

**BOROUGH OF TOTOWA**  
**PASSAIC COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2016**

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

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**YEAR ENDED DECEMBER 31, 2016**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Totowa, as of December 31, 2016 and 2015, 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, 2016, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Totowa as of December 31, 2016 and 2015, or changes in financial position, or, where applicable, cash flows for the years then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Totowa as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Totowa as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Totowa.

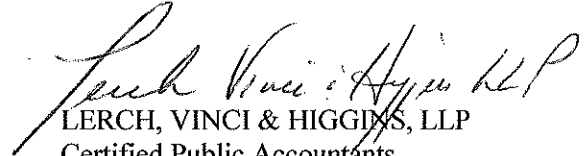
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare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

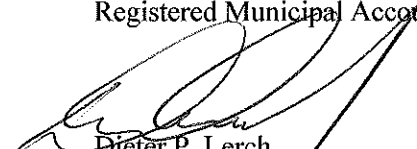
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2017 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  
April 24, 2017

**BOROUGH OF TOTOWA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

ASSETS	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash	A-4	\$ 16,173,263	\$ 14,249,545
Cash - Change Funds	A-6	720	520
Cash - Petty Cash Funds	A-7	150	150
Grants Receivable	A-13	<u>328,013</u>	<u>338,143</u>
		<u>16,502,146</u>	<u>14,588,358</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-9	757,878	1,106,878
Tax Title Liens	A-10	3,547	2,363
Property Acquired for Taxes	A-11	72,900	72,900
Revenue Accounts Receivable	A-12	58,315	65,201
Due from Assessment Trust Fund	B-4	8,805	11,930
Due from Animal Control Fund	B-7	1,196	712
Due from General Capital Fund	C-5	740,629	557,615
Due from Water Utility Operating Fund	D-10		150,518
Due from Swim Pool Utility Operating Fund	E-9		24,516
Due from Public Assistance Fund	F-2	<u>-</u>	<u>2</u>
		<u>1,643,270</u>	<u>1,992,635</u>
Deferred Charges			
Special Emergency Authorization	A-14	<u>-</u>	<u>22,400</u>
		<u>\$ 18,145,416</u>	<u>\$ 16,603,393</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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES, AND FUND BALANCE</b>			
Appropriation Reserves	A-3,A-15	\$ 874,015	\$ 838,459
Encumbrance Payable	A-16	287,655	350,951
Accounts Payable	A-17	179,393	183,244
Prepaid Taxes	A-18	542,980	391,454
Tax Overpayments	A-19	1,250	54,907
Sewer Rent Overpayments	A-20	7	
Prepaid Licenses	A-21	800	-
Fees Payable	A-22	17,090	12,964
County Taxes Payable-Added Taxes	A-24	17,353	4,186
Local District School Tax Payable	A-25	4,940,810	4,654,181
Regional High School Tax Payable	A-26	2,685,827	2,587,572
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-8	78,882	79,593
Due to Other Trust Fund	B-9	158,558	184,969
Due to Swim Pool Utility Operating Fund	E-9	101	
Reserve for Unappropriated Grants	A-27	29,800	27,662
Reserve for Appropriated Grants	A-28	355,734	114,635
Reserve for Tax Appeals Pending	A-29	2,956,267	2,392,089
Miscellaneous Reserves	A-30	<u>7,503</u>	<u>7,503</u>
		13,134,025	11,884,369
Reserve for Receivables	A	1,643,270	1,992,635
Fund Balance	A-1	<u>3,368,121</u>	<u>2,726,389</u>
		<u>\$ 18,145,416</u>	<u>\$ 16,603,393</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,900,000	\$ 1,895,000
Miscellaneous Revenue Anticipated	A-2	3,020,317	3,282,631
Receipts from Delinquent Taxes	A-2	1,108,378	577,109
Receipts from Current Taxes	A-2	52,567,125	50,877,955
Non-Budget Revenue	A-2	856,940	572,374
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	275,449	529,679
Swim Pool Utility Fund - Prior Year			
Operating Deficit Funding Returned	E-9	17,023	24,506
Statutory Excess - Animal Control Fund	B-7	1,196	711
Escrow Deposit Balances Cancelled	B-9	23,306	-
Interfunds Returned	A	<u>178,161</u>	<u>474,698</u>
 Total Income		 <u>59,947,895</u>	 <u>58,234,663</u>
 <b>EXPENDITURES</b>			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	6,429,036	6,288,617
Other Expenses	A-3	6,806,711	6,866,483
Capital Improvements	A-3	856,000	1,074,960
Deferred Charges and Statutory Expenditures	A-3	1,637,723	1,511,614
County Taxes	A-23	16,588,397	16,319,074
Due County For Added and Omitted Taxes	A-24	17,346	4,179
Local District School Tax	A-25	15,272,328	14,719,070
Regional High School Tax	A-26	9,603,394	9,330,150
Senior Citizens' Deductions Disallowed for Prior Year Taxes	A-8	1,500	1,250
Grants Receivable Cancelled	A-13	8,732	
Prior Year Revenues Refunded	A-4	1,498	
Interfunds Advanced	A	<u>183,498</u>	<u>92,045</u>
 Total Expenditures		 <u>57,406,163</u>	 <u>56,207,442</u>
 Statutory Excess to Fund Balance		 2,541,732	 2,027,221
 Fund Balance, January 1	A	 <u>2,726,389</u>	 <u>2,594,168</u>
		5,268,121	4,621,389
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,900,000</u>	<u>1,895,000</u>
 Fund Balance, December 31,	A	 <u>\$ 3,368,121</u>	 <u>\$ 2,726,389</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, 2016**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,900,000	\$ 1,900,000	-
<b>Miscellaneous Revenues</b>				
<b>Licenses</b>				
Alcoholic Beverages	A-12	11,000	11,388	\$ 388
Other	A-2	20,000	35,942	15,942
Fees and Permits	A-2	50,000	72,412	22,412
<b>Fines and Costs</b>				
Municipal Court	A-12	260,000	250,667	(9,333)
Interest and Costs on Taxes	A-12	120,000	287,568	167,568
Energy Receipts Tax	A-12	1,304,214	1,304,214	-
Uniform Fire Safety Act Fees	A-12	7,000	15,868	8,868
Cable Television Franchise Fee	A-12	164,000	164,457	457
Uniform Construction Code Fees	A-12	225,000	346,437	121,437
<b>Public and Private Revenues Offset</b>				
<b>    With Appropriations</b>				
Recycling Tonnage Grant	A-13	13,309	13,309	
Recycling Bonus Grant	A-13	4,250	4,250	
Clean Communities Program - Reserve	A-27	20,138	20,138	
Alcohol Education and Rehabilitation - Reserve	A-27	4,243	4,243	
Safe and Secure Communities Program	A-13	60,000	60,000	
Municipal Alliance on Alcoholism	A-13	22,440	22,440	
Drunk Driving Enforcement	A-13	51,092	51,092	
NJDOT Safe Corridors	A-13	5,205	5,205	
Body Armor - Reserve	A-27	2,857	2,857	
<b>Special Items of General Revenue</b>				
Uniform Fire Safety Act Rebate	A-12	20,000	25,833	5,833
Hotel/Motel Tax	A-12	105,000	119,529	14,529
Sewer User Fees	A-12	200,000	202,468	2,468
 Total Miscellaneous Revenues	 A-1	 <u>2,669,748</u>	 <u>3,020,317</u>	 <u>350,569</u>
 Receipts from Delinquent Taxes	 A-1,A-9	 <u>500,000</u>	 <u>1,108,378</u>	 <u>608,378</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, 2016**

	<u>Reference</u>	<u>Budget</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-9	\$ 11,721,096	\$ 12,142,963	\$ 421,867
Minimum Library Tax	A-9	<u>742,697</u>	<u>742,697</u>	<u>-</u>
 Total Amount to be Raised by Taxes for Support of Municipal Budget	 A-2	 <u>12,463,793</u>	 <u>12,885,660</u>	 <u>421,867</u>
 Budget Revenues	 A-3	 <u>\$ 17,533,541</u>	 18,914,355	 <u>\$ 1,380,814</u>
 Non-Budget Revenues	 A-1,A-2		 <u>856,940</u>	
			 <u>\$ 19,771,295</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, 2016  
(Continued)**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue From Collections	A-9	\$ 53,067,125
Less: Reserve for Tax Appeals	A-29	<u>500,000</u>
Revenue Realized	A-1	52,567,125
Allocated to		
Local School, Regional High School and County Taxes	A-23,A-24,A-25,A-26	<u>41,481,465</u>
		11,085,660
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,800,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 12,885,660</u>
Licenses - Other		
Borough Clerk	A-12	\$ 14,872
Board of Health/Registrar of Vital Statistics	A-12	<u>21,070</u>
	A-2	<u>\$ 35,942</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,380
Board of Health/Registrar of Vital Statistics	A-12	23,082
Planning Board	A-12	17,185
Zoning Board of Adjustment	A-12	21,677
Police	A-12	562
Road Opening Permits	A-12	<u>5,526</u>
	A-2	<u>\$ 72,412</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, 2016**  
**(Continued)**

Reference

ANALYSIS OF NON-BUDGET REVENUES

Interest on Deposits		\$	59,654
Rent			237,685
Host Community Fees			72,736
Interest on Assessments			8,805
Misc. Refunds/Reimbursements			1,634
Accident Reports			5,168
Administrative Fee - Police Outside Duty			91,455
Motor Vehicle Fees			3,000
Other			29,026
Copies			445
Administrative Fee - Sr. Citizens & Veterans Deductions			2,202
Administrative Fee - Homestead Rebate			647
FEMA Reimbursement - Hurricane Irene			281,062
FEMA Reimbursement - Superstorm Sandy			63,421
	A-1,A-2	\$	856,940
Cash Receipts	A-4	\$	750,970
Due from Assessment Trust Fund	B-4		8,871
Due from Animal Control Fund	B-7		10
Due from Other Trust Fund	B-9		95,738
Due from General Capital Fund	C-5		1,334
Due from Public Assistance Trust Fund	F-2		17
	A-1,A-2	\$	856,940

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, 2016**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Mayor and Council					
Salaries & Wages	\$ 32,128	\$ 32,128	\$ 32,128		
Municipal Clerk					
Salaries & Wages	257,055	257,055	256,736	\$ 319	
Other Expenses	25,000	25,000	22,331		2,669
Other Expenses-Codification of Ordinances	5,000	5,000	1,195		3,805
Grant Professional - Other Expenses	25,000	25,000	25,000		
Elections					
Salaries & Wages	18,147	18,147	18,122		25
Other Expenses	8,000	8,000	6,591		1,409
Financial Administration					
Salaries & Wages	77,877	77,877	77,865		12
Other Expenses	25,000	25,000	19,359		5,641
Annual Audit	41,000	41,000	41,000		-
Assessment of Taxes					
Salaries & Wages	96,020	96,020	96,020		
Other Expenses	35,000	35,000	31,418		3,582
Collection of Taxes					
Salaries & Wages	49,106	49,106	49,106		
Other Expenses	12,000	12,000	11,414		586
Legal Services & Costs					
Salaries & Wages	12,000	12,000	12,000		
Other Expenses	80,000	80,000	41,013		38,987
Engineering Services & Costs					
Other Expenses	70,000	70,000	30,671		39,329
Other Expenses-Rehabilitation/Redevelopment	30,000	30,000	2,015		27,985
Municipal Land Use Law (NJS 40:55D-1)					
Planning Board					
Salaries & Wages	10,509	10,509	10,509		
Other Expenses	130,000	130,000	116,050		13,950
Board of Adjustments					
Salaries & Wages	5,374	5,374	5,374		-
Other Expenses	8,000	13,000	8,987		4,013
Insurance					
Unemployment Compensation Insurance	14,000	14,000			14,000
General Liability	191,304	191,304	144,430		46,874
Workers Compensation	179,499	170,499	160,499		10,000
Employee Group Health	1,241,099	1,241,099	1,239,140		1,959

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, 2016**  
**(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY</b>					
Fire					
Salaries and Wages	\$ 6,832	\$ 6,832	\$ 6,827	\$ 5	
Other Expenses	130,000	130,000	64,960	65,040	
Uniform Fire Safety Act (Ch. 383 P.L. 1983)					
Fire Officials					
Salaries and Wages	129,724	129,724	129,724	-	
Other Expenses	1,000	1,000	525	475	
Police Dispatch/911					
Salaries and Wages	145,208	145,208	136,936	8,272	
Other Expenses	1,500	1,500	300	1,200	
Police					
Salaries & Wages	3,582,511	3,582,511	3,570,098	12,413	
Other Expenses	70,000	70,000	46,629	23,371	
Vehicle Purchases	63,000	64,000	63,571	429	
First Aid Squad					
Contribution	15,000	15,000	15,000		
Other Expenses	12,500	12,500		12,500	
Emergency Management Services					
Salaries and Wages	5,617	5,617	5,613	4	
Other Expenses	5,000	5,000	3,283	1,717	
Municipal Prosecutor					
Salaries and Wages	16,528	16,528	16,528	-	
Other Expenses	1,000	1,000		1,000	
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Salaries and Wages	765,072	765,072	734,480	30,592	
Other Expenses	120,000	120,000	69,594	50,406	
Public Buildings and Grounds					
Salaries and Wages	21,800	21,800	12,200	9,600	
Other Expenses	30,000	30,000	20,868	9,132	
Vehicle Maintenance					
Salaries and Wages	6,056	6,056	6,052	4	
Other Expenses	120,000	120,000	81,262	38,738	
Sewer System					
Salaries & Wages	402,745	402,745	402,324	421	
Other Expenses	90,000	90,000	55,020	34,980	
Shade Tree Commission					
Salaries & Wages	2,708	2,708	2,708		
Other Expenses	20,000	21,000	20,057	943	

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, 2016**  
**(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>PUBLIC WORKS (Continued)</b>					
Garbage and Trash Removal					
Contractual	\$ 265,000	\$ 265,000	\$ 258,477	\$ 6,523	
Recycling Program					
Salaries & Wages	30,673	30,673	30,673	-	
Other Expenses	100,000	130,000	130,000	-	
Solid Waste Transfer Fees	320,000	320,000	295,823	24,177	
Leaf/Grass Removal					
Other Expenses	118,000	118,000	112,515	5,485	
Condo Services Act					
Other Expenses	15,000	15,000		15,000	
<b>HEALTH AND WELFARE</b>					
Board of Health					
Salaries & Wages	103,593	103,593	103,424	169	
Other Expenses	30,000	30,000	23,543	6,457	
Animal Control					
Other Expenses	20,000	20,000	15,000	5,000	
Administration of Public Assistance					
Salaries and Wages	14,245	14,245	14,241	4	
Other Expenses	1,000	1,000	118	882	
Hepatitis B Vaccine					
Other Expense	1,200	1,200		1,200	
<b>RECREATION AND EDUCATION</b>					
Parks and Playgrounds					
Salaries & Wages	101,987	101,987	95,224	6,763	
Other Expenses	25,000	25,000	14,531	10,469	
Celebration of Public Events					
Other Expenses	5,000	6,000	5,364	636	
Senior Citizen Program					
Salaries and Wages	27,000	27,000	21,240	5,760	
Other Expenses	7,000	7,000	4,019	2,981	
<b>MUNICIPAL COURT FUNCTIONS</b>					
Municipal Court Administration					
Salaries and Wages	169,314	169,314	145,257	24,057	
Other Expenses	20,000	20,000	17,358	2,642	
Public Defender (P.L. 1997, C.256)					
Salaries and Wages	9,499	9,499	9,499	-	
Other Expenses	3,000	3,000	150	2,850	

