded	Unfunded	Current Fund Budget Appropriation	Capital Fund Balance					Funded	Unfunded
	<u>General Improvements</u>	\$ 495,000										
14-05	Various Road Improvements	400,000	\$ 61,933							\$ 8,294	\$ 8,294	
14-06	Union Boulevard Beautification Program	425,000								61,933	61,933	
03-07	Acquisition of New Fire Truck	349,500	218,427							6,730	6,730	
15-08	Tree Planting Program	220,000	28,656							\$ 36,729	181,698	
7-09	Reconstruction of West End Road	840,000		\$ 266,509						28,656	28,656	
02-10	Union Blvd. Streetscape Improvements	238,000	5,970							1,071	27	\$ 265,438
04-10	Improvements to Minniskink field	210,000	10,758							5,943	10,758	
05-10	Acquisition of Street Sweeper	250,000	23,900							23,900	23,900	
11-10	Sanitary Line at Lincoln Ave.	30,000	4,123							4,123	4,123	
06-11	Acquisition of a Filtration System for the Municipal Swimming Pool	568,250								347,239	221,011	
08-12	Various Sanitary Sewer, Storm Sewer and Road Improvements	176,000								175,741	259	
12-12	Replacement of 24" Sanitary Sewer Force Main(Phase III)											
	<u>Local Improvements</u>											
	Replacements of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	488,000	34,878	136,664							34,878	136,664
08-04	Replacements of Sidewalks, Curbs and Aprons-Union Blvd.	970,000		244,245								282,507
03-10												
			\$ 388,645	\$ 647,418	\$ 107,429	\$ 78,000	\$ 175,571	\$ 383,250	\$ 53,286	\$ 566,723	\$ 582,267	\$ 684,609
	Due from Current Fund				\$ 78,000							
	Cash Disbursements				\$ 78,000					\$ 218,203		
	Contracts Payable									348,520		
										\$ 566,723		

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

Ord. No.	Purpose	Balance, December 31, 2011	Funded by Assessments Collected	Balance, December 31, 2012	
				Capital Fund	Trust Fund
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	\$ 210,842	\$ 16,081	\$ 136,664	\$ 58,097
02-10	Union Blvd. Streetscape Improvements Phase I & II - NJDOT	669,178		669,178	
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	<u>923,000</u>	<u>-</u>	<u>923,000</u>	<u>-</u>
		<u>\$ 1,803,020</u>	<u>\$ 16,081</u>	<u>\$ 1,728,842</u>	<u>\$ 58,097</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, 2011	\$ 327,236	\$ 313	\$ 784
Increased by Receipts:			
Collector	\$ 2,901,095		
Interest Earned	<u>1,460</u>	<u>2</u>	
	<u>2,902,555</u>	<u>-</u>	<u>2</u>
Decreased by Disbursements:			
2012 Budget Appropriations	2,381,743		
2011 Appropriation Reserves	13,194		
Encumbrances Payable	103,269		
Interest on Bonds	12,237		
Payments Made to Current Fund	269,623		
Payments Made to Other Trust Fund	3,500		
Payments Made for Other Trust Fund	39,277		
Payments Made for Water Utility Capital Fund	<u>2,310</u>	<u>-</u>	<u>-</u>
	<u>2,825,153</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 404,638</u>	<u>\$ 313</u>	<u>\$ 786</u>

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

Received in 2012		
Consumer Accounts Receivable	\$ 2,850,278	
Water Lien Receipts	478	
Interest on Delinquent Accounts	49,434	
Overpayments	905	
		<u>\$ 2,901,095</u>
Decreased by:		
Payment to Treasurer		<u>\$ 2,901,095</u>

EXHIBIT D-8

**ANALYSIS OF CASH
WATER UTILITY ASSESSMENT FUND**

		Balance, December 31, <u>2012</u>
Fund Balance		<u>\$ 313</u>

EXHIBIT D-9

**ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

		Balance, December 31, <u>2012</u>
Fund Balance		\$ 1,961
Capital Improvement Fund		102,108
Due to General Capital Fund		507,022
Due to Water Utility Operating Fund		139,720
Due to Other Trust Fund		16,633
Reserve for Water Tower Fees		13,035
Contracts Payable		3,884

Improvement Authorizations:

<u>Ord. No.</u>	<u>Description</u>	
12-01	Construction of Water Line @ Totowa Village	<u>(783,577)</u>
		<u>\$ 786</u>