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, 2016**  
**(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries & Wages	\$ 269,708	\$ 269,708	\$ 268,996	\$ 712	
Other Expenses	7,000	7,000	3,144	3,856	
UNCLASSIFIED AND BULK PURCHASES					
Utilities:					
Electricity and Natural Gas	230,000	230,000	180,680	49,320	
Street Lighting	160,000	160,000	150,062	9,938	
Gasoline	130,000	130,000	67,300	62,700	
Telephone	45,000	45,000	37,221	7,779	-
Total Operations Within "CAPS"	<u>10,670,138</u>	<u>10,699,138</u>	<u>9,927,391</u>	<u>771,747</u>	<u>-</u>
Detail:					
Salaries & Wages	6,369,036	6,369,036	6,269,904	99,132	-
Other Expenses	4,301,102	4,330,102	3,657,487	672,615	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Anticipated Deficit in Swim Pool Operations	66,200	66,200	62,129		\$ 4,071
Statutory Charges					
Social Security System (O.A.S.I.)	280,000	280,000	242,306	37,694	
Public Employees Retirement System	357,879	328,879	328,879	-	
Police and Fireman's Retirement System	787,315	787,315	787,315	-	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,491,394</u>	<u>1,462,394</u>	<u>1,420,629</u>	<u>37,694</u>	<u>4,071</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,161,532</u>	<u>12,161,532</u>	<u>11,348,020</u>	<u>809,441</u>	<u>4,071</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Passaic Valley Sewerage - Contractual	1,200,378	1,200,378	1,200,378	-	
Recycling Tax	15,000	15,000	13,584	1,416	
Reserve for Tax Appeals	390,000	390,000	390,000	-	
Maintenance of Free Public Library	742,697	742,697	742,697	-	-
Total Operations Excluded from "CAPS"	<u>2,348,075</u>	<u>2,348,075</u>	<u>2,346,659</u>	<u>1,416</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balances Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Drunk Driving Enforcement Grant	\$ 51,092	\$ 51,092	\$ 28,908	\$ 22,184	
Safe and Secure Communities Program					
Police - Salaries and Wages	60,000	60,000	60,000		
Drug and Alcohol					
Municipal Alliance	22,440	22,440	18,909	3,531	
Body Armor	2,857	2,857		2,857	
Recycling Tonnage Grant	13,309	13,309	13,309	-	
Recycling Bonus Grant	4,250	4,250	4,250		
Clean Communities Grant Program	20,138	20,138		20,138	
Alcohol Education and Rehabilitation Fund	4,243	4,243		4,243	
NJ DOT - Safe Corridors	5,205	5,205		5,205	
Matching Funds for Grants	5,000	5,000	-	5,000	-
Total Public and Private Programs					
Offset by Revenues	188,534	188,534	125,376	63,158	-
Total Operations Excluded from "CAPS"	2,536,609	2,536,609	2,472,035	64,574	-
Detail:					
Salaries & Wages	60,000	60,000	60,000	-	
Other Expenses	2,476,609	2,476,609	2,412,035	64,574	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	856,000	856,000	856,000	-	-
Total Capital Improvements - Excluded from "CAPS"	856,000	856,000	856,000	-	-

**BOROUGH OF TOTOWA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		Unexpended Balances <u>Canceled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Special Emergency Authorizations - 5 Years	\$ 22,400	\$ 22,400	\$ 22,400		
Deferred Charges Unfunded Ord. No. 03-2013	<u>157,000</u>	<u>157,000</u>	<u>157,000</u>	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>179,400</u>	<u>179,400</u>	<u>179,400</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,572,009</u>	<u>3,572,009</u>	<u>3,507,435</u>	\$ 64,574	-
Subtotal General Appropriations	15,733,541	15,733,541	14,855,455	874,015	\$ 4,071
Reserve for Uncollected Taxes	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	-	-
Total General Appropriations	<u>\$ 17,533,541</u>	<u>\$ 17,533,541</u>	<u>\$ 16,655,455</u>	<u>\$ 874,015</u>	<u>\$ 4,071</u>
	<u>Reference</u>	A-2	A-3	A-1	A,A-1
Cash Disbursed	A-4			\$ 13,080,271	
Encumbrance Payable	A-16			287,655	
Deferred Charges					
Special Emergency Authorization	A-14			22,400	
Due to General Capital Fund	C-5			1,013,000	
Due to Swim Pool Utility Operating Fund	E-9			62,129	
Reserve for Tax Appeals	A-29			390,000	
Reserve for Uncollected Taxes	A-2			<u>1,800,000</u>	
	A-3			<u>\$ 16,655,455</u>	

**BOROUGH OF TOTOWA  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>ASSESSMENT TRUST FUND</b>			
Cash	B-1,B-2	\$ 5,303	\$ 17,918
Assessments Receivable	B-3	<u>425,220</u>	<u>480,730</u>
		<u>430,523</u>	<u>498,648</u>
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	<u>3,794</u>	<u>3,540</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	3,079,780	2,963,362
Due from Current Fund	B-9	158,558	184,969
Due from Water Utility Operating Fund	D-14	3,500	
Due from Swim Pool Utility Operating Fund	E-10	<u>100</u>	<u>-</u>
		<u>3,241,938</u>	<u>3,148,331</u>
		<u>\$ 3,676,255</u>	<u>\$ 3,650,519</u>

**BOROUGH OF TOTOWA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2016 AND 2015**  
**(Continued)**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ASSESSMENT TRUST FUND</b>			
Due to Current Fund	B-4	\$ 8,805	\$ 11,930
Due to General Capital Fund	C-6	<u>421,718</u>	<u>486,718</u>
		<u>430,523</u>	<u>498,648</u>
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-6	14	
Due to Current Fund	B-7	1,196	712
Reserve for Animal Control Expenditures	B-5	<u>2,584</u>	<u>2,828</u>
		<u>3,794</u>	<u>3,540</u>
<b>OTHER TRUST FUND</b>			
Escrow Deposits Payable	B-8	1,427,685	1,428,081
Premium Received at Tax Sale	B-10	191,600	209,100
Payroll Deductions Payable	B-11	10,423	10,575
Due to Swim Pool Utility Operating Fund	E-10		6,065
Reserve for Unemployment Insurance	B-13	131,101	119,442
Miscellaneous Reserves and Deposits	B-14	<u>1,481,129</u>	<u>1,375,068</u>
		<u>3,241,938</u>	<u>3,148,331</u>
		<u>\$ 3,676,255</u>	<u>\$ 3,650,519</u>



**BOROUGH OF TOTOWA  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 1,137,667	\$ 1,458,207
Grants Receivable	C-4	1,198,072	1,732,443
Due from Assessment Trust Fund	C-6	421,718	486,718
Due from Water Utility Capital Fund	D-15		197,022
Deferred Charges to Future Taxation Unfunded	C-7	<u>1,795,796</u>	<u>2,679,946</u>
		<u>\$ 4,553,253</u>	<u>\$ 6,554,336</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Contracts Payable	C-8	\$ 765,476	\$ 497,000
Due to Current Fund	C-5	740,629	557,615
Improvement Authorizations			
Funded	C-14	1,238,477	1,226,448
Unfunded	C-14	679,697	2,649,564
Capital Improvements Fund	C-9	479,853	264,853
Reserve for:			
Sewer Connection Charges	C-10	14,000	14,000
Capital Improvements and Acquisitions	C-11	16,703	138
Fire Truck	C-12	94,644	94,644
Land Sale Proceeds	C-13	850	
Grants Receivable	C-4	522,850	1,250,000
Fund Balance	C-1	<u>74</u>	<u>74</u>
		<u>\$ 4,553,253</u>	<u>\$ 6,554,336</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 of \$2,221,016 and \$3,160,676 respectively (See Exhibit C-15).

**BOROUGH OF TOTOWA  
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS  
GENERAL CAPITAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$ 74	\$ 40,074
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-1	<u>-</u>	<u>40,000</u>
Balance, December 31	C	<u>\$ 74</u>	<u>\$ 74</u>

**BOROUGH OF TOTOWA  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
WATER UTILITY FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-5	\$ 1,020,663	\$ 1,122,383
		<u>1,020,663</u>	<u>1,122,383</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-8	591,437	583,831
Water Utility Liens Receivable	D-9	<u>463</u>	<u>286</u>
		<u>591,900</u>	<u>584,117</u>
<b>Total Operating Fund</b>		<u>1,612,563</u>	<u>1,706,500</u>
<b>CAPITAL FUND</b>			
Cash	D-5,D-7	5,932	61,558
Fixed Capital	D-11	4,315,961	4,243,379
Fixed Capital Authorized and Uncompleted	D-12	<u>219,825</u>	<u>44,825</u>
<b>Total Capital Fund</b>		<u>4,541,718</u>	<u>4,349,762</u>
		<u>\$ 6,154,281</u>	<u>\$ 6,056,262</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**WATER UTILITY FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**  
**(Continued)**

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	D-4,D-13	\$ 77,209	\$ 56,737
Encumbrances Payable	D-16	369,948	158,371
Accounts Payable	D-17	277	2,765
Water Rent Overpayments	D-18	6,128	4,206
Due to Current Fund	D-10		150,518
Due to Other Trust Fund	D-14	<u>3,500</u>	<u>-</u>
		457,062	372,597
Reserve for Receivables	D	591,900	584,117
Fund Balance	D-1	<u>563,601</u>	<u>749,786</u>
Total Operating Fund		<u>1,612,563</u>	<u>1,706,500</u>
<b>CAPITAL FUND</b>			
Contracts Payable	D-19	13,269	
Due to General Capital Fund	D-15		197,022
Improvement Authorizations			
Funded	D-20	87,952	44,825
Capital Improvement Fund	D-21	72,108	187,108
Reserve for Amortization	D-22	4,132,384	3,859,802
Deferred Reserve for Amortization	D-23	219,825	44,825
Reserve for Water Tower Fees	D-24	14,219	14,219
Fund Balance	D-2	<u>1,961</u>	<u>1,961</u>
Total Capital Fund		<u>4,541,718</u>	<u>4,349,762</u>
		<u>\$ 6,154,281</u>	<u>\$ 6,056,262</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 of \$183,577 and \$383,577 respectively. (See Exhibit D-25)

**BOROUGH OF TOTOWA**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE**  
**REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-3	\$ 357,000	\$ 282,384
Water Usage Charges	D-3	2,770,453	2,947,134
Miscellaneous Fees	D-3	298,763	287,702
Interest on Delinquent Accounts	D-3	37,036	28,296
Interest on Investments	D-3	4,950	3,954
Non-Budget Revenues	D-3	31,155	
Other Credits			
Appropriation Reserves Lapsed	D-13	45,867	209,945
Accounts Payable Cancelled	D-17	<u>2,765</u>	<u>-</u>
 Total Income		 <u>3,547,989</u>	 <u>3,759,415</u>
<b>EXPENDITURES</b>			
Operating	D-4	2,883,524	2,716,084
Capital Improvements	D-4	140,000	90,000
Deferred Charges and Statutory Expenditures	D-4	<u>353,650</u>	<u>345,300</u>
 Total Expenditures		 <u>3,377,174</u>	 <u>3,151,384</u>
 Statutory Excess to Fund Balance		 170,815	 608,031
 Fund Balance, January 1,	 D	 <u>749,786</u>	 <u>424,139</u>
		920,601	1,032,170
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-3	<u>357,000</u>	<u>282,384</u>
 Balance, December 31,	 D	 <u>\$ 563,601</u>	 <u>\$ 749,786</u>

**BOROUGH OF TOTOWA**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</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, 2016**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 357,000	\$ 357,000	
Water Usage Charges	D-1,D-3	2,750,174	2,770,453	\$ 20,279
Miscellaneous Fees	D-1,D-3	250,000	298,763	48,763
Interest on Delinquent Accounts	D-1,D-6	18,000	37,036	19,036
Interest on Investments	D-1,D-5	<u>2,000</u>	<u>4,950</u>	<u>2,950</u>
 Budget Revenues	 D-4	 <u>\$ 3,377,174</u>	 3,468,202	 <u>\$ 91,028</u>
 Non-Budget Revenues	 D-1, D-3		 <u>31,155</u>	
			 <u>\$ 3,499,357</u>	
 <u>Analysis of Realized Revenue</u>				
Water Usage Charges:				
Cash Receipts-Rents	D-8		\$ 2,766,247	
Overpayments Applied	D-8		<u>4,206</u>	
	D-3		<u>\$ 2,770,453</u>	
 Miscellaneous Fees				
Consumer Accounts Receivable				
Collected				
Sprinkler Fees			\$ 277,549	
Water Meters			8,035	
Special Readings			<u>13,179</u>	
	D-3, D-8		<u>\$ 298,763</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Service Line Charge			\$ 22,220	
Miscellaneous			<u>8,935</u>	
	D-3, D-5		<u>\$ 31,155</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, 2016**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATING</b>					
Salaries and Wages	\$ 703,364	\$ 703,364	\$ 682,127	\$ 21,237	
Other Expenses	<u>2,180,160</u>	<u>2,180,160</u>	<u>2,155,703</u>	<u>24,457</u>	
 Total Operating	 <u>2,883,524</u>	 <u>2,883,524</u>	 <u>2,837,830</u>	 <u>45,694</u>	
 <b>CAPITAL IMPROVEMENTS</b>					
Capital Improvement Fund	60,000	60,000	60,000	-	
Capital Outlay	<u>80,000</u>	<u>80,000</u>	<u>54,815</u>	<u>25,185</u>	
 Total Capital Improvements	 <u>140,000</u>	 <u>140,000</u>	 <u>114,815</u>	 <u>25,185</u>	
 <b>DEFERRED CHARGES AND STATUTORY</b>					
Deferred Charges					
Cost of Improvements - Ord. 12-01	200,000	200,000	200,000		
Statutory Expenditures					
Contribution to					
Public Employees Retirement System	95,150	95,150	95,150		
Social Security System (O.A.S.I.)	55,000	55,000	52,170	2,830	
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>	
 Total Deferred Charges and Statutory Expenditures	 <u>353,650</u>	 <u>353,650</u>	 <u>347,320</u>	 <u>6,330</u>	
	<u>\$ 3,377,174</u>	<u>\$ 3,377,174</u>	<u>\$ 3,299,965</u>	<u>\$ 77,209</u>	
	<u>Reference</u>	D-3	D-4	D-1	D, D-1
Disbursed	D-5			\$ 2,822,792	
Encumbrances Payable	D-16			369,948	
Due to Current Fund	D-10			<u>107,225</u>	
				<u>\$ 3,299,965</u>	

The Accompanying Notes are an Integral Part of these Financial Statements



**BOROUGH OF TOTOWA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**SWIM POOL UTILITY FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	E-5	\$ 22,207	\$ 39,604
Due from Current Fund	E-9	101	
Due from Other Trust Fund	E-10	<u>-</u>	<u>6,065</u>
Total Operating Fund		<u>22,308</u>	<u>45,669</u>
<b>CAPITAL FUND</b>			
Cash	E-5,E-6	192	192
Fixed Capital	E-7	<u>240,812</u>	<u>239,770</u>
Total Capital Fund		<u>241,004</u>	<u>239,962</u>
		<u>\$ 263,312</u>	<u>\$ 285,631</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
<b>Liabilities</b>			
Appropriation Reserves	E-4, E-8	\$ 20,147	\$ 20,149
Encumbrances Payable	E-11	1,452	
Accounts Payable	E-12		395
Due to Current Fund	E-9		24,516
Due to Other Trust Fund	E-10	<u>100</u>	<u>-</u>
		21,699	45,060
Fund Balance	E-1	<u>609</u>	<u>609</u>
Total Operating Fund		<u>22,308</u>	<u>45,669</u>
<b>CAPITAL FUND</b>			
Reserve for Amortization	E-13	240,812	239,770
Fund Balance	E-2	<u>192</u>	<u>192</u>
Total Capital Fund		<u>241,004</u>	<u>239,962</u>
		<u>\$ 263,312</u>	<u>\$ 285,631</u>

There were no bonds and notes authorized but not issued on December 31, 2016 and 2015.

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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Swimming Pool Fees	E-3	\$ 57,612	\$ 54,426
Non-Budget Revenue	E-3	64	57
Other Credits to Income			
Accounts Payable Cancelled	E-12	<u>395</u>	<u>244</u>
Total Income		<u>58,071</u>	<u>54,727</u>
<b>EXPENDITURES</b>			
Operating	E-4	100,600	98,200
Capital Improvements	E-4	15,000	15,000
Deferred Charges and Statutory Expenditures	E-4	<u>4,600</u>	<u>4,900</u>
Total Expenditures		<u>120,200</u>	<u>118,100</u>
Deficit in Revenue		(62,129)	(63,373)
Adjustments to Income Before Fund Balance			
Realized from General Budget for Anticipated Deficit	E-3	<u>62,129</u>	<u>63,373</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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</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, 2016**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Swim Pool Fees	E-1,E-3	\$ 54,000	\$ 57,612	\$ 3,612
Deficit (General Budget)	E-1, E-9	<u>66,200</u>	<u>62,129</u>	<u>(4,071)</u>
Budget Revenues	E-4	<u>\$ 120,200</u>	119,741	<u>\$ (459)</u>
Non-Budget Revenues	E-1,E-3		<u>64</u>	
			<u>\$ 119,805</u>	
 <u>Analysis of Realized Swim Pool Fees:</u>				
Cash Receipts				
Membership Fees			\$ 41,027	
Guest Fees			8,403	
Swimming Lessons			1,404	
Concession Stand Sales			<u>6,778</u>	
	E-3, E-5		<u>\$ 57,612</u>	
 <u>Analysis of Non-Budget Revenues</u>				
Interest on Investments	E-3, E-5		<u>\$ 64</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, 2016**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<b>OPERATING</b>				
Salaries and Wages	\$ 57,600	\$ 57,600	\$ 57,600	
Other Expenses	<u>43,000</u>	<u>43,000</u>	<u>37,582</u>	\$ 5,418
Total Operating	<u>100,600</u>	<u>100,600</u>	<u>95,182</u>	<u>5,418</u>
<b>CAPITAL IMPROVEMENTS</b>				
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>1,042</u>	<u>13,958</u>
Total Capital Improvements	<u>15,000</u>	<u>15,000</u>	<u>1,042</u>	<u>13,958</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>				
Statutory Expenditures				
Contribution to				
Social Security System (O.A.S.I.)	4,500	4,500	3,829	671
Unemployment Compensation				
Insurance (NJSA 43:21-3 et seq.)	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Deferred Charges and Statutory Expenditures	<u>4,600</u>	<u>4,600</u>	<u>3,829</u>	<u>771</u>
	<u>\$ 120,200</u>	<u>\$ 120,200</u>	<u>\$ 100,053</u>	<u>\$ 20,147</u>
	<u>Reference</u>	E-3	E-4	E-1
Cash Disbursed	E-5			\$ 98,601
Encumbrances Payable	E-11			<u>1,452</u>
				<u>\$ 100,053</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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	F-1	<u>\$ 20,388</u>	<u>\$ 17,937</u>
<b>LIABILITIES AND RESERVES</b>			
Due to Current Fund	F-2		\$ 2
Reserve for Public Assistance	F-3	<u>\$ 20,388</u>	<u>17,935</u>
		<u>\$ 20,388</u>	<u>\$ 17,937</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF TOTOWA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Land	\$ 25,236,686	\$ 24,337,100
Buildings and Building Improvements	15,123,079	15,123,079
Machinery and Equipment	<u>6,588,384</u>	<u>6,305,980</u>
	<u>\$ 46,948,149</u>	<u>\$ 45,766,159</u>
Investment in Fixed Assets	<u>\$ 46,948,149</u>	<u>\$ 45,766,159</u>

**NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Description of Regulatory Basis of Accounting**

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

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

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

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

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

**Financial Statements – Regulatory Basis**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

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

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

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

**BOROUGH OF TOTOWA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

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

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Borough Council did not increase the original budget. However, the governing body approved several budget transfers during 2016 and 2015.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

A. **Cash Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Borough's deposits were \$21,470,059 and \$19,934,916 and bank and brokerage firm balances of the Borough's deposits amounted to \$22,266,270 and \$20,480,182, 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>2016</u>	<u>2015</u>
Insured	\$ 22,266,270	\$ 20,480,182

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, 2016 and 2015, the Borough's bank balances were not exposed to custodial credit risk.

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2016 and 2015 the Borough had no outstanding investments.

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

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE**

Receivables at December 31, 2016 consisted of the following:

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



**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE (Continued)**

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

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<b><u>2015</u></b>			
Property Taxes	\$ 1,106,878		\$ 1,106,878
Tax Title Liens	2,363		2,363
Water Utility Charges and Fees		\$ 583,831	583,831
Water Utility Liens	-	286	286
	<u>\$ 1,109,241</u>	<u>\$ 584,117</u>	<u>\$ 1,693,358</u>

In 2015, the Borough collected \$577,109 and \$561,636 from delinquent taxes and utility charges and fees, which represented 100% and 100% of the delinquent tax and water charges and fees receivable at December 31, 2014.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2016</u>		<u>2015</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 750,630	\$ 158,659	\$ 745,293	\$ 184,969
Trust Funds:				
Assessment Trust		430,523		498,648
Animal Control		1,196		712
Other Trust	162,158		184,969	6,065
General Capital Fund	421,718	740,629	683,740	557,615
Water Utility Fund:				
Operating		3,500		150,518
Capital				197,022
Swim Pool Utility Operating Fund	101	100	6,065	24,516
Public Assistance Trust Fund	-	-	-	2
Total	<u>\$ 1,334,607</u>	<u>\$ 1,334,607</u>	<u>\$ 1,620,067</u>	<u>\$ 1,620,067</u>

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

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

**BOROUGH OF TOTOWA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<b><u>2015</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 22,400	\$ 22,400	

**NOTE 7 DEFERRED SCHOOL TAXES**

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2016 and 2015 are as follows:

	<u>Local District School</u>		<u>Regional High School</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Balance of Tax	\$ 7,966,076	\$ 7,679,447	\$ 4,778,836	\$ 4,680,581
Deferred	<u>3,025,266</u>	<u>3,025,266</u>	<u>2,093,009</u>	<u>2,093,009</u>
Taxes Payable	<u>\$ 4,940,810</u>	<u>\$ 4,654,181</u>	<u>\$ 2,685,827</u>	<u>\$ 2,587,572</u>

**BOROUGH OF TOTOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 8 FUND BALANCES APPROPRIATED**

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

	<u>2016</u>		<u>2015</u>	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 3,040,108	\$ 1,900,000	\$ 2,365,846	\$ 1,900,000
Non-Cash Surplus	<u>328,013</u>	<u>-</u>	<u>360,543</u>	<u>-</u>
	<u>\$ 3,368,121</u>	<u>\$ 1,900,000</u>	<u>\$ 2,726,389</u>	<u>\$ 1,900,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 563,601	\$ 339,000	\$ 749,786	\$ 357,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 563,601</u>	<u>\$ 339,000</u>	<u>\$ 749,786</u>	<u>\$ 357,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 609		\$ 609	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 609</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ -</u>

The above fund balance amounts appropriated represent the surplus anticipated in the 2017 introduced municipal budget. The 2017 municipal budget has not been legally adopted as of the date of audit.

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 9 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015.

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

	Balance December 31, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2015</u>
<b><u>2015</u></b>				
Land	\$ 24,337,100			\$ 24,337,100
Buildings and Building Improvements	15,123,079			15,123,079
Machinery and Equipment	<u>5,765,043</u>	<u>\$ 540,937</u>	<u>-</u>	<u>6,305,980</u>
	<u>\$ 45,225,222</u>	<u>\$ 540,937</u>	<u>\$ -</u>	<u>\$ 45,766,159</u>

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 9 FIXED ASSETS (Continued)**

**B. Utility Funds Fixed Assets**

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2016 and 2015.

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

<u>Water Utility Fund</u>	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Fixed Capital				
System and System Improvements	\$ 4,092,932	\$ 36,028		\$ 4,128,960
Vehicles and Equipment	<u>101,119</u>	<u>13,300</u>	<u>-</u>	<u>114,419</u>
	<u>\$ 4,194,051</u>	<u>\$ 49,328</u>	<u>\$ -</u>	<u>\$ 4,243,379</u>

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 9 FIXED ASSETS (Continued)**

**B. Utility Funds Fixed Assets (Continued)**

<u>Swim Pool Utility Fund</u>	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>				
Fixed Capital				
Facility and Facility Improvements	\$ 239,770	\$ 1,042	-	\$ 240,812
	<u>\$ 239,770</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 240,812</u>
<u>Swim Pool Utility Fund</u>	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<b><u>2015</u></b>				
Fixed Capital				
Facility and Facility Improvements	\$ 239,372	\$ 398	-	\$ 239,770
	<u>\$ 239,372</u>	<u>\$ 398</u>	<u>\$ -</u>	<u>\$ 239,770</u>

**NOTE 10 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Authorized But Not Issued		
General		
Bonds and Notes	\$ 2,221,016	\$ 3,160,676
Water Utility		
Bonds and Notes	<u>183,577</u>	<u>383,577</u>
Total Authorized But Not Issued	<u>\$ 2,404,593</u>	<u>\$ 3,544,253</u>

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .102% and .149% at December 31, 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2016</u></b>			
General Debt	\$ 2,221,016		\$ 2,221,016
School Debt	9,088,000	\$ 9,088,000	
Utility Debt	<u>183,577</u>	<u>183,577</u>	<u>-</u>
Total	<u>\$ 11,492,593</u>	<u>\$ 9,271,577</u>	<u>\$ 2,221,016</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2015</u></b>			
General Debt	\$ 3,160,676		\$ 3,160,676
School Debt	6,678,040	\$ 6,678,040	
Utility Debt	<u>383,577</u>	<u>383,577</u>	<u>-</u>
Total	<u>\$ 10,222,293</u>	<u>\$ 7,061,617</u>	<u>\$ 3,160,676</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>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 75,925,075	\$ 74,405,477
Net Debt	<u>2,221,016</u>	<u>3,160,676</u>
Remaining Borrowing Power	<u>\$ 73,704,059</u>	<u>\$ 71,244,801</u>

**BOROUGH OF TOTOWA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 11 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>
<b><u>2016</u></b>		
Hobart Place Improvement Project	\$194,816	2017
2015 Road Improvement Project	133,218	2017
Purchase of Sewer Jet Vac	198,600	2017
<b><u>2015</u></b>		
Municipal Complex Generator Project	\$109,774	2016
Gordon Ave. Improvement Project	213,581	2016

**NOTE 12 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon 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 \$791,010 and \$694,492 at December 31, 2016 and 2015, 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, 2016 and 2015, the Borough has reserved in the Other Trust Fund \$433,852 and \$349,294, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**Changes in Other Long-Term Liabilities**

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



**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)**

**Changes in Other Long-Term Liabilities (Continued)**

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
Compensated Absences	\$ 694,492	\$ 129,114	\$ 32,596	\$ 791,010	\$ 50,000
Net Pension Liability - PERS	11,828,797	3,494,600	446,250	14,877,147	
Net Pension Liability - PFRS	<u>16,133,247</u>	<u>4,545,867</u>	<u>846,501</u>	<u>19,832,613</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 28,656,536</u>	 <u>\$ 8,169,581</u>	 <u>\$ 1,325,347</u>	 <u>\$ 35,500,770</u>	 <u>\$ 50,000</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
Compensated Absences	\$ 575,326	\$ 130,360	\$ 11,194	\$ 694,492	\$ 50,000
Net Pension Liability - PERS	9,855,022	2,426,804	453,029	11,828,797	
Net Pension Liability - PFRS	<u>11,068,064</u>	<u>5,852,498</u>	<u>787,315</u>	<u>16,133,247</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 21,498,412</u>	 <u>\$ 8,409,662</u>	 <u>\$ 1,251,538</u>	 <u>\$ 28,656,536</u>	 <u>\$ 50,000</u>

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

**Other Pension Funds**

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

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

**BOROUGH OF TOTOWA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds (Continued)**

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](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The CPFPPF system is 23.76 percent funded with an unfunded actuarial accrued liability of \$8.0 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

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

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

**BOROUGH OF TOTOWA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems except CPFPP (2.85%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 2015 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2016	\$ 787,315	\$ 453,029	None
2015	675,808	433,929	None
2014	711,943	389,000	None

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

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS)**

At December 31, 2016 and 2015, the Borough reported a liability of \$14,877,147 and \$11,828,797, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .05023 percent, which was a decrease of .00246 percent from its proportionate share measured as of June 30, 2015 of .05269 percent.