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

Balance, December 31, 2011		\$ 434,821
Increased by:		
Water Rents Levied		<u>2,941,132</u>
Decreased by:		3,375,953
Collections:		
Water Rents	\$ 2,537,910	
Miscellaneous Fees	<u>312,368</u>	
	\$ 2,850,278	
Overpayments Applied - Water Rents		<u>1,697</u>
		<u>2,851,975</u>
Balance, December 31, 2012		<u>\$ 523,978</u>

EXHIBIT D-11

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

Balance, December 31, 2011		\$ 478
Decreased by:		
Cash Receipts		<u>\$ 478</u>

EXHIBIT D-12

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

Balance, December 31, 2011		\$ 155,595
Increased by:		
Water Utility Operating Fund Expenditures Paid by Current Fund		<u>185,687</u>
		341,282
Decreased by:		
Payments to Current Fund		<u>269,623</u>
Balance, December 31, 2012		<u>\$ 71,659</u>

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

	Balance, December 31, <u>2011</u>	Additions		Balance, December 31, <u>2012</u>
		<u>Budget Capital Outlay</u>	<u>Ordinance</u>	
Distribution Mains, Lines and Accessories	\$ 1,985,349			\$ 1,985,349
Pump Stations	891,433		\$ 2,310	893,743
Water Tanks and Towers	933,756			933,756
Vehicles and Heavy Equipment	61,108			61,108
Billing and Accounting Systems	31,011			31,011
Telemetry Machine	9,000			9,000
Water Meters	<u>160,301</u>	\$ <u>12,974</u>	<u>-</u>	<u>173,275</u>
	<u>\$ 4,071,958</u>	\$ <u>12,974</u>	\$ <u>2,310</u>	<u>\$ 4,087,242</u>

EXHIBIT D-14

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

Ord. No.	<u>Improvement Description</u>	Balance	Costs to	Balance,
		December 31, <u>2011</u>	Fixed Capital	December 31, <u>2012</u>
02-08	Acquisition of Pump for Shepherds Lane	\$ <u>2,310</u>	\$ <u>2,310</u>	\$ <u>-</u>
		\$ <u>2,310</u>	\$ <u>2,310</u>	\$ <u>-</u>

EXHIBIT D-15

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

Balance, December 31, 2011		\$ 262,408
Increased by:		
Interest on Investments	\$ 2	
Payments Made by Water Operating Fund - Improvement Authorizations	<u>2,310</u>	
		<u>2,312</u>
		264,720
Decreased by:		
2012 Budget Appropriation		
Cost of Improvements	50,000	
Capital Improvement Fund	<u>75,000</u>	
		<u>125,000</u>
Balance, December 31, 2012		<u>\$ 139,720</u>

**BOROUGH OF TOTOWA
STATEMENT OF 2011 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, December 31, <u>2011</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Salaries and Wages	\$ 2,888	\$ 2,888		\$ 2,888
Other Expenses	<u>88,640</u>	<u>88,640</u>	\$ 11,130	<u>77,510</u>
	<u>91,528</u>	<u>91,528</u>	<u>11,130</u>	<u>80,398</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>2,064</u>	<u>2,064</u>	<u>2,064</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to Social Security System (O.A.S.I)	<u>4</u>	<u>4</u>	<u>-</u>	<u>4</u>
	<u>\$ 93,596</u>	<u>\$ 93,596</u>	<u>\$ 13,194</u>	<u>\$ 80,402</u>

EXHIBIT D-17

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

Balance, December 31, 2011	\$ <u>507,022</u>
Balance, December 31, 2012	\$ <u>507,022</u>

EXHIBIT D-18

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

Balance, December 31, 2011	\$ 103,355
Increased by:	
Charges to 2012 Budget Appropriations	<u>169,319</u>
	272,674
Decreased by:	
Transferred to Accounts Payable	\$ 86
Cash Disbursements	<u>103,269</u>
	<u>103,355</u>
Balance, December 31, 2012	\$ <u>169,319</u>

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

Balance, December 31, 2011	\$	639
Increased by:		
Budget Appropriation for Interest on Bonds		11,979
		12,618
Decreased by:		
Interest Paid		12,237
Balance, December 31, 2012	\$	381