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$1,364,431 and \$807,864, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$453,029 and \$433,929, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 276,670		\$ 282,194	
Changes of Assumptions	3,081,750		1,270,318	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	567,279			\$ 190,184
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	110,266	\$ 401,331	142,162	-
Total	<u>\$ 4,035,965</u>	<u>\$ 401,331</u>	<u>\$ 1,694,674</u>	<u>\$ 190,184</u>

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 867,907
2018	867,907
2019	867,907
2020	814,922
2021	215,991
Thereafter	-
	<u>\$ 3,634,634</u>

**BOROUGH OF TOTOWA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

***Discount Rate***

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate (Continued)**

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

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2034

Municipal Bond Rate \*                                      From July 1, 2034  
and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Net Pension Liability**

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>18,230,207</u>	\$ <u>14,877,147</u>	\$ <u>12,108,905</u>
	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>14,701,747</u>	\$ <u>11,828,797</u>	\$ <u>9,420,136</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.



**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

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

**Police and Firemen’s Retirement System (PFRS)**

At December 31, 2016 and 2015, the Borough reported a liability of \$19,832,613 and \$16,133,247, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough’s proportionate share was .10382 percent, which was an increase of .00696 percent from its proportionate share measured as of June 30, 2015 of .09686 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$2,304,976 and \$1,400,161, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$787,315 and \$675,808, respectively. At December 31, 2016 and 2015, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 130,006		\$ 139,154
Changes of Assumptions	\$ 2,746,980		\$ 2,978,598	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,389,631			280,785
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,559,225</u>	<u>655,353</u>	<u>973,016</u>	<u>862,089</u>
Total	<u>\$ 5,695,836</u>	<u>\$ 785,359</u>	<u>\$ 3,951,614</u>	<u>\$ 1,282,028</u>

**BOROUGH OF TOTOWA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	<u>Total</u>
2017	\$ 1,247,917
2018	1,247,917
2019	1,247,917
2020	1,012,003
2021	154,723
Thereafter	<u>-</u>
	<u>\$ 4,910,477</u>

***Actuarial Assumptions***

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.		

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

***Discount Rate***

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

**BOROUGH OF TOTOWA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Discount Rate (Continued)***

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2050
Municipal Bond Rate *	From July 1, 2050 and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 25,572,700</u>	<u>\$ 19,832,613</u>	<u>\$ 15,151,917</u>
	<b>1% Decrease <u>(4.79%)</u></b>	<b>Current Discount Rate <u>(5.79%)</u></b>	<b>1% Increase <u>(6.79%)</u></b>
<u>2015</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 21,268,741</u>	<u>\$ 16,133,247</u>	<u>\$ 11,945,710</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,665,448 and \$1,414,832, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$212,717 and \$176,480, respectively, which is less than the actual contributions the State made on behalf of the Borough of \$63,815 and \$73,649, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

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

**NOTE 14 RISK MANAGEMENT**

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

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

**BOROUGH OF TOTOWA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 14 RISK MANAGEMENT (Continued)**

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

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

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 17,600	\$ 8,218	\$ 14,281	\$ 131,101
2015	None	10,222	27,050	119,442
2014	17,600	9,765	15,545	136,121

**NOTE 15 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. 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, 2016 and 2015, the Borough reserved \$2,956,267 and \$2,392,089, 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.

**BOROUGH OF TOTOWA  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 15 CONTINGENT LIABILITIES (Continued)**

**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, 2016 and 2015, 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.

**SUPPLEMENTAL SCHEDULES**

**CURRENT FUND**



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

Balance, December 31, 2015		\$ 14,249,545
Increased by Receipts:		
Tax Collector	\$ 54,503,533	
Non-Budget Revenue	750,970	
Revenue Accounts Receivable	2,549,215	
Grants Receivable	157,694	
NJ Senior Citizens' and Veterans' Deductions	110,103	
Sewer Rent Overpayments	7	
Prepaid Licenses	800	
Fees Payable	30,080	
Reserve for Unappropriated Grants	29,376	
Received from Assessment Trust Fund	11,996	
Received from Animal Control Fund	722	
Received from Water Utility Operating Fund	257,743	
Received from Public Assistance Trust Fund	19	
	<hr/>	<hr/> 58,402,258
		72,651,803
Decreased by Disbursements:		
2016 Budget Appropriations	13,080,271	
2015 Appropriation Reserves	120,890	
Change Funds	200	
Fees Payable	25,954	
Encumbrances Payable	347,272	
Accounts Payable	37,252	
Refund of Tax Overpayments	54,907	
Reserve for Appropriated Grants	12,741	
Reserve for Tax Appeals	325,822	
County Taxes Payable	16,588,397	
Added County Taxes Payable	4,179	
Local District School Tax	14,985,699	
Regional High School Tax	9,505,139	
Payments made to Other Trust Fund	65,925	
Payments made to General Capital Fund	1,194,680	
Payments made for Water Utility Operating Fund	107,225	
Payments made to Swim Pool Utility Operating Fund	20,489	
Refund of Prior Year Revenues	1,498	
	<hr/>	<hr/> 56,478,540
Balance, December 31, 2016		<u>\$ 16,173,263</u>

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

Received:		
Taxes Receivable	\$ 53,671,735	
Interest and Cost on Taxes	287,568	
Prepaid Taxes	542,980	
Tax Overpayments	<u>1,250</u>	
		\$ 54,503,533
Decreased by:		
Payments to Treasurer		<u>\$ 54,503,533</u>

EXHIBIT A-6

**STATEMENT OF CHANGE FUNDS**

<u>Title</u>	Balance, December 31, <u>2015</u>	Established by Treasurer's <u>Disbursements</u>	Balance, December 31, <u>2016</u>
Tax Collector	\$ 100		\$ 100
Treasurer - Deputy Tax Collector	50		50
Court Clerk	170	\$ 200	370
Building Department	<u>200</u>	<u>-</u>	<u>200</u>
	<u>\$ 520</u>	<u>\$ 200</u>	<u>\$ 720</u>

EXHIBIT A-7

**STATEMENT OF PETTY CASH FUNDS**

<u>Office</u>	Balance, December 31, <u>2015</u>	Balance, December 31, <u>2016</u>
Borough Clerk	<u>\$ 150</u>	<u>\$ 150</u>

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

Balance, December 31, 2015		\$ 79,593
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Current Year	\$ 2,436	
Senior Citizens' and Veterans' Deductions Disallowed by the Tax Collector - Prior Year	1,500	
Received in Cash from the State	<u>110,103</u>	
		<u>114,039</u>
		193,632
Decreased by:		
Senior Citizens' and Veterans' Deductions Allowed Per Tax Billings	111,250	
Senior Citizens' and Veterans' Deductions Allowed by the Tax Collector - Current Year	<u>3,500</u>	
		<u>114,750</u>
Balance, December 31, 2016		<u>\$ 78,882</u>

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

<u>Year</u>	<u>Balance, December 31, 2015</u>	<u>2016 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collections</u>		<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Transferred to Tax Title Liens</u>	<u>Balance, December 31, 2016</u>
				<u>2015</u>	<u>2016</u>				
2014	\$ 575				\$ 575				
2015	<u>1,106,303</u>	<u>-</u>	<u>\$ 1,500</u>	<u>-</u>	<u>1,107,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,106,878	-	1,500	-	1,108,378	-	-	-	-
2016	<u>-</u>	<u>\$ 53,991,677</u>	<u>2,436</u>	<u>\$ 391,454</u>	<u>52,563,357</u>	<u>\$ 114,750</u>	<u>\$ 165,490</u>	<u>\$ 1,184</u>	<u>\$ 757,878</u>
	<u>\$ 1,106,878</u>	<u>\$ 53,991,677</u>	<u>\$ 3,936</u>	<u>\$ 391,454</u>	<u>\$53,671,735</u>	<u>\$ 114,750</u>	<u>\$ 165,490</u>	<u>\$ 1,184</u>	<u>\$ 757,878</u>

Analysis of 2016 Property Tax Levy

<b>Tax Yield</b>	
General Purpose Tax	\$ 53,935,328
Added Taxes (RS 54:4-36.1 et seq.)	<u>56,349</u>
	<u>\$53,991,677</u>
<b>Tax Levy</b>	
Regional High School Taxes	\$ 9,603,394
Local District School Taxes	15,272,328
County Taxes	
County Tax	\$ 16,365,631
Open Space Tax	222,766
Due County for Added Tax	<u>17,346</u>
	16,605,743
Local Tax for Municipal Purposes	11,721,096
Minimum Library Tax	742,697
Add: Additional Tax Levied	<u>46,419</u>
	<u>12,510,212</u>
	<u>\$53,991,677</u>

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

Balance, December 31, 2015	\$ 2,363
Increased by:	
Transfers from Taxes Receivable	1,184
Balance, December 31, 2016	\$ 3,547

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

Balance, December 31, 2015	\$ 72,900
Balance, December 31, 2016	\$ 72,900

Analysis of Balance

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

**BOROUGH OF TOTOWA**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2015</u>	Accrued In <u>2016</u>	<u>Collected by</u>		Balance, December 31, <u>2016</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Borough Clerk					
Licenses					
Alcoholic Beverages		\$ 11,388	\$ 11,388		
Other		14,872	14,872		
Fees and Permits		4,380	4,380		
Tax Collector					
Interest and Costs on Taxes	\$ 42,773	271,998		\$ 287,568	\$ 27,203
Board of Health/Registrar of Vital Statistics					
Licenses		21,070	21,070		
Fees and Permits		23,082	23,082		
Planning Board					
Fees and Permits		17,185	17,185		
Zoning Board of Adjustments					
Fees and Permits		21,677	21,677		
Building Department					
Uniform Construction Code Fees		346,437	346,437		
Police Department					
Fees and Permits		562	562		
Road Opening Permits - Fees and Permits		5,526	5,526		
Municipal Court					
Fines and Costs	14,314	255,036	250,667		18,683
Energy Receipts Tax		1,304,214	1,304,214		
Fire Inspection Official					
Uniform Fire Safety Act Fees		15,868	15,868		
Uniform Fire Safety Act Rebate		25,833	25,833		
Sewer User Fees	8,114	206,783	202,468		12,429
Cable Television Franchise Fee		164,457	164,457		
Hotel/Motel Tax	-	119,529	119,529	-	-
	<u>\$ 65,201</u>	<u>\$ 2,829,897</u>	<u>\$ 2,549,215</u>	<u>\$ 287,568</u>	<u>\$ 58,315</u>

**BOROUGH OF TOTOWA  
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2015</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
Municipal Alliance Program	\$ 47,776	\$ 22,440	\$ 23,118		\$ 47,098
Passaic County Open Space - Lincoln Field	4,717				4,717
Safe & Secure Communities	8,732	60,000	60,000	\$ 8,732	
Body Armor Grant	720		720		
NJ DOT Safe Corridors	10,434	5,205	5,205		10,434
FEMA - Hazard Mitigation Grant Program	265,764				265,764
Recycling Tonnage Grant		13,309	13,309		
Recycling Bonus Grant		4,250	4,250		
Drunk Driving Enforcement	-	51,092	51,092	-	-
	<u>\$ 338,143</u>	<u>\$ 156,296</u>	<u>\$ 157,694</u>	<u>\$ 8,732</u>	<u>\$ 328,013</u>

EXHIBIT A-14

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

<u>Date</u>	<u>Purpose</u>	<u>Net</u> <u>Amount</u> <u>Authorized</u>	<u>1/5 of Net</u> <u>Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>	<u>Amount</u> <u>in 2016</u> <u>Budget</u>
11/29/2012	Hurricane Irene E.O. #73, Storm Damage	\$ 112,000	\$ 22,400	\$ 22,400	\$ 22,400
				<u>\$ 22,400</u>	<u>\$ 22,400</u>

**BOROUGH OF TOTOWA**  
**STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, December 31, <u>2015</u>	<u>Transfers</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<b>SALARIES AND WAGES</b>						
Municipal Clerk	\$ 656			\$ 656	\$ 656	
Elections	53			53	53	
Financial Administration	23			23	23	
Board of Adjustments	70			70	70	
Fire	20			20	20	
Fire Officials	6			6	6	
Police Dispatch/911	369			369	369	
Police	6,227			6,227	6,227	
Emergency Management Services	17			17	17	
Municipal Prosecutor	53			53	53	
Road Repairs and Maintenance	5,928			5,928	5,928	
Public Buildings and Grounds	128			128	128	
Vehicle Maintenance	18			18	18	
Sewer System	1,303			1,303	1,303	
Recycling Program	98			98	98	
Board of Health	57			57	57	
Senior Citizen Program	6,853			6,853	6,853	
Municipal Court	794			794	794	
Public Defender	30			30	30	
Construction Code Official	836	-	-	836	836	-
	<u>23,539</u>	<u>-</u>	<u>-</u>	<u>23,539</u>	<u>23,539</u>	<u>-</u>
<b>OTHER EXPENSES</b>						
Municipal Clerk	5,443			5,443	115	\$ 5,328
Codification of Ordinances	3,805			3,805		3,805
Elections	835			835		835
Assessment of Taxes	11,376		\$ 1,074	12,450		12,450
Financial Administration	6,400			6,400	57	6,343
Collection of Taxes	1,458			1,458	57	1,401
Legal Services and Costs	31,833			31,833	3,330	28,503
Engineering Services & Costs	10,111			10,111	505	9,606
Planning Board	21,454			21,454	5,385	16,069
Board of Adjustment	2,518	\$ 1,000		3,518	2,812	706
Insurance						
Unemployment Compensation Insurance	14,000			14,000	14,000	
General Liability	286	10,000		10,286		10,286
Employee Group Health	10,212	5,000	13	15,225		15,225
Fire	63,559			63,559	57,812	5,747
Fire Officials	941			941	525	416
Police Dispatch/911	1,217			1,217		1,217
Police	22,883			22,883	10,450	12,433
Vehicle Purchases	50			50		50
First Aid Squad	12,500			12,500	9,375	3,125
Emergency Management Services	2,170			2,170	6	2,164
Municipal Prosecutor	1,000			1,000		1,000
Road Repairs and Maintenance	22,283			22,283	16,752	5,531
Public Buildings and Grounds	13,525			13,525	10,326	3,199
Vehicle Maintenance	14,198			14,198	5,122	9,076
Sewer System	31,089			31,089	27,061	4,028
Shade Tree Commission	4,930			4,930		4,930
Solid Waste Transfer Fees	23,031			23,031		23,031
Leaf Grass Removal	243			243		243
Condo Services Act	15,000			15,000	6,018	8,982
Board of Health	9,843			9,843	5,769	4,074



**BOROUGH OF TOTOWA**  
**STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, December 31, 2015	Transfers	Encumbrance Payable Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
<b>OTHER EXPENSES: (Continued)</b>						
Animal Control	\$ 5,000			\$ 5,000		\$ 5,000
Administration of Public Assistance	860			860	\$ 3	857
Hepatitis B Vaccine	1,200			1,200		1,200
Parks and Playgrounds	6,999			6,999		6,999
Celebration of Public Events	1,582			1,582		1,582
Senior Citizen Program						
Contribution	3,000			3,000		3,000
Other Expenses	1,623			1,623	5	1,618
Municipal Court	7,442			7,442	49	7,393
Public Defender	2,100			2,100		2,100
Construction Code Official	3,253			3,253	100	3,153
Utilities						
Street Lighting	434		\$ 2,592	3,026		3,026
Electricity and Natural Gas	24,265			24,265	10,019	14,246
Gasoline	67,121	\$ (18,000)		49,121	26,055	23,066
Telephone	13,660	2,000		15,660	14,742	918
Social Security System (O.A.S.I.)	34,061			34,061	34,061	
Public Employees Retirement System	27,000			27,000	27,000	
Passaic Valley Sewerage-Contractual	125			125		125
Recycling Tax	1,363			1,363		1,363
Clean Communities Grant Program	16,557			16,557	16,557	
Drug and Alcohol Municipal Alliance	11,459			11,459	11,459	
Body Armor	2,452			2,452	2,452	
Alcohol Education and Rehabilitation Fund	2,777			2,777	2,777	
NJ DOT - Safe Corridors	10,434			10,434	10,434	
FEMA-Hazard Mitigation Grant Program						
Acquisition and Installation of Generators						
Federal Share	190,764			190,764	190,764	
Local Match	21,196	-	-	21,196	21,196	-
	<u>814,920</u>	<u>-</u>	<u>3,679</u>	<u>818,599</u>	<u>543,150</u>	<u>275,449</u>
	<u>\$ 838,459</u>	<u>\$ -</u>	<u>\$ 3,679</u>	<u>\$ 842,138</u>	<u>\$ 566,689</u>	<u>\$ 275,449</u>
Cash Disbursed					\$ 120,890	
Due to Other Trust Fund:						
Accumulated Absence Reserve					84,558	
Snow Removal Reserve					60,000	
Unemployment Insurance Reserve					14,000	
Transferred to:						
Accounts Payable					33,401	
Reserve for Appropriated Grants					<u>253,840</u>	
					<u>\$ 566,689</u>	

**BOROUGH OF TOTOWA  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2015		\$ 350,951
Increased by:		
Charges to 2016 Budget Appropriations		<u>287,655</u>
		638,606
Decreased by:		
Payments	\$ 347,272	
Cancellations Restored to Appropriation Reserves	<u>3,679</u>	
		<u>350,951</u>
Balance, December 31, 2016		<u>\$ 287,655</u>

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2015		\$ 183,244
Increased by:		
Transferred from 2015 Appropriation Reserves		<u>33,401</u>
		216,645
Decreased by:		
Payments		<u>37,252</u>
Balance, December 31, 2016		<u>\$ 179,393</u>

**BOROUGH OF TOTOWA  
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2015	\$ 391,454
Increased by:	
Collection of 2017 Taxes	<u>542,980</u>
	934,434
Decreased by:	
Application to 2016 Taxes	<u>391,454</u>
Balance, December 31, 2016	<u>\$ 542,980</u>

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2015	\$ 54,907
Increased by:	
Overpayments in 2016	<u>1,250</u>
	56,157
Decreased by:	
Refunds	<u>54,907</u>
Balance, December 31, 2016	<u>\$ 1,250</u>

**STATEMENT OF SEWER RENT OVERPAYMENTS**

Increased by:	
Overpayments in 2016	<u>\$ 7</u>
Balance, December 31, 2016	<u>\$ 7</u>

**STATEMENT OF PREPAID LICENSES**

Increased by:	
Collection of 2017 Licenses	<u>\$ 800</u>
Balance, December 31, 2016	<u>\$ 800</u>

**BOROUGH OF TOTOWA  
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2015</u>	<u>Received</u>	<u>Disbursed</u>	Balance, December 31, <u>2016</u>
Due to State				
Construction Code Training Fees	\$ 9,298	\$ 28,180	\$ 23,840	\$ 13,638
Elevator Inspection Fees	2,701		409	2,292
Marriage License Fees	<u>965</u>	<u>1,900</u>	<u>1,705</u>	<u>1,160</u>
	<u>\$ 12,964</u>	<u>\$ 30,080</u>	<u>\$ 25,954</u>	<u>\$ 17,090</u>

EXHIBIT A-23

**STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:			
2016 Levy			
General County		\$ 16,365,631	
County Open Space Preservation		<u>222,766</u>	
			\$ 16,588,397
Decreased by:			
Payments			<u>\$ 16,588,397</u>

EXHIBIT A-24

**STATEMENT OF AMOUNT DUE COUNTY FOR ADDED TAXES**

Balance, December 31, 2015	\$ 4,186
Increased by:	
County Share of 2016 Levy	
Added Taxes (RS 54:4-63.1 et seq.)	<u>17,346</u>
	21,532
Decreased by:	
Payments	<u>4,179</u>
Balance, December 31, 2016	<u>\$ 17,353</u>

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

Balance, December 31, 2015		
School Tax Payable	\$ 4,654,181	
School Tax Deferred	<u>3,025,266</u>	
		\$ 7,679,447
Increased by:		
Levy - School Year July 1, 2016 to June 30, 2017		<u>15,272,328</u>
		22,951,775
Decreased by:		
Payments		<u>14,985,699</u>
Balance, December 31, 2016		
School Tax Payable	4,940,810	
School Tax Deferred	<u>3,025,266</u>	
		<u>\$ 7,966,076</u>
 <u>Analysis of Amount Charged to Operations</u>		
2016 Liability for Local District School Tax		
Tax Paid		\$ 14,985,699
Tax Payable at December 31, 2016		<u>4,940,810</u>
		19,926,509
Less: Tax Payable at December 31, 2015		<u>4,654,181</u>
Amount Charged to 2016 Operations		<u>\$ 15,272,328</u>

**BOROUGH OF TOTOWA  
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE**

Balance, December 31, 2015			
School Tax Payable		\$ 2,587,572	
School Tax Deferred		<u>2,093,009</u>	
			\$ 4,680,581
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>9,603,394</u>
			14,283,975
Decreased by:			
Payments			<u>9,505,139</u>
Balance, December 31, 2016			
School Tax Payable		2,685,827	
School Tax Deferred		<u>2,093,009</u>	
			<u>\$ 4,778,836</u>
 <u>Analysis of Amount Charged to Operations</u>			
2016 Liability for Regional High School Tax			
Tax Paid			\$ 9,505,139
Tax Payable at December 31, 2016			<u>2,685,827</u>
			12,190,966
Less: Tax Payable at December 31, 2015			<u>2,587,572</u>
Amount Charged to 2016 Operations			<u>\$ 9,603,394</u>

**BOROUGH OF TOTOWA**  
**STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

	Balance, December 31, <u>2015</u>	<u>Received</u>	Anticipated in 2016 <u>Budget</u>	Balance, December 31, <u>2016</u>
Clean Communities	\$ 20,138	\$ 23,023	\$ 20,138	\$ 23,023
Body Armor	3,281	3,754	2,857	4,178
Alcohol Ed & Rehabilitation	4,243	2,599	4,243	2,599
	<u>\$ 27,662</u>	<u>\$ 29,376</u>	<u>\$ 27,238</u>	<u>\$ 29,800</u>

**STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

	Balance, December 31, <u>2015</u>	Transferred From 2015 Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2016</u>
Clean Communities Program	\$ 33,746	\$ 16,557	\$ 9,201	\$ 41,102
Alcohol Ed & Rehabilitation	2,664	1,027		3,691
Body Armor Replacement Fund	8,308	2,452	3,540	7,220
Drunk Driving Enforcement Fund	2,496			2,496
Open Space Grant - Lincoln Field	14,289			14,289
FEMA - Firefighters Equipment - Local	4,608			4,608
FEMA - Firefighters Equipment - Federal	3,543			3,543
Soldiveri - Recreation	617			617
Municipal Alliance	25,882	11,410		37,292
Muchuga	690			690
Safe Corridors	17,792	10,434		28,226
FEMA - Hazard Mitigation - Federal		190,764		190,764
FEMA - Hazard Mitigation - Local	-	21,196	-	21,196
	<u>\$ 114,635</u>	<u>\$ 253,840</u>	<u>\$ 12,741</u>	<u>\$ 355,734</u>

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

Balance, December 31, 2015		\$ 2,392,089
Increased by:		
2016 Budget Appropriation	\$ 390,000	
Transfer from Current Year Tax Collections	<u>500,000</u>	
		<u>890,000</u>
		3,282,089
Decreased by:		
Tax Appeal Refunds		<u>325,822</u>
Balance, December 31, 2016		<u>\$ 2,956,267</u>

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2015</u>	Balance, December 31, <u>2016</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, 2015	\$ 17,918	\$ 3,540	\$ 2,963,362
Increased by:			
Interest on Deposits	\$ 66	\$ 10	\$ 11,759
Assessments Receivable	55,510		
Interest on Assessments	8,805		
Miscellaneous Reserves			831,434
Received from Current Fund			65,925
Received for Current Fund			91,455
Escrow Deposits			150,362
Premiums Received from Tax Sale			238,900
Dog License Fees Collected		1,270	
Due State of NJ - Dog Registration Fees		310	
Employee Unemployment Contributions			8,218
Net Pay and Payroll Deduction Deposits	-	-	8,357,369
	<u>64,381</u>	<u>1,590</u>	<u>9,755,422</u>
	82,299	5,130	12,718,784
Decreased by Disbursements:			
Due State of NJ - Dog Registration Fees		296	
Reserve for Animal Control Expenditures		318	
Miscellaneous Reserves			877,285
Unemployment Claims Due to State			14,281
Escrow Deposits Payable			127,452
Tax Sale Premiums Refunded			256,400
Payments made to Current Fund	11,996	722	
Payments made to General Capital Fund	65,000		
Payments made to Swim Pool Utility Operating Fund			6,065
Payroll Disbursements	-	-	8,357,521
	<u>76,996</u>	<u>1,336</u>	<u>9,639,004</u>
Balance , December 31, 2016	<u>\$ 5,303</u>	<u>\$ 3,794</u>	<u>\$ 3,079,780</u>

**BOROUGH OF TOTOWA  
ANALYSIS OF ASSESSMENT CASH**

	Balance December 31, <u>2016</u>
Due to Current Fund	\$ 8,805
Due to General Capital Fund	421,718
Unfinanced Assessments	
Ord. 03-10 - Replacement of Sidewalks, Curbs and Driveways - Union Blvd. - Phase II	(425,220)
	\$ 5,303

EXHIBIT B-3

**STATEMENT OF ASSESSMENTS RECEIVABLE  
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, <u>2015</u>	<u>Collected</u>	Balance December 31, <u>2016</u>	Balance <u>Pledged to</u> Due General Capital Fund
08-04	Replacement of Sidewalks, Curbs and Driveways on Union Blvd.	\$ 166	\$ 166		
03-10	Replacement of Sidewalks, Curbs and Driveways on Union Blvd. - Phase II	480,564	55,344	\$ 425,220	\$ 425,220
		\$ 480,730	\$ 55,510	\$ 425,220	\$ 425,220

EXHIBIT B-4

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

Balance, December 31, 2015	\$ 11,930
Increased by:	
Interest on Deposits	\$ 66
Interest on Assessment	8,805
	8,871
	20,801
Decreased by:	
Payments Made to Current Fund	11,996
Balance, December 31, 2016	\$ 8,805

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

Balance, December 31, 2015		\$ 2,828
Increased by:		
Dog License Fees Collected		<u>1,270</u>
		4,098
Decreased by:		
Disbursements for Expenditures Under R.S. 4: 19~ 15.11	\$ 318	
Statutory Excess Due Current Fund	<u>1,196</u>	
		<u>1,514</u>
Balance, December 31, 2016		<u>\$ 2,584</u>

EXHIBIT B-6

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

Increased by:		
Dog License Registration Fees Collected		\$ 310
Decreased by:		
Payments		<u>296</u>
Balance, December 31, 2016		<u>\$ 14</u>

EXHIBIT B-7

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

Balance, December 31, 2015		\$ 712
Increased by:		
Interest Earnings Due to Current Fund	\$ 10	
Statutory Excess in Reserve for Animal Control Expenditures	<u>1,196</u>	
		<u>1,206</u>
		1,918
Decreased by:		
Payments to Current Fund		<u>722</u>
Balance, December 31, 2016		<u>\$ 1,196</u>

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

Balance, December 31, 2015		\$ 1,428,081
Increased by:		
Cash Receipts		150,362
		1,578,443
Decreased by:		
Cash Disbursements	\$ 127,452	
Cancelled Escrow Balances - Due to Current Fund	23,306	
		150,758
Balance, December 31, 2016		\$ 1,427,685

EXHIBIT B-9

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

Balance, December 31, 2015		\$ 184,969
Increased by:		
Transferred from 2015 Appropriation Reserves:		
Accumulated Absences Reserve	\$ 84,558	
Snow Removal Reserve	60,000	
Unemployment Insurance Reserve	14,000	
		158,558
		343,527
Decreased by:		
Receipts from Current Fund	65,925	
Receipts for Current Fund - Police Outside Duty Admin. Fees	91,455	
Cancelled Escrow Balances	23,306	
Interest on Deposits	4,283	
		184,969
Balance, December 31, 2016		\$ 158,558

Analysis of Balance

Escrow Account (Due From)		\$ 138,135
Unemployment Compensation Insurance Account (Due From)		14,000
Net Payroll Agency Account (Due To)		(2,660)
Payroll Agency Account (Due From)		9,083
		\$ 158,558

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

Balance, December 31, 2015		\$ 209,100
Increased by:		
Cash Receipts		<u>238,900</u>
		448,000
Decreased by:		
Payments		<u>256,400</u>
Balance, December 31, 2016		<u>\$ 191,600</u>

EXHIBIT B-11

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

Balance, December 31, 2015		\$ 10,575
Increased by:		
Net Pay	\$ 4,971,091	
Payroll Deductions	<u>3,386,278</u>	
		<u>8,357,369</u>
		8,367,944
Decreased by:		
Payroll Disbursements		<u>8,357,521</u>
Balance, December 31, 2016		<u>\$ 10,423</u>

EXHIBIT B-12

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

Increased by:		
Unemployment Claims		\$ 14,281
Decreased by:		
Payments to State		<u>\$ 14,281</u>

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

Balance, December 31, 2015		\$ 119,442
Increased by:		
2015 Appropriation Reserves:		
Due from Current Fund	\$ 14,000	
Due from Water Utility Operating Fund	3,500	
Due from Pool Utility Operating Fund	<u>100</u>	
	\$ 17,600	
Employee Payroll Deductions	8,218	
Interest on Deposits	<u>122</u>	
		<u>25,940</u>
		145,382
Decreased by:		
Unemployment Claims Due to State		<u>14,281</u>
Balance, December 31, 2016		<u>\$ 131,101</u>