EXHIBIT D-20

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

Balance, December 31, 2011	\$	1,697
Increased by:		
Overpayments Received in 2012 Rents		905
		2,602
Decreased by:		
Overpayments Applied to 2012 Rents		1,697
Balance, December 31, 2012	\$	905

EXHIBIT D-21

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

Balance, December 31, 2011	\$	798
Increased by:		
Transfer from Encumbrances Payable		86
Balance, December 31, 2012	\$	884

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

Balance, December 31, 2011 (Due to)		\$ 3,500
Increased by:		
2012 Budget Appropriation - Unemployment Compensation Insurance		<u>3,500</u>
		7,000
Decreased by:		
Payments Made for Other Trust Fund	\$ 39,277	
Payments to Other Trust Fund	<u>3,500</u>	
		<u>42,777</u>
Balance, December 31, 2012 (Due from)		<u>\$ 35,777</u>

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

Balance, December 31, 2011		<u>\$ 16,633</u>
Balance, December 31, 2012		<u>\$ 16,633</u>

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

Balance, December 31, 2011		<u>\$ 3,884</u>
Balance, December 31, 2012		<u>\$ 3,884</u>

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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		Paid or Charged	Balance, December 31, 2012	
			Funded	Unfunded		Funded	Unfunded
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>	<u>\$ -</u>
					Due to Water Operating Fund	<u>\$ 2,310</u>	

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

Balance, December 31, 2011	\$ 27,108
Increased by:	
2012 Budget Appropriation Due from Water Operating Fund	75,000
Balance, December 31, 2012	\$ 102,108

EXHIBIT D-27

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

Balance, December 31, 2011	\$ 2,776,381
Increased by:	
Serial Bonds Paid by Operating Budget	\$ 203,000
Transfer from Deferred Reserve for Amortization	2,310
2012 Budget Appropriation - Cost of Improvements	50,000
Capital Outlay	
2012 Operating Budget	\$ 10,910
2011 Operating Budget	2,064
	12,974
	268,284
Balance, December 31, 2012	\$ 3,044,665

EXHIBIT D-28

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

Ord. No.	<u>Improvement Description</u>	Balance December 31, 2011	To Reserve for Amortization Fixed Capital	Balance, December 31, 2012
02-08	Acquisition of Pump for Shepherds Lane	\$ 2,310	\$ 2,310	\$ -
		\$ 2,310	\$ 2,310	\$ -

EXHIBIT D-29

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

Balance, December 31, 2011	\$ 13,035
Balance, December 31, 2012	\$ 13,035

**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</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Balance, December 31, 2012</u>
			<u>Bonds Outstanding December 31, 2012</u>	<u>Decreased</u>			
Water Utility Bonds	6/15/1994	\$ 700,000	6/15/2013	\$ 50,000	5.40%	\$ 144,000	\$ 99,000
			6/15/2014	49,000			
Water Utility Bonds	6/15/2003	1,203,000	6/15/2013	160,000	2.375%	318,000	160,000
						\$ 462,000	\$ 259,000
							\$ 203,000
							<u>\$ 203,000</u>
							<u>Paid by Budget Appropriation</u>
							<u>\$ 203,000</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>2011</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2012</u>
12-01	Construction of Water Line @ Totowa Villages	\$ 833,577	\$ 50,000	\$ 783,577
		<u>\$ 833,577</u>	<u>\$ 50,000</u>	<u>\$ 783,577</u>

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SWIM POOL UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2011	\$ 125	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 40,162	
Deficit (General Budget)	80,813	
Cash Receipts from Current Fund	10,260	
Non-Budget Revenues	163	
	<u>131,398</u>	<u>-</u>
	131,523	192
Decreased by Disbursements:		
2012 Budget Appropriations	83,976	
Appropriation Reserves	675	
Encumbrances Payable	537	
Payments to Other Trust	100	
	<u>85,288</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 46,235</u>	<u>\$ 192</u>

EXHIBIT E-6

ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH

	Balance, December 31, <u>2012</u>
Fund Balance	<u>\$ 192</u>

EXHIBIT E-7

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

	Balance December 31, <u>2011</u>	Added in <u>2012</u>	Raised in 2012 <u>Budget</u>	Balance, December 31, <u>2012</u>
Operating Deficit	<u>\$ 213</u>	<u>\$ 4,175</u>	<u>\$ 213</u>	<u>\$ 4,175</u>

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

<u>Description</u>	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</u>
Improvement of Municipal Swimming Pool	\$ 119,745	\$ 119,745
Installation of Various Improvements on the Site of Existing Swimming Pool	<u>119,627</u>	<u>119,627</u>
	<u>\$ 239,372</u>	<u>\$ 239,372</u>

**STATEMENT OF 2011 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2011</u>	Balance After <u>Transfer</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 12,540	\$ 12,540		\$ 12,540
Other Expenses	6,837	6,837	\$ 675	6,162
CAPITAL IMPROVEMENTS				
Capital Outlay	3,538	3,538		3,538
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Contribution to Social Security System (O.A.S.I.)	<u>2,548</u>	<u>2,548</u>	-	<u>2,548</u>
	<u>\$ 25,463</u>	<u>\$ 25,463</u>	<u>\$ 675</u>	<u>\$ 24,788</u>
		Due to Current Fund		<u>\$ 24,788</u>

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

Balance, December 31, 2011 (Due from)	\$ 27,261
Decreased by:	
Cash Receipts from Current Fund	\$ 10,260
2011 Appropriation Reserves Cancelled - Prior Year Deficit Funding Returned	<u>24,788</u>
	<u>35,048</u>
Balance, December 31, 2012 (Due to)	<u>\$ 7,787</u>

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

Balance, December 31, 2011	\$ 100
Increased by:	
2012 Budget Appropriation - Unemployment Compensation Insurance	<u>100</u>
	200
Decreased by:	
Cash Disbursements	<u>100</u>
Balance, December 31, 2012	<u>\$ 100</u>

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

Balance, December 31, 2011	\$ 537
Increased by:	
Charges to 2012 Budget Appropriations	420
	957
Decreased by:	
Cash Disbursements	537
Balance, December 31, 2012	\$ 420

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

Balance, December 31, 2011	\$ <u>890</u>
Balance, December 31, 2012	\$ <u>890</u>

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

Balance, December 31, 2011	\$ <u>239,372</u>
Balance, December 31, 2012	\$ <u>239,372</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, 2011	\$ 61,768	\$ 470	\$ 61,298
Increased by:			
State Aid	29,600		29,600
Interest	101		101
Intra-Fund Transfers	<u>6,861</u>	<u>6,861</u>	<u>-</u>
	<u>36,562</u>	<u>6,861</u>	<u>29,701</u>
	<u>98,330</u>	<u>7,331</u>	<u>90,999</u>
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	51,351		51,351
Intra-Fund Transfers	<u>6,861</u>	<u>-</u>	<u>6,861</u>
	<u>58,212</u>	<u>-</u>	<u>58,212</u>
Balance, December 31, 2012	<u>\$ 40,118</u>	<u>\$ 7,331</u>	<u>\$ 32,787</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, 2011	\$ 61,768	\$ 7,331	\$ 54,437
Increased by:			
Revenues	<u>29,701</u>	<u>-</u>	<u>29,701</u>
	91,469	7,331	84,138
Decreased by:			
Expenditures	<u>51,351</u>	<u>-</u>	<u>51,351</u>
Balance, December 31, 2012	<u>\$ 40,118</u>	<u>\$ 7,331</u>	<u>\$ 32,787</u>

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 29,600		\$ 29,600
Interest	<u>101</u>	<u>-</u>	<u>101</u>
Total Revenues	29,701	-	29,701
Intra-Fund Transfers	<u>6,861</u>	<u>\$ 6,861</u>	<u>-</u>
Total Receipts	<u>\$ 36,562</u>	<u>\$ 6,861</u>	<u>\$ 29,701</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	\$ 19,397		\$ 19,397
Temporary Rental Assistance	31,204		31,204
Emergency Assistance - Rent	<u>750</u>	<u>-</u>	<u>750</u>
 Total Expenditures	 51,351	 -	 51,351
Intra-Fund Transfers	<u>6,861</u>	<u>-</u>	<u>6,861</u>
 Total Disbursements	 <u>\$ 58,212</u>	 <u>\$ -</u>	 <u>\$ 58,212</u>

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BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2012

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

Management of the Borough of Totowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Borough of Totowa's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Totowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Totowa's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Totowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2012-1.