EXHIBIT B-14

**STATEMENT OF MISCELLANEOUS RESERVES AND DPOSITS**  
**OTHER TRUST FUND**

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2016</u>
Reserve for Recycling Program Fees	\$ 107,113	\$ 34,474	\$ 16,086	\$ 125,501
Reserve for Centennial Club Donations	22,805			22,805
Reserve for Historical Society Donations	942			942
Reserve for Municipal Alliance Donations	62,237	5,214	7,625	59,826
Reserve for Recreation Program Fees	31,764	38,995	40,945	29,814
Reserve for Polling Place Deposit	146			146
Reserve for Affordable Housing Fees	675,590	15,684	84,112	607,162
Reserve for Police Outside Duty Fees	40,266	406,172	441,538	4,900
Reserve for Accumulated Absence Liability	349,294	84,558		433,852
Reserve for Snow Removal Costs	80,000	60,000		140,000
Reserve for Outside Lienholders Deposits		333,155	285,479	47,676
Reserve for Hickory Hill II Deposit	192			192
Reserve for POAA Fees	3,685	5,091	1,500	7,276
Reserve for Disposal of Forfeited Material Deposits	<u>1,034</u>	<u>3</u>	<u>-</u>	<u>1,037</u>
	<u>\$ 1,375,068</u>	<u>\$ 983,346</u>	<u>\$ 877,285</u>	<u>\$ 1,481,129</u>
Interest on Deposits		\$ 7,354		
Cash Receipts		831,434		
Due from Current Fund - 2015 Appropriation Reserves		144,558		
Cash Disbursements		<u>-</u>	<u>\$ 877,285</u>	
		<u>\$ 983,346</u>	<u>\$ 877,285</u>	

**GENERAL CAPITAL FUND**



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

Balance, December 31, 2015		\$ 1,458,207
Increased by:		
Interest Earnings	\$ 1,334	
Grant Receipts	768,157	
Reserve for Capital Improvements and Acquisitions	16,565	
Reserve for Land Sale	850	
Received from Current Fund	1,194,680	
Received from Assessment Trust Fund	65,000	
Received from Water Utility Capital Fund	<u>197,022</u>	
		<u>2,243,608</u>
		3,701,815
Decreased by:		
Improvement Authorizations	2,067,148	
Contracts Payable	<u>497,000</u>	
		<u>2,564,148</u>
Balance, December 31, 2016		<u>\$ 1,137,667</u>

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

	Balance, December 31, <u>2016</u>
Fund Balance	\$ 74
Capital Improvement Fund	479,853
Contracts Payable	765,476
Due to Current Fund	740,629
Due from Assessment Trust Fund	(421,718)
Grants Receivable	(675,222)
Reserve for Sewer Connection Charges	14,000
Reserve for Capital Improvements and Acquisitions	16,703
Reserve for Fire Truck	94,644
Reserve for Land Sale Proceeds	850
 Improvement Authorizations:	
 Ordinance	
<u>Number</u>	<u>Description</u>
08-04	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase I
03-10	Rep. of Sidewalks, Curbs and Driveway Aprons - Union Blvd.-Phase II
08-12/ 06-13/ 10-13/ 05-14/	
09-15/12-16	Various Sanitary Sewer, Storm Sewer, and Road Improvements
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)
12-13	Flood Acquisition Project
08-15	Improvements to Lincoln Field
10-15	Various Road Improvements
15-15	Various Capital Improvements
16-15	Purchase and Installation of a Generator
11-16	Various Capital Improvements
13-16	Installation of Tennis Courts at Lincoln Field
	131,945
	<u>\$ 1,137,667</u>

**BOROUGH OF TOTOWA  
STATEMENT OF GRANT RECEIVABLE**

Ord. No.	Agency	Balance, December 31, <u>2015</u>	Grant Award	<u>Collections</u>	Balance, December 31, <u>2016</u>	Balance, Pledged to Improvement Authorization	Reserve for Grants Receivable
08-12/ 06-13/							
10-13	Community Development Block Grant	\$ 20,392			\$ 20,392	\$ 20,392	
12-13	Community Development Block Grant	925,000		\$ 727,150	197,850		\$ 197,850
12-13	Green Acres Grant	325,000			325,000		325,000
05-14	Community Development Block Grant	10,581			10,581	10,581	
08-15	Passaic County Open Space	26,139		3,032	23,107	23,107	
09-15	Community Development Block Grant	106,581		37,975	68,606	68,606	
10-15	Dept. of Transportation Grant	318,750			318,750	318,750	
12-16	Community Development Block Grant		\$ 101,066		101,066	101,066	
13-16	Passaic County Open Space	-	132,720	-	132,720	132,720	-
		<u>\$ 1,732,443</u>	<u>\$ 233,786</u>	<u>\$ 768,157</u>	<u>\$ 1,198,072</u>	<u>\$ 675,222</u>	<u>\$ 522,850</u>

**STATEMENT OF DUE TO CURRENT FUND**

Balance, December 31, 2015	\$ 557,615
Increased by:	
Interest Earnings	\$ 1,334
Receipts from Current Fund	<u>1,194,680</u>
	1,196,014
	1,753,629
Decreased by:	
2016 Budget Appropriation:	
Capital Improvement Fund	856,000
Deferred Charge - Ord 03-13	<u>157,000</u>
	1,013,000
Balance, December 31, 2016	<u>\$ 740,629</u>

**STATEMENT OF DUE FROM ASSESSMENT TRUST FUND**

Balance, December 31, 2015	\$ 486,718
Decreased by:	
Received from Assessment Trust Fund	<u>65,000</u>
Balance, December 31, 2016	<u>\$ 421,718</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2015	Grant Proceeds Received	Funded by Budget Appropriation	Balance, December 31, 2016	Analysis of Balance December 31, 2016	
						Expenditures	Unexpended Improvement Authorizations
	<u>General Improvements</u>						
03-13	Replacement of 24" Sanitary Sewer Force Main	\$ 1,057,000		\$ 157,000	\$ 900,000	\$ 774,693	\$ 125,307
12-13	Flood Acquisition Project	1,250,000	\$ 727,150		522,850	341,406	181,444
	<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>236,282</u>	<u>-</u>	<u>-</u>	<u>236,282</u>	<u>-</u>	<u>236,282</u>
		<u>\$ 2,679,946</u>	<u>\$ 727,150</u>	<u>\$ 157,000</u>	<u>\$ 1,795,796</u>	<u>\$ 1,116,099</u>	<u>\$ 679,697</u>
	Due from Current Fund			<u>\$ 157,000</u>			
					Improvement Authorizations - Unfunded		<u>\$ 679,697</u>

**BOROUGH OF TOTOWA  
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2015	\$ 497,000
Increased by:	
Charged to Improvement Authorizations	<u>765,476</u>
	1,262,476
Decreased by:	
Cash Disbursements	<u>497,000</u>
Balance, December 31, 2016	<u>\$ 765,476</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2015	\$ 264,853
Increased by:	
2016 Budget Appropriation Due from Current Fund	<u>856,000</u>
	1,120,853
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>641,000</u>
Balance, December 31, 2016	<u>\$ 479,853</u>

**STATEMENT OF RESERVE FOR SEWER CONNECTION CHARGES**

Balance, December 31, 2015	\$ <u>14,000</u>
Balance, December 31, 2016	<u>\$ 14,000</u>

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

Balance, December 31, 2015	\$ 138
Increased by:	
Cash Receipts	<u>16,565</u>
Balance, December 31, 2016	<u>\$ 16,703</u>

**STATEMENT OF RESERVE FOR FIRE TRUCK**

Balance, December 31, 2015	<u>\$ 94,644</u>
Balance, December 31, 2016	<u>\$ 94,644</u>

**STATEMENT OF RESERVE FOR LAND SALE PROCEEDS**

Increased by:	
Cash Receipts	<u>\$ 850</u>
Balance, December 31, 2016	<u>\$ 850</u>

**BOROUGH OF TOTOWA  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2015		2016 Authorizations			Balance, December 31, 2016	
			Funded	Unfunded	Capital Improvement Fund	Grant Awards	Paid or Charged	Funded	Unfunded
<u>General Improvements</u>									
08-12/ 06-13/ 10-13/ 05-14/ 09-15/ 12-16	Various Sanitary Sewer, Storm Sewer and Road Improvements	\$ 928,429	\$ 159,209			\$ 101,066	\$ 86,929	\$ 173,346	
03-13	Replacement of 24" Sanitary Sewer Force Main(Phase IV)	1,110,000		\$ 1,054,650			929,343		\$ 125,307
12-13	Flood Acquisition Project	1,250,000		1,221,968			1,040,524		181,444
08-15	Improvements to Lincoln Field	127,677	23,107					23,107	
10-15	Various Road Improvements	858,000	574,419				339,334	235,085	
15-15	Various Capital Improvements and Acquisitions	600,000	380,136				276,137	103,999	
16-15	Purchase and Installation of a Generator	52,000	2,733					2,733	
11-16	Various Capital Improvements and Acquisitions	641,000			\$ 641,000		159,582	481,418	
13-16	Installation of Tennis Courts at Lincoln Field	132,720				132,720	775	131,945	
<u>Local Improvements</u>									
08-04	Replacements of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	488,000	35,970	136,664				35,970	136,664
03-10	Replacements of Sidewalks, Curbs and Aprons-Union Blvd.	970,000	50,874	236,282	-	-	-	50,874	236,282
			<u>\$ 1,226,448</u>	<u>\$ 2,649,564</u>	<u>\$ 641,000</u>	<u>\$ 233,786</u>	<u>\$2,832,624</u>	<u>\$ 1,238,477</u>	<u>\$ 679,697</u>
							Cash Disbursements	\$2,067,148	
							Contracts Payable	<u>765,476</u>	
								<u>\$2,832,624</u>	

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

Ord. No.	Purpose	Balance, December 31, 2015	Funded by Assessments Collected	Grant Proceeds Received	Funded by Budget Appropriation	Balance, December 31, 2016	
						Capital Fund	Trust Fund
08-04	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Boulevard	\$ 136,830	\$ 166			\$ 136,664	
03-10	Replacement of Sidewalks, Curbs and Driveway Aprons - Union Blvd. Phase II	716,846	55,344			236,282	\$ 425,220
03-13	Replacement of 24" Sanitary Sewer Force Main	1,057,000			\$ 157,000	900,000	
12-13	Flood Acquisition Project	<u>1,250,000</u>	<u>-</u>	<u>\$ 727,150</u>	<u>-</u>	<u>522,850</u>	<u>-</u>
		<u>\$ 3,160,676</u>	<u>\$ 55,510</u>	<u>\$ 727,150</u>	<u>\$ 157,000</u>	<u>\$ 1,795,796</u>	<u>\$ 425,220</u>



**WATER UTILITY FUND**

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2015	\$ 1,122,383	\$ 61,558
Increased by Receipts:		
Collector	\$ 3,108,174	
Interest Earned	4,950	
Non-Budget Revenues	31,155	
2016 Budget Appropriation:		
Capital Improvement Fund		\$ 60,000
Cost of Improvements	-	<u>200,000</u>
	<u>3,144,279</u>	<u>260,000</u>
	4,266,662	321,558
Decreased by Disbursements:		
2016 Budget Appropriations	2,822,792	
2015 Appropriation Reserves	17,490	
Encumbrances Payable	147,974	
Improvement Authorizations		118,604
Payments Made to Current Fund	257,743	
Payments Made to General Capital Fund	-	<u>197,022</u>
	<u>3,245,999</u>	<u>315,626</u>
Balance, December 31, 2016	<u>\$ 1,020,663</u>	<u>\$ 5,932</u>

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

Received in 2016		
Consumer Accounts Receivable	\$ 3,065,010	
Interest on Delinquent Accounts	37,036	
Overpayments	<u>6,128</u>	
		\$ 3,108,174
Decreased by:		
Payment to Treasurer		<u>\$ 3,108,174</u>

EXHIBIT D-7

**ANALYSIS OF CASH  
WATER UTILITY CAPITAL FUND**

		Balance, December 31, <u>2016</u>
Fund Balance		\$ 1,961
Capital Improvement Fund		72,108
Reserve for Water Tower Fees		14,219
Contracts Payable		13,269
Improvement Authorizations:		
<u>Ord. No.</u>	<u>Description</u>	
02-08	Acquisition of Pump for Shepherds Lane	3,885
12-01	Construction of Water Line @ Totowa Village	(183,577)
15-13	Abandonment of Shepherds Lane Pump Station	40,940
04-16	Repair of Water Main	<u>43,127</u>
		<u>\$ 5,932</u>

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

Balance, December 31, 2015		\$ 583,831
Increased by:		
Water Usage Charges Levied	\$ 2,766,884	
Miscellaneous Fees and Charges	<u>310,115</u>	
		<u>3,076,999</u>
Decreased by:		3,660,830
Collections:		
Water Usage Charges	\$ 2,766,247	
Miscellaneous Fees	<u>298,763</u>	
		3,065,010
Overpayments Applied - Water Usage Charges		4,206
Transferred to Water Utility Liens		<u>177</u>
		<u>3,069,393</u>
Balance, December 31, 2016		<u>\$ 591,437</u>

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

Balance, December 31, 2015		\$ 286
Increased by:		
Transferred from Consumers' Accounts Receivable		<u>177</u>
Balance, December 31, 2016		<u>\$ 463</u>

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

Balance, December 31, 2015		\$ 150,518
Increased by:		
Water Utility Operating Fund Expenditures Paid by Current Fund		<u>107,225</u>
		257,743
Decreased by:		
Payments to Current Fund		<u>\$ 257,743</u>

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

	Balance, December 31, <u>2015</u>	<u>Additions</u> Budget Capital Outlay	Balance, December 31, <u>2016</u>
Distribution Mains, Lines and Accessories	\$ 1,985,349		\$ 1,985,349
Pump Stations	971,218		971,218
Water Tanks and Towers	933,756		933,756
Water Meters and Hydrants	238,637	\$ 29,782	268,419
Vehicles and Heavy Equipment	61,108		61,108
Billing and Accounting Systems	31,011		31,011
Telemetry Machine	22,300		22,300
Supervisory Control and Data Acquisition System	-	42,800	42,800
	<u>\$ 4,243,379</u>	<u>\$ 72,582</u>	<u>\$ 4,315,961</u>
2016 Budget Appropriations		\$ 54,815	
2015 Appropriation Reserves		<u>17,767</u>	
		<u>\$ 72,582</u>	

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

		<u>Balance</u> December 31, <u>2015</u>	<u>2016 Authorizations</u> Deferred Reserve for Amortization	Balance, December 31, <u>2016</u>
Ord. No.	<u>Improvement Description</u>			
02-08	Acquisition of Pump for Shepards Lane	\$ 3,885		\$ 3,885
15-13	Abandonment of Shepherds Lane Pump Station	40,940		40,940
04-16	Repair of Water Main	-	\$ 175,000	175,000
		<u>\$ 44,825</u>	<u>\$ 175,000</u>	<u>\$ 219,825</u>