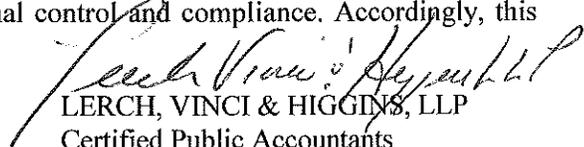
We also noted certain matters that we reported to management of the Borough of Totowa in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

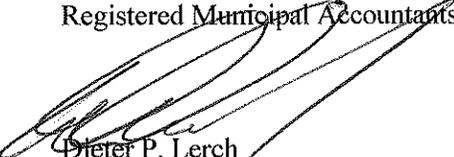
Borough of Totowa's Responses to Findings

The Borough of Totowa's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Totowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Totowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Totowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

**BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Program	State Account Number	CFDA Number	Award Amount	2012 Grant Receipts	Balance January 1, 2012	Revenue Realized	Expended	Adjustment/ (Cancelled)	Balance December 31, 2012	Cumulative Expended
Dept. of Transportation (Passed through the State Department of Transportation)										
Highway Planning and Construction		20.205			\$ 8,656				\$ 8,656	\$ 191,344
West End Rd. Ord. 7-09	78-6320-480-6010		\$ 200,000		\$ 8,656				\$ 8,656	\$ 191,344
Union Blvd. Streetscape Phase I Ord. 2-10	78-6320-480-FBD		200,000		55,000				55,000	145,000
Union Blvd. Streetscape Phase II Ord. 2-10	78-6320-480-FBD		400,000		38,905				38,905	361,095
Lincoln Ave Improvements Ord. 8-2012	78-6320-ALC-6010		175,000			\$ 175,000			175,000	-
Grant Avenue - Section II	78-6320-480-AKN-2010		175,000	\$ 82,855	33,067				33,067	141,933
Community Development Block Grant (Passed through the County of Bergen)										
Sewer Main Improvements Ord. 8-2012		14.218	208,250			208,250	\$ 67,081		141,169	67,081
Department of Homeland Security										
FEMA										
Assistance to Firefighters		97.044	87,566		87,566				87,566	
Homeland Security Grant Program (Pass. Through State Department of Law and Public Safety)										
Securing the Cities		97.106	591	591						
Disaster Grants - Public Assistance (Pass. Through State Department of Law and Public Safety)										
Hurricane Irene 8/26/11	66-1200-100-A70-12/13	97.036	191,643	191,643		191,643	191,643			191,643
Severe Snowstorm 10/29/11	66-1200-100-A77-13		33,358	33,357		33,357	33,357			33,357
					\$ 223,194	\$ 608,250	\$ 292,081	\$ -	\$ 539,363	

Note: This schedule is not subject to a Single Audit in accordance with OMB Circular A-133.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

State Grant Program	Account Number	Grant Year	Grant Award	2012 Grant Receipts	Balance, January 1, 2012	Revenue Realized	Expended	Program Income	Balance, December 31, 2012	Cumulative Expended
Drug and Alcohol Municipal Alliance	N/A	2012	\$ 25,163	\$ 12,521	\$ 3,009	\$ 25,163	\$ 15,231		\$ 9,932	\$ 15,231
		2011	25,163		492		751		2,258	22,905
		2010	27,200						492	26,708
Clean Communities Grant Program	42-4900-765-004	2012	15,037	15,037		15,209			-	-
		2011	15,209						15,209	-
		2010	15,392		15,392				15,392	-
		2009	14,782		14,782				14,782	-
		2008	11,531		11,531				11,531	-
		2007	11,025		11,025		3,959		7,066	3,959
		2006	10,557		6,983		6,983		-	10,557
Drunk Driving Enforcement Fund	1110-448-031020-22	2003	647		647				647	
		2000	1,429		81				81	1,348
		1998	4,399		660				660	3,739
		1997	2,926		750				750	2,176
		1996	4,019		997				997	3,022
Alcohol Education and Rehabilitation	16-9735-760-001	2012	2,051	2,051		2,265			-	1,488
		2011	2,265				1,488		777	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	2012	60,000	57,450		60,000	60,000		-	60,000
		2011	2,550			2,550	2,550		-	2,550
Department of Health and Senior Services H1N1 Influenza Vaccine Planning Grant	N/A	2010	20,502		7,719				7,719	12,783

**BOROUGH OF TOTOWA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2012 Grant Receipts</u>	<u>Balance, January 1, 2012</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expended</u>
Body Armour Replacement Fund	66-1020-718-001	2012	\$ 2,865	\$ 2,865		\$ 2,800			\$ 2,800	
		2011	2,800						1,188	
		2010	1,188	\$ 1,188					2,625	
		2009	2,625	2,625					1,153	\$ 1,741
		2007	2,894	1,153					573	1,962
		2005	2,535	1,756			\$ 1,183			
Highway Safety Fund - Safe Corridors	078-6100-100-051-12	2012	8,995	8,995		8,995			8,995	-
Recycling Tonnage Grant	42-4900-752-001	2012	17,455	17,455					-	
		2012	4,738	4,738		4,738			4,738	
		2011	9,503	9,503		9,503			5,394	4,109
		2009	15,299	15,299	15,299				-	15,299
Stormwater Grant	WQ05-475	2006	8,468		8,128		6,912		1,216	7,252
Net Loss Reforestation Grant (Ord. 15-08)	4870-100-074-042	2008	349,500		218,427		36,729		181,698	167,802
Department of Human Services General Assistance	54-7550-100-121	2011	29,600		54,437	29,600	51,351	\$ 101	32,787	51,351
					\$ 378,528	\$ 160,823	\$ 207,992	\$ 101	\$ 331,460	

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

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**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, 2012**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Totowa. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 225,000	\$ 131,223	\$ 356,223
General Capital Fund	383,250		383,250
Public Assistance Fund	<u>-</u>	<u>29,600</u>	<u>29,600</u>
Total Financial Awards	<u>\$ 608,250</u>	<u>\$ 160,823</u>	<u>\$ 769,073</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
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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)? X yes none reported

Noncompliance material to the financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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*.

Finding 2012-1 – Our audit of encumbrances payable revealed the following:

- a) Certain unrecorded liabilities were noted in the Current Fund, General Capital Fund and Water Utility Operating Fund.
- b) Numerous open purchase orders at year end for contract balances that appear to be invalid in the General Capital Fund.

Criteria or Specific Requirement – Division of Local Government Services Technical Accounting Directive 85-1 (N.J.A.C. 5:30-5.2)

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

Context – The fourth quarter 2011 general liability insurance premium, two construction projects and water purchase in the amounts of \$104,000, \$305,769 and \$110,612, respectively, were not encumbered at year end. In addition, purchase orders in the amount of \$104,424 remained open for contract balances which were deemed completed.

Effect – General ledger, appropriations and improvement authorization account balances were not adjusted to accurately reflect amounts due and balances available at year end.

Cause – Purchase orders were not encumbered for liabilities incurred prior to year end in the various funds. In addition, purchase orders were not reviewed at year end to ensure that only valid contract balances are encumbered in the General Capital Fund.

Recommendation – Internal controls over the encumbrance accounting system be enhanced to ensure that purchase orders are issued when expenditures are incurred or contracts are awarded in the Current, General Capital and Water Operating Funds. In addition, open purchase order amounts be reviewed and cancelled if deemed completed in the General Capital Fund.

Response – Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**BOROUGH OF TOTOWA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012**

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

There were none.