**BOROUGH OF TOTOWA  
STATEMENT OF 2015 APPROPRIATION RESERVES  
WATER UTILITY OPERATING FUND**

	Balance, December 31, <u>2015</u>	Encumbrance Payable <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<b>OPERATING</b>					
Salaries and Wages	\$ 3,447	\$ 2,285	\$ 5,732		\$ 5,732
Other Expenses	<u>21,325</u>	<u>8,112</u>	<u>29,437</u>	-	<u>29,437</u>
	<u>24,772</u>	<u>10,397</u>	<u>35,169</u>	-	<u>35,169</u>
<b>CAPITAL IMPROVEMENTS</b>					
Capital Outlay	<u>23,189</u>	-	<u>23,189</u>	\$ 17,767	<u>5,422</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>					
Contribution to					
Social Security System (O.A.S.I)	5,276		5,276		5,276
Unemployment Compensation Insurance	<u>3,500</u>	-	<u>3,500</u>	3,500	-
	<u>8,776</u>	-	<u>8,776</u>	3,500	<u>5,276</u>
	<u>\$ 56,737</u>	<u>\$ 10,397</u>	<u>\$ 67,134</u>	<u>\$ 21,267</u>	<u>\$ 45,867</u>
				Cash Disbursements \$ 17,490	
				Accounts Payable 277	
				Due to Other Trust Fund 3,500	
				<u>\$ 21,267</u>	

EXHIBIT D-14

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

Increased by:	
2015 Appropriation Reserves - Unemployment Compensation Insurance	<u>\$ 3,500</u>
Balance, December 31, 2016	<u>\$ 3,500</u>

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

Balance, December 31, 2015	\$ 197,022
Decreased by:	
Payments to General Capital Fund	<u>\$ 197,022</u>

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

Balance, December 31, 2015	\$ 158,371
Increased by:	
Charges to 2016 Budget Appropriations	<u>369,948</u>
	528,319
Decreased by:	
Cash Disbursements	\$ 147,974
Cancellations Restored to Appropriation Reserves	<u>10,397</u>
	<u>158,371</u>
 Balance, December 31, 2016	 <u>\$ 369,948</u>

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

Balance, December 31, 2015	\$ 2,765
Increased by:	
Charges to 2015 Appropriation Reserves	<u>277</u>
	3,042
Decreased by:	
Accounts Payable Cancelled	<u>2,765</u>
Balance, December 31, 2016	<u>\$ 277</u>

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

Balance, December 31, 2015	\$ 4,206
Increased by:	
Overpayments Received in 2016 Rents	<u>6,128</u>
	10,334
Decreased by:	
Overpayments Applied to 2016 Rents	<u>4,206</u>
Balance, December 31, 2016	<u>\$ 6,128</u>

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

Increased by:	
Charges to Improvement Authorizations	<u>\$ 13,269</u>
Balance, December 31, 2016	<u>\$ 13,269</u>



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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2015		2016 Authorizations Capital Improvement	Paid or Charged	Balance, December 31, 2016	
			Funded	Unfunded	Fund		Funded	Unfunded
02-08	Acquisition of Pump for Shepherds Lane		\$ 3,885				\$ 3,885	
15-13	Abandonment of Shepherds Lane Pump Station	\$ 110,000	40,940				40,940	
04-16	Repair of Water Main	175,000	-	\$ -	\$ 175,000	\$ 131,873	43,127	\$ -
			<u>\$ 44,825</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 131,873</u>	<u>\$ 87,952</u>	<u>\$ -</u>
					Cash Disbursements	\$ 118,604		
					Contracts Payable	13,269		
						<u>\$ 131,873</u>		

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

Balance, December 31, 2015	\$ 187,108
Increased by:	
2016 Budget Appropriation	<u>60,000</u>
	247,108
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>175,000</u>
Balance, December 31, 2016	<u>\$ 72,108</u>

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

Balance, December 31, 2015		\$ 3,859,802
Increased by:		
2016 Budget Appropriation - Cost of Improvements	\$ 200,000	
Capital Outlay		
2016 Budget Appropriation	\$ 54,815	
2015 Appropriation Reserves	<u>17,767</u>	
	<u>72,582</u>	<u>272,582</u>
Balance, December 31, 2016		<u>\$ 4,132,384</u>

EXHIBIT D-23

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

Ord. No. <u>Improvement Description</u>	Balance, December 31, <u>2015</u>	Fixed Capital <u>Authorized</u>	Balance, December 31, <u>2016</u>
02-08 Acquisition of Pump for Shepherds Lane	\$ 3,885		\$ 3,885
15-13 Abandonment of Shepherds Lane Pump Station	40,940		40,940
04-16 Repair of Water Main	<u>-</u>	\$ 175,000	<u>175,000</u>
	<u>\$ 44,825</u>	<u>\$ 175,000</u>	<u>\$ 219,825</u>

EXHIBIT D-24

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

Balance, December 31, 2015	\$ <u>14,219</u>
Balance, December 31, 2016	\$ <u>14,219</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>2015</u>	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2016</u>
12-01	Construction of Water Line @ Totowa Villages	\$ 383,577	\$ 200,000	\$ 183,577
		<u>\$ 383,577</u>	<u>\$ 200,000</u>	<u>\$ 183,577</u>

**SWIM POOL UTILITY FUND**

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2015	\$ 39,604	\$ 192
Increased by Receipts:		
Swim Pool Fees	\$ 57,612	
Received from Current Fund	20,489	
Received from Other Trust Fund	6,065	
Non-Budget Revenues	<u>64</u>	<u>-</u>
	84,230	-
	123,834	192
Decreased by Disbursements:		
2016 Budget Appropriations	98,601	
2015 Appropriation Reserves	<u>3,026</u>	<u>-</u>
	101,627	-
Balance, December 31, 2016	<u>\$ 22,207</u>	<u>\$ 192</u>

EXHIBIT E-6

**ANALYSIS OF SWIM POOL UTILITY CAPITAL FUND - CASH**

	Balance, December 31, <u>2016</u>
Fund Balance	<u>\$ 192</u>

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

<u>Description</u>	Balance, December 31, <u>2015</u>	<u>Additions</u> Budget Capital Outlay	Balance, December 31, <u>2016</u>
Improvement of Municipal Swimming Pool	\$ 120,143		\$ 120,143
Various Improvements on the Site of Existing Swimming Pool Facility	<u>119,627</u>	<u>\$ 1,042</u>	<u>120,669</u>
	<u>\$ 239,770</u>	<u>\$ 1,042</u>	<u>\$ 240,812</u>

EXHIBIT E-8

**STATEMENT OF 2015 APPROPRIATION RESERVES  
SWIM POOL UTILITY OPERATING FUND**

	Balance, December 31, <u>2015</u>	Balance After <u>Transfer</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses	\$ 5,433	\$ 5,433	\$ 3,012	\$ 2,421
<b>CAPITAL IMPROVEMENTS</b>				
Capital Outlay	14,602	14,602		14,602
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>				
Contribution to				
Social Security System (O.A.S.I.)	14	14	14	-
Unemployment Compensation Insurance (NJ 43:21-3 et seq.)	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
	<u>\$ 20,149</u>	<u>\$ 20,149</u>	<u>\$ 3,126</u>	<u>\$ 17,023</u>
			Cash Disbursed \$ 3,026	
			Due to Other Trust Fund <u>100</u>	
			<u>\$ 3,126</u>	
		Due to Current Fund		<u>\$ 17,023</u>

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

Balance, December 31, 2015 (Due to)	\$	24,516
Increased by:		
2015 Appropriation Reserves Cancelled - Prior Year Deficit Funding Returned	\$	17,023
Received from Current Fund		<u>20,489</u>
		<u>37,512</u>
		62,028
Decreased by:		
Anticipated Revenue - Deficit (General Budget)		<u>62,129</u>
Balance, December 31, 2016 (Due from)	\$	<u>101</u>

## EXHIBIT E-10

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

Balance, December 31, 2015 (Due from)	\$	6,065
Decreased by:		
2015 Appropriation Reserves - Unemployment Compensation Insurance	\$	100
Received from Other Trust Fund		<u>6,065</u>
		<u>6,165</u>
Balance, December 31, 2016 (Due to)	\$	<u>100</u>

## EXHIBIT E-11

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

Increased by:		
Charges to 2016 Budget Appropriations	\$	<u>1,452</u>
Balance, December 31, 2016	\$	<u>1,452</u>

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

Balance, December 31, 2015	\$ 395
Decreased by:	
Accounts Payable Cancelled	<u>\$ 395</u>

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

Balance, December 31, 2015	\$ 239,770
Increased by:	
Capital Outlay - Operating Budget	<u>1,042</u>
Balance, December 31, 2016	<u>\$ 240,812</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, 2015	\$ 17,937	\$ 7,333	\$ 10,604
Increased by:			
State Aid	34,400		34,400
Interest Earned	<u>29</u>	<u>17</u>	<u>12</u>
	<u>34,429</u>	<u>17</u>	<u>34,412</u>
	52,366	7,350	45,016
Decreased by:			
Public Assistance Expenditures Eligible for State Aid	31,959		31,959
Payments to Current Fund	<u>19</u>	<u>19</u>	<u>-</u>
	<u>31,978</u>	<u>19</u>	<u>31,959</u>
Balance, December 31, 2016	<u>\$ 20,388</u>	<u>\$ 7,331</u>	<u>\$ 13,057</u>

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

Balance, December 31, 2015	\$	2
Increased by:		
Interest Earnings		17
		19
Decreased by:		
Payments to Current Fund	\$	19

EXHIBIT F-3

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2015	\$ 17,935	\$ 7,331	\$ 10,604
Increased by:			
Revenues	34,412	-	34,412
	52,347	7,331	45,016
Decreased by:			
Expenditures	31,959	-	31,959
Balance, December 31, 2016	\$ 20,388	\$ 7,331	\$ 13,057

EXHIBIT F-4

**STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
State Aid Payments	\$ 34,400		\$ 34,400
Interest Earnings	12	-	12
Total Revenues	34,412	-	34,412
Interest Earnings - Due to Current Fund	17	\$ 17	-
Total Receipts	\$ 34,429	\$ 17	\$ 34,412

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

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Current Year Assistance (State Matching)			
Maintenance	\$ 9,660		\$ 9,660
Temporary Rental Assistance	18,699		18,699
Rent	<u>3,600</u>	<u>-</u>	<u>3,600</u>
 Total Expenditures	 31,959	 -	 31,959
 Due to Current Fund	 <u>19</u>	 <u>\$ 19</u>	 <u>-</u>
 Total Disbursements	 <u>\$ 31,978</u>	 <u>\$ 19</u>	 <u>\$ 31,959</u>

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

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**PART II  
GOVERNMENT AUDITING STANDARDS  
AND  
SINGLE AUDIT**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 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 matters 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 questioned costs as item 2016-001.


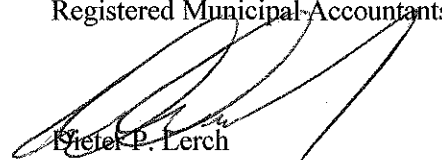
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Totowa in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

### **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 questioned costs. 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  
  
Peter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
April 24, 2017



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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ELIZABETH A. SHICK, CPA, RMA, PSA  
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SHERYL M. NICOLosi, CPA  
ROBERT AMPONSAH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY U.S. UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Borough of Totowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Borough of Totowa's major federal programs for the year ended December 31, 2016. The Borough of Totowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Borough of Totowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and U.S. Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Totowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

### ***Opinion on Each Major Federal Program***

In our opinion, the Borough of Totowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

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

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

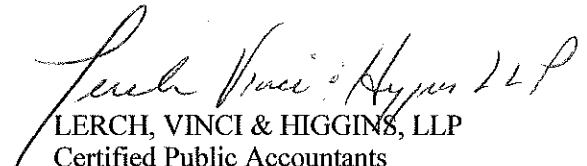
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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


The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance**

We have audited the financial statements - regulatory basis of the Borough of Totowa as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated April 24, 2017, which contained a modified opinion on those financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared in accordance with the regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform Guidance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
April 24, 2017

**BOROUGH OF TOTOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Program</u>		<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Award Amount</u>	<u>2016 Grant Receipts</u>	<u>Balance January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance December 31, 2016</u>	<u>Cumulative Expended</u>
U.S. Dept. of Housing and Urban Development											
Community Development Block Grant (Passed through the County of Passaic)			14.218								
Sewer Main Improvements Ord. 10-2013	Capital	N/A		2013	\$ 7,100		\$ 1,914			\$ 1,914	\$ 5,186
Flood Acquisition Project Ord. 12-2013	Capital	N/A		2013	925,000	\$ 727,150	896,968	\$ 699,118		197,850	727,150
Sewer Main Improvements Ord. 05-2014	Capital	N/A		2014	105,432		10,581			10,581	94,851
Sewer Main Improvements Ord. 09-2015	Capital	N/A		2015	106,581	37,975	106,581		104,670	1,911	104,670
Sewer Main Improvements Ord. 12-2016	Capital	N/A		2015	101,066		-	\$ 101,066	-	101,066	-
<b>Total Community Development Block Grant Cluster</b>							<u>1,016,044</u>	<u>101,066</u>	<u>803,788</u>	<u>313,322</u>	<u>931,857</u>
U.S. Department of Homeland Security (Passed through State Dept. of Law and Public Safety)											
Public Assistance Grant (FEMA)			97.036								
Hurricane Irene	Current	066-1200-100-A70		2016	281,062	281,062		281,062	281,062	-	281,062
Superstorm Sandy	Current	066-1200-100-A92		2016	63,421	63,421	-	63,421	63,421	-	63,421
<b>Total Public Assistance Grant Cluster</b>							<u>-</u>	<u>344,483</u>	<u>344,483</u>	<u>-</u>	<u>344,483</u>
Assistance to Firefighters	Current	N/A	97.044		87,566		3,543			3,543	84,023
Hazard Mitigation Grant Program	Current	HMGP-DR-4086-NJ-0153	97.039	2015	265,764		190,764			190,764	75,000
U.S. Dept. of Transportation											
(Passed through the State Dept. of Transportation)											
Highway Planning and Construction:			20.205								
Safe Corridors Program	Current	078-6100-100-051		2016	5,205	5,205		5,205		5,205	
				2015	10,434		10,434			10,434	
				2014	8,797		8,797			8,797	
				2012	8,995		8,995			8,995	
<b>Total Safe Corridors Cluster</b>							<u>28,226</u>	<u>5,205</u>	<u>-</u>	<u>33,431</u>	<u>-</u>
							<u>\$ 1,238,577</u>	<u>\$ 450,754</u>	<u>\$ 1,148,271</u>	<u>\$ 541,060</u>	<u>\$ 1,435,363</u>