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BOROUGH OF TOTOWA
PASSAIC COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,828,000	3.36 %	\$ 1,849,700	3.47 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,580,759	6.59	4,104,849	7.71
Collection of Delinquent Taxes	523,575	0.96	652,501	1.23
Collection of Current Tax Levy	48,053,226	88.39	45,677,712	85.79
Other Credits to Income	<u>378,192</u>	<u>0.70</u>	<u>957,602</u>	<u>1.80</u>
Total Income	<u>54,363,752</u>	<u>100.00 %</u>	<u>53,242,364</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	14,863,736	28.18 %	15,125,851	29.31 %
County Taxes	14,778,091	28.01	13,874,532	26.88
Local and Regional School Taxes	22,945,447	43.50	22,278,003	43.16
Other Expenditures	<u>166,340</u>	<u>0.32</u>	<u>333,003</u>	<u>0.65</u>
Total Expenditures	<u>52,753,614</u>	<u>100.00 %</u>	<u>51,611,389</u>	<u>100.00 %</u>
Excess in Revenue	<u>1,610,138</u>		<u>1,630,975</u>	
Adjustment to Income before Fund Balance:				
Expenditures included above which are by Statute				
Deferred Charges to Budget of Succeeding year	<u>-</u>		<u>359,000</u>	
Statutory Excess to Fund Balance	1,610,138		1,989,975	
Fund Balance, January 1	<u>2,686,299</u>		<u>2,546,024</u>	
	4,296,437		4,535,999	
Less Utilization as Anticipated Revenue	<u>1,828,000</u>		<u>1,849,700</u>	
Fund Balance, December 31	<u>\$ 2,468,437</u>		<u>\$ 2,686,299</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 180,000	5.69 %	\$ 150,000	5.24 %
Collection of Water Rents	2,540,085	80.29	2,328,945	81.40
Miscellaneous - From Other Than Water Rents	363,264	11.48	297,817	10.41
Other Credits to Income	<u>80,402</u>	<u>2.54</u>	<u>84,300</u>	<u>2.95</u>
Total Income	<u>3,163,751</u>	<u>100.00 %</u>	<u>2,861,062</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	2,434,201	82.57 %	2,396,672	84.95 %
Capital Improvements	101,000	3.43	20,000	0.71
Debt Service	214,979	7.29	213,076	7.55
Deferred Charges and Statutory Expenditures	<u>197,900</u>	<u>6.71</u>	<u>191,646</u>	<u>6.79</u>
Total Expenditures	<u>2,948,080</u>	<u>100.00 %</u>	<u>2,821,394</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	215,671		39,668	
Fund Balance, January 1	<u>230,464</u>		<u>340,796</u>	
	446,135		380,464	
Less Utilization as Anticipated Revenue	<u>180,000</u>		<u>150,000</u>	
Fund Balance, December 31	<u>\$ 266,135</u>		<u>\$ 230,464</u>	

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Collection of Swimming Pool Fees	\$ 40,162	99.60 %	\$ 44,601	99.81 %
Miscellaneous	163	0.40	86	0.19
Other Credits to Income	-	-	-	-
	<u>40,325</u>	<u>100.00 %</u>	<u>44,687</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	93,500	74.61 %	91,440	84.11 %
Capital Improvements	27,000	21.55	5,000	4.60
Deferred Charges and Statutory Expenditures	<u>4,813</u>	<u>3.84</u>	<u>12,272</u>	<u>11.29</u>
	<u>125,313</u>	<u>100.00 %</u>	<u>108,712</u>	<u>100.00 %</u>
Deficit in Revenue	(84,988)		(64,025)	
Adjustments to Income Before Fund Balance				
Realized from General Budget for Anticipated Deficit	<u>80,813</u>		<u>63,812</u>	
Operating Deficit to be Raised in Budget of Succeeding Year	<u>\$ (4,175)</u>		<u>\$ (213)</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>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.060</u>	<u>\$1.965</u>	<u>\$1.708</u>
<u>Apportionment of Tax Rate</u>			
Municipal (1)	.441	.4286	.3910
Library	.033	.0347	
County	.611	.5660	.4962
County – Open Space	.010	.0103	.0097
Local District School	.566	.5532	.4876
Regional High School	.399	.3722	.3235

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

Assessed Valuation

2012	<u>\$2,378,332,462</u>	
2011		<u>\$2,407,532,421</u>
2010		<u>\$2,680,942,786</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>	Percentage of <u>Collection</u>
2012	\$ 49,018,166	\$ 48,053,226	98.03%
2011	47,327,305	46,677,712	98.63%
2010	45,974,066	44,765,116	97.37%

**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>
2012	\$ 731,342		\$ 731,342	1.49%
2011	527,264	\$ 3,703	530,967	1.12%
2010	663,357		663,357	1.44%

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>
2012	\$72,900
2011	72,900
2010	72,900

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2012	\$2,941,132	\$2,851,975	96.97%
2011	2,562,628	2,600,806	101.49%
2010	2,703,452	2,690,215	99.51%