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**BOROUGH OF TOTOWA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2016 Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Balance, December 31, 2016</u>	<u>Cumulative Expended</u>
Drug and Alcohol Municipal Alliance	N/A	2016	\$ 22,440			\$ 22,440	\$ 18,909		\$ 3,531	\$ 18,909
		2015	22,440	\$ 23,118	\$ 11,459		49		11,410	11,030
		2014	23,533		3,520				3,520	20,013
		2013	24,625		16,256				16,256	8,369
		2012	25,163		3,356				3,356	21,807
		2011	25,163		2,258				2,258	22,905
		2010	27,200		492		-	-	492	26,708
Total Municipal Alliance Cluster					37,341	22,440	18,958	-	40,823	129,741
Clean Communities Grant Program	42-4900-765-004	2016	23,023	23,023						
		2015	20,138			20,138			20,138	-
		2014	16,557		16,557				16,557	-
		2013	17,654		17,654				17,654	-
		2012	15,037		15,037		8,146		6,891	8,146
		2011	15,209		1,055		1,055		-	15,209
Total Clean Communities Cluster					50,303	20,138	9,201	-	61,240	23,355
Drunk Driving Enforcement Fund	1110-448-031020-22	2016	51,092	51,092		51,092	28,908		22,184	28,908
		2003	647		647				647	-
		2000	1,429		81				81	1,348
		1998	4,399		660				660	3,739
		1997	2,926		750				750	2,176
		1996	4,019		358		-	-	358	3,661
Total Drunk Driving Enforcement Cluster					2,496	51,092	28,908	-	24,680	39,832
Alcohol Education and Rehabilitation	16-9735-760-001	2016	2,599	2,599						
		2015	4,243			4,243			4,243	-
		2014	2,777		2,777		1,750		1,027	1,750
		2013	3,325		2,602				2,602	723
		2012	2,051		62		-	-	62	1,989
Total Alcohol Education and Rehabilitation Cluster					5,441	4,243	1,750	-	7,934	4,462
Safe and Secure Communities Program	66-1020-100-232	2016	60,000	60,000		60,000	60,000		-	60,000

**BOROUGH OF TOTOWA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2016 Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Program Income</u>	<u>Balance, December 31, 2016</u>	<u>Cumulative Expended</u>
Body Armor Replacement Fund	66-1020-718-001	2016	\$ 3,754	\$ 3,754						
		2015	3,281			\$ 2,857			\$ 2,857	-
		2014	6,034	720	\$ 6,034				6,034	-
		2013	7,872		4,726	-	\$ 3,540	-	1,186	\$ 6,686
Total Body Armor Replacement Cluster					10,760	2,857	3,540	-	10,077	6,686
Recycling Tonnage Grant	42-4900-752-001	2015	13,309	13,309		13,309	13,309		-	13,309
Recycling Bonus Grant	42-4900-752-001	2016	4,250	4,250	-	4,250	4,250	-	-	4,250
Total Recycling Cluster					-	17,559	17,559	-	-	17,559
Department of Transportation										
Hobart Place Improvements (Ord. 10-15)	078-6320-480-xxx	2015	140,000		140,000				140,000	-
Hobart Pl & Gordon Ave - Final Phase (Ord. 10-15)	078-6320-480-xxx	2015	145,000		145,000	-	-	-	145,000	-
Total Department of Transportation Cluster					285,000	-	-	-	285,000	-
Green Acres Grant (Ord. 12-2014)	1612-12-015	2013	325,000		325,000				325,000	-
Department of Human Services										
General Assistance	54-7550-100-121	2015	36,300		10,604	34,400	31,959	\$ 12	13,057	31,959
					\$ 726,945	\$ 212,729	\$ 171,875	\$ 12	\$ 767,811	\$ 313,594

Note: This schedule is not subject to a Single Audit in accordance with NJ OMB Circular 15-08.

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

**BOROUGH OF TOTOWA  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 349,688	\$ 178,329	\$ 528,017
General Capital Fund	101,066		101,066
Public Assistance Fund	<u>-</u>	<u>34,400</u>	<u>34,400</u>
Total Financial Awards	<u>\$ 450,754</u>	<u>\$ 212,729</u>	<u>\$ 663,483</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**NOTE 5 DE MINIMIS INDIRECT COST RATE**

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

**BOROUGH OF TOTOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued on financial statements Unmodified - Regulatory Basis

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? \_\_\_\_\_ yes  X  no

**Federal Awards Section**

Internal Control over major programs:

1) Material weakness(es) identified \_\_\_\_\_ yes  X  no

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

Type of auditor's report used on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no



**BOROUGH OF TOTOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*Part I – Summary of Auditor's Results*

**State Awards Section**

NOT APPLICABLE

**BOROUGH OF TOTOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 2016-001**

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

**Criteria or specific requirement**

Encumbrance Accounting System N.J.A.C. 5:30-5.3.

**Condition**

Four (4) contracts awarded during the year did not have a purchase order created to encumber available funds.

**Context**

Four (4) contracts were awarded for various capital projects in the General Capital Fund totaling \$424,316 and Water Utility Operating Fund totaling \$42,800.

**Effect**

Available balances for projects may not be properly stated due to contract awards that are not encumbered in the internal accounting records.

**Cause**

Purchase orders were not created upon award of contracts.

**Recommendation**

Internal control procedures be revised to ensure purchase orders are issued upon the award of contracts.

**View of Responsible Official and Planned Corrective Action**

Management has reviewed this finding and indicated corrective action will be developed and implemented in 2017 to address this finding.

**BOROUGH OF TOTOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

**CURRENT YEAR FEDERAL AWARDS**

There were none.

**CURRENT YEAR STATE AWARDS**

NOT APPLICABLE.

**BOROUGH OF TOTOWA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

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

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**PART III**

**SUPPLEMENTARY DATA  
LETTER OF COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2016**

**BOROUGH OF TOTOWA  
SUPPLEMENTARY DATA**

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

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,900,000	3.17 %	\$ 1,895,000	3.25 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,877,257	6.47	3,855,005	6.62
Collection of Delinquent Taxes	1,108,378	1.85	577,109	0.99
Collection of Current Tax Levy	52,567,125	87.69	50,877,955	87.37
Other Credits to Income	<u>495,135</u>	<u>0.82</u>	<u>1,029,594</u>	<u>1.77</u>
Total Income	<u>59,947,895</u>	<u>100.00 %</u>	<u>58,234,663</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	15,729,470	27.40 %	15,741,674	29.30 %
County Taxes	16,605,743	28.93	16,323,253	26.14
Local and Regional School Taxes	24,875,722	43.33	24,049,220	44.52
Other Expenditures	<u>195,228</u>	<u>0.34</u>	<u>93,295</u>	<u>0.04</u>
Total Expenditures	<u>57,406,163</u>	<u>100.00 %</u>	<u>56,207,442</u>	<u>100.00 %</u>
Statutory Excess to Fund Balance	2,541,732		2,027,221	
Fund Balance, January 1	<u>2,726,389</u>		<u>2,594,168</u>	
	5,268,121		4,621,389	
Less Utilization as Anticipated Revenue	<u>1,900,000</u>		<u>1,895,000</u>	
Fund Balance, December 31	<u>\$ 3,368,121</u>		<u>\$ 2,726,389</u>	

**BOROUGH OF TOTOWA  
SUPPLEMENTARY DATA**

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

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 357,000	10.06 %	\$ 282,384	7.51 %
Collection of Water Usage Charges	2,770,453	78.09	2,947,134	78.39
Miscellaneous - From Other Than				
Water Usage Charges	371,904	10.48	319,952	8.51
Other Credits to Income	<u>48,632</u>	<u>1.37</u>	<u>209,945</u>	<u>5.59</u>
Total Income	<u>3,547,989</u>	<u>100.00</u> %	<u>3,759,415</u>	<u>100.00</u> %
<b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Operating	2,883,524	85.38 %	2,716,084	86.19 %
Capital Improvements	140,000	4.14	90,000	2.85
Deferred Charges and Statutory Expenditures	<u>353,650</u>	<u>10.48</u>	<u>345,300</u>	<u>10.96</u>
Total Expenditures	<u>3,377,174</u>	<u>100.00</u> %	<u>3,151,384</u>	<u>100.00</u> %
Statutory Excess to Fund Balance	170,815		608,031	
Fund Balance, January 1	<u>749,786</u>		<u>424,139</u>	
	920,601		1,032,170	
Less Utilization as Anticipated Revenue	<u>357,000</u>		<u>282,384</u>	
Fund Balance, December 31	<u>\$ 563,601</u>		<u>\$ 749,786</u>	

**BOROUGH OF TOTOWA  
SUPPLEMENTARY DATA**

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

	<u>Year 2016</u>			<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Collection of Swimming Pool Fees	\$ 57,612	99.21 %	\$	54,426	99.45 %
Miscellaneous	64	0.11		57	0.10
Other Credits to Income	<u>395</u>	<u>0.68</u>		<u>244</u>	<u>0.45</u>
 Total Income	 <u>58,071</u>	 <u>100.00</u> %		 <u>54,727</u>	 <u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	100,600	83.69 %		98,200	83.15 %
Capital Improvements	15,000	12.48		15,000	12.70
Deferred Charges and Statutory Expenditures	<u>4,600</u>	<u>3.83</u>		<u>4,900</u>	<u>4.15</u>
 Total Expenditures	 <u>120,200</u>	 <u>100.00</u> %		 <u>118,100</u>	 <u>100.00</u> %
Deficit in Revenue	(62,129)			(63,373)	
Adjustments to Income Before Fund Balance					
Realized from General Budget for Anticipated Deficit	<u>62,129</u>			<u>63,373</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>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$2.349</u>	<u>\$2.284</u>	<u>\$2.122</u>

Apportionment of Tax Rate

Municipal	.511	.503	.4960
Library	.032	.031	.0292
County	.713	.698	.5818
County – Open Space	.010	.010	.0087
Local District School	.332	.638	.6096
Regional High School	.418	.404	.3967

Assessed Valuation

2016	<u>\$2,296,097,333</u>	
2015		<u>\$2,308,222,024</u>
2014		<u>\$2,299,478,936</u>

**Comparison of Tax Levies and Collection**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 53,991,677	\$ 53,067,125	98.28%
2015	52,733,276	51,377,955	97.42%
2014	48,822,064	48,175,347	98.67%

**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>
2016	\$ 757,878	\$ 3,547	\$ 761,425	1.41%
2015	1,106,878	2,363	1,109,241	2.10%
2014	577,504		577,504	1.18%

**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>
2016	\$72,900
2015	72,900
2014	72,900

**Comparison of Water Utility Levies**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(*)</u>	<u>Percentage of Collection</u>
2016	\$3,076,999	\$3,069,216	99.75%
2015	3,256,980	3,234,836	99.32%
2014	3,026,736	2,998,012	99.05%

\*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	2016	\$3,368,121	\$1,900,000
	2015	2,726,389	1,900,000
	2014	2,594,168	1,895,000
	2013	2,501,448	1,895,000
	2012	2,468,437	1,800,000
Water Utility Fund	2016	\$563,601	\$339,000
	2015	749,786	357,000
	2014	424,139	282,384
	2013	298,604	200,000
	2012	266,135	200,000
Swim Pool Utility Operating Fund	2016	\$609	
	2015	609	
	2014	609	
	2013	609	
	2012	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		
William Bucher	Councilman		
Louis D'Angelo	Councilman		
Carolyn Fontanella	Councilwoman		
Anthony Picarelli	Councilman		
Philip Puglise	Councilman		
Joseph Wassel	Borough Clerk		
	Unconfirmed Assessment Search Officer		
	Certifying Agent - Retirement Systems		
John Waryas	Deputy Water Registrar		
Elaine Reddin	Tax Collector	(a)	
Lisa Nash	Treasurer/CFO	(a)	
Kathryn Wasilewski	Deputy Borough Clerk		
Jennifer Bernardo	Water Registrar	(a)	
Curt T. Masklee	Tax Assessor		
Allan Burghardt	Construction Official, Building Sub-Code Official		
Ernest Paese	Sewer Plant Superintendent		
Michael Baker	Plumbing Sub-Code Official		
Robert Corrado	Attorney		
John Clarke	Prosecutor		
Ramsey Merhi	Public Defender		
Alaimo Engineering	Borough Engineer and Consulting Engineer		
Thomas Watkins	Treasurer of Library	(a)	
Mario Batelli	Judge	(a)	
Maryann Coral	Court Administrator	(a)	
Sue D'Aiuto	Bd. of Health Clerk and Registrar		
Robert W. Coyle	Chief of Police		

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

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

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

**GENERAL COMMENTS**

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

**Prior Year Findings Unresolved**

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

Our audit of the Swim Pool revenue collections and accounting records revealed the following:

- The daily cash receipt journals maintained by the pool manager for revenues collected were not complete.
- There are no control procedures or reporting requirements over concession stand sales at the pool.

It is recommended that continued efforts be made to improve the Swim Pool revenue collection, accounting and reporting system to ensure transactions are properly documented and recorded.

**Current Year Findings**

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

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

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

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

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

- |  |                           |
|--|---------------------------|
| Sanitary Sewer Main Rehabilitation, Phase IV | Hobart Place Improvements |
| Solid Waste Collection Services              | 2015 Road Program         |
| Water Main Repair Project                    | Purchase of Scada System  |
| Purchase of Fire Hydrants                    | Purchase of Sewer Jetter  |
| Demolition of Homes for CDBG-DR 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.

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

**GENERAL COMMENTS (Continued)**

**Collection of Interest of Delinquent Taxes, Assessments and Water Charges**

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

The Governing Body on January 1, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes and water accounts:

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

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

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

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

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

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 20, 2016.

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>
2016	1
2015	1
2014	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.

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

**GENERAL COMMENTS (Continued)**

**APPRECIATION**

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

**Suggestions to Management**

- The Borough continue its review of both water purchases from Passaic Valley Water Commission and water consumption billed to its customers in the Water Utility Operating Fund.

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

**RECOMMENDATIONS**

It is recommended that:

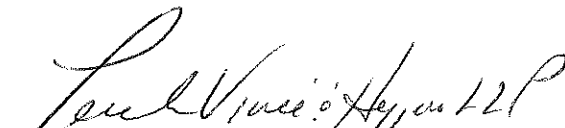
1. Internal control procedures be revised to ensure purchase orders are issued upon the award of contracts.
- \* 2. Continued efforts be made to improve the Swim Pool revenue collection, accounting and reporting system to ensure transactions are properly documented and recorded.
3. A detailed and complete cash receipts journal be maintained for amounts collected by the recreation department.

\*\*\*\*\*

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

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

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

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

  
Dieter P. Lerch  
Certified Public Accountant  
RMA Number CR00398