*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	2012	\$2,468,437	\$1,800,000
	2011	2,686,299	1,828,000
	2010	2,546,024	1,849,700
	2009	3,247,843	1,873,000
	2008	3,962,899	1,826,000
Water Utility Fund	2012	266,135	200,000
	2011	230,464	180,000
	2010	340,796	150,000
	2009	111,047	30,000
	2008	235,047	124,000
Swim Pool Utility Operating Fund	2012	609	
	2011	609	
	2010	609	-
	2009	609	-
	2008	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		
Anthony Picarelli	Councilman		
Philip Puglise	Councilman		
John Waryas	Councilman		
Joseph Wassel	Borough Clerk	\$20,000	Travelers Casualty and Surety Co.
	Unconfirmed Assessment Search Officer		
	Certifying Agent - Retirement Systems		
Carol Potoczak	Deputy Water Registrar	10,000	Travelers Casualty and Surety Co.
James M. Ten Hoeve	Tax Collector	50,000	Travelers Casualty and Surety Co.
Elaine Reddin	Deputy Tax Collector	200,000	Travelers Casualty and Surety Co.
Lisa Nash	Treasurer/Temporary CFO	(a)	
Kathryn Wasilewski	Deputy Borough Clerk	(a)	
Jennifer Bernardo	Water Registrar	80,000	Travelers Casualty and Surety Co.
Curt T. Masklee	Tax Assessor	(a)	
Allan Burghardt	Construction Official,	(a)	
	Building Sub-Code Official	(a)	
Ernest Paese	Sewer Plant Superintendent	(a)	
Michael Baker	Plumbing Sub-Code Official	(a)	
Robert Corrado	Attorney		
John Clarke	Prosecutor (04/01/11-12/31/11)	(a)	
Ramsey Merhi	Public Defender		
Alaimo Engineering	Borough Engineer and Consulting Engineer		
Thomas Watkins	Treasurer of Library	10,000	Travelers Casualty and Surety Co.
Mario Batelli	Judge	(b)	Travelers Casualty and Surety Co.
Georgeann Gosnell	Court Administrator	(b)	Travelers Casualty and Surety Co.

**BOROUGH OF TOTOWA
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
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, 2012. It is recommended that continued efforts be made to clear all interfund balances of record.

Current Year Findings

Our audit of expenditures for Public Assistance revealed:

- a) Temporary rental assistance was paid for several clients for periods in excess of the maximum allowed under the General Assistance Program regulations.
- b) IRS Form 1099 was not issued to all landlords paid in excess of \$600 for the year.

It is recommended that public assistance expenditures for temporary rental assistance be in compliance with General Assistance Program requirements. In addition, IRS Form 1099 be issued to landlords as required.

Our audit revealed services for truck repairs, water pump repairs and the acquisition of water meters that in the aggregate were in excess of the bid threshold were not made in accordance with the requirements of the Local Public Contracts Law. It is recommended that the purchase of goods and services which in the aggregate exceed the bid threshold be awarded in accordance with the requirements of the Local Public Contracts Law.

Our audit of tickets issued in the Municipal Court revealed 197 tickets assigned, not issued which were in excess of six (6) months old. It is recommended that traffic tickets assigned, not issued over six months be recalled and reassigned by the Municipal Court.

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.

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

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

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

Purchase, Delivery and Planting of Trees	Storm Sewer Check Valve Project
Sanitary Sewer Main Rehabilitation Project	2012 Road Program

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, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes and water accounts:

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

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

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

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

First 30 Days of Payment	No Penalty
Thereafter the First \$1,000	8%
In Excess of \$1,000	18%

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

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

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 25, 2012.

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>
2012	0
2011	1
2010	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

- Confirmation of the assessment for the replacement of sidewalks, curbs and driveway aprons – Union Boulevard Phase II should be completed before year end.
- Land and building values and certain additions and deletions, for machinery and equipment from previous years should be recorded in the computerized fixed asset accounting records.

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

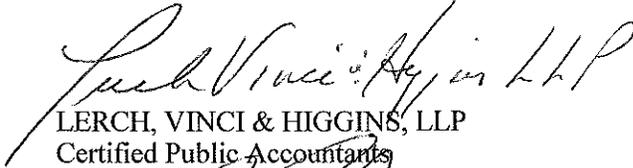
It is recommended that:

1. Internal controls over the encumbrance accounting system be enhanced to ensure that purchase orders are issued when expenditures are incurred or contracts are awarded in the Current, General Capital and Water Operating Funds. In addition, open purchase order amounts be reviewed and cancelled if deemed completed in the General Capital Fund.
- * 2. 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.
- * 3. Continued efforts be made to clear all interfund balances of record.
4. Public assistance expenditures for temporary rental assistance be in compliance with General Assistance Program requirements. In addition, IRS Form 1099 be issued to landlords as required.
5. The purchase of goods and services which in the aggregate exceed the bid threshold be awarded in accordance with the requirements of the Local Public Contracts Law.
6. Traffic tickets assigned, not issued over six months be recalled and reassigned by 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