

**TOTOWA BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Totowa, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Totowa Board of Education**

**Totowa, New Jersey**

**For The Fiscal Year Ended June 30, 2015**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**

**BOROUGH OF TOTOWA PUBLIC SCHOOLS**  
10 Crews Street  
TOTOWA, NEW JERSEY 07512  
**OFFICE OF THE CHIEF SCHOOL ADMINISTRATOR**  
Patricia Capitelli

Tel: 973-956-0010

Fax: 973-956-9859

January 7, 2016

Honorable President and  
Members of the Board of Education  
Totowa School District  
Passaic County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Totowa School District for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Totowa Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No 34. The basic financial statements also include individual fund statements, notes to the financial statements and required supplementary information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

**1. REPORTING ENTITY AND ITS SERVICES:**

The Totowa School District an Independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the district are included in this report. The Totowa Board of Education and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-Kindergarten, Kindergarten, and grades one through eight. These include regular, as well as special education for handicapped students. The

District completed the 2014-2015 fiscal year with an enrollment of 1083 students. The following details the changes in the student enrollment of the District over the last five years.

**Average Daily Enrollment**

(Data Source: ASSA Report, including SE Students)

Fiscal Year	Student Enrollment 10/15	Total (End of Year)
10/11	989	1037
11/12	956	995
12/13	968	1013
13/14	1024	1069
14/15	1018	1083

**2. ECONOMIC CONDITION AND OUTLOOK:**

The Totowa area has completed an era of development and expansion that is expected to stabilize. The number of businesses relocating to the area result in a stabilized level tax base; both residential and industrial, and a stabilized annual daily enrollment. The attractiveness of the Totowa tax base and the progressive school system has been the catalyst for the purchase of houses for many families looking for housing.

**3. MAJOR INITIATIVES:**

**A. Totowa Education Foundation, Inc.**

The Totowa Education Foundation, Inc. has continued to flourish throughout the 2014-2015 school year. Students continued to engage in Foundation programs offered at no cost to our taxpayers. Continued success of Foundation programs is due to the commitment made from the administrative staff of the Totowa School District.

The Foundation sponsored "Kops for Kids" and "Totowa Preschool (TPK) Kops for Kids" programs (September through June) and the "Kops for Kids Summer Program" (July and August) continues to provide an important service to the community, as well as generating the majority of the revenue for extracurricular programming and technological equipment.

Extracurricular programming continued during the 2014-2015 school year. The middle school bowling league continues along with the interscholastic traveling boys basketball team and a girls traveling basketball team. The 2001-2002 school year saw the inaugural annual musical production for middle school students complete with singing, dancing and a pit band. The musicals performed were:

<i>Bye, Bye Birdie</i>	- 2001-2002
<i>Guys and Dolls</i>	- 2002-2003
<i>The Music Man</i>	- 2003-2004
<i>The Wizard of Oz</i>	- 2004-2005
<i>Oliver</i>	- 2005-2006
<i>Oklahoma</i>	- 2006-2007
<i>Godspell</i>	- 2007-2008
<i>Grease</i>	- 2008-2009
<i>West Side Story</i>	- 2009-2010
<i>Little Shops of Horror</i>	- 2010-2011
<i>Anne</i>	- 2011-2012
<i>The Wiz</i>	- 2012-2013
<i>The Little Mermaid</i>	- 2013-2014
<i>Beauty and the Beast</i>	- 2014-2015

B. Community Partnerships - The PTO, Dwight D. Eisenhower Library, Police and Fire Department as well as the many local business make Totowa a community that works together.

The PTO serves as one of the District's strongest supporters and child advocate organizations. Extensive cultural arts offerings are financed through the efforts of the PTO. Through the Tricky Tray and Fall Fundraiser, two major sources of revenue, the PTO has continued to fund major initiatives in the district. In the past, PTO funds (50% of Tricky Tray revenues) have been used for technology equipment, umbrellas for the outdoor lunch (picnic) tables for students, cultural arts programs, the eighth grade dance, and an eighth grade trip to a Broadway play.

Dwight D. Eisenhower Library and the school continue to cooperate in a collaborative jointure. The PTO sponsored their annual Book Fair with over 100 parents and students participating in the evening program.

Partnership with Totowa Police Department: The administration and Board of Education have continued their partnership with the Totowa Police Department to contract with, at a reduced rate, three full time armed Totowa active duty police officers at a cost of \$40.00 per hour per officer. In addition, two recently retired Totowa Police Department officers are contracted.

Partnership with Municipal Alliance: The administration and Board of Education have continued their partnership with the Municipal Alliance during the 2014-2015 school year. The Municipal Alliance helps run programs such as Senior Citizen luncheons, Community Awareness, and school based prevention programs.

Partnership with Totowa Fire Department: The administration and the Board of Education have continued their partnership with the Totowa Fire Department during the 2014-2015 school year. The Fire Department provides programs and hands-on activities to educate our students about fire prevention and safety.

#### **4. FACILITIES -**

The district's Long Range Facilities Plan is approved annually. Dr. Varcadipane completed the original plan with no additional cost to the board. The model proposal was to construct classrooms and a gymnasium on to Washington Park School. During the 2014-2015 school year, new carpet has been installed at Memorial School as well as the addition of a bathroom in one of the classrooms. The parking lots at both Memorial School and Washington Park School were also paved during the school year.

#### **5. INTERNAL ACCOUNTING CONTROLS -**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is also subject to periodic evaluation by the district management.

As a part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulation.

**6. BUDGETARY CONTROLS -**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

**6A. PROPRIETARY FUNDS -**

This fund is established for the operation of food services, providing school lunch to the students of the district. This fund is financed and operated in a manner similar to private business enterprises. This fund is self-supporting primarily through recovered user charges and aid from the State of New Jersey.

**7. ACCOUNTING SYSTEM AND REPORTS -**

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds.

**8. CASH MANAGEMENT -**

The investment policy of the district is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with this Act.

**9. OTHER INFORMATION**

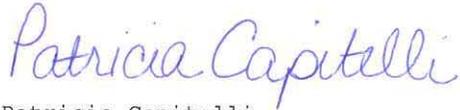
**A. Independent Audit -**

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements and individual fund financial statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

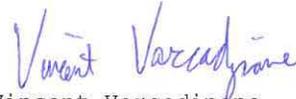
10. **ACKNOWLEDGEMENTS** -

We would like to express our appreciation to the members of the Totowa School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Patricia Capitelli  
Chief School Administrator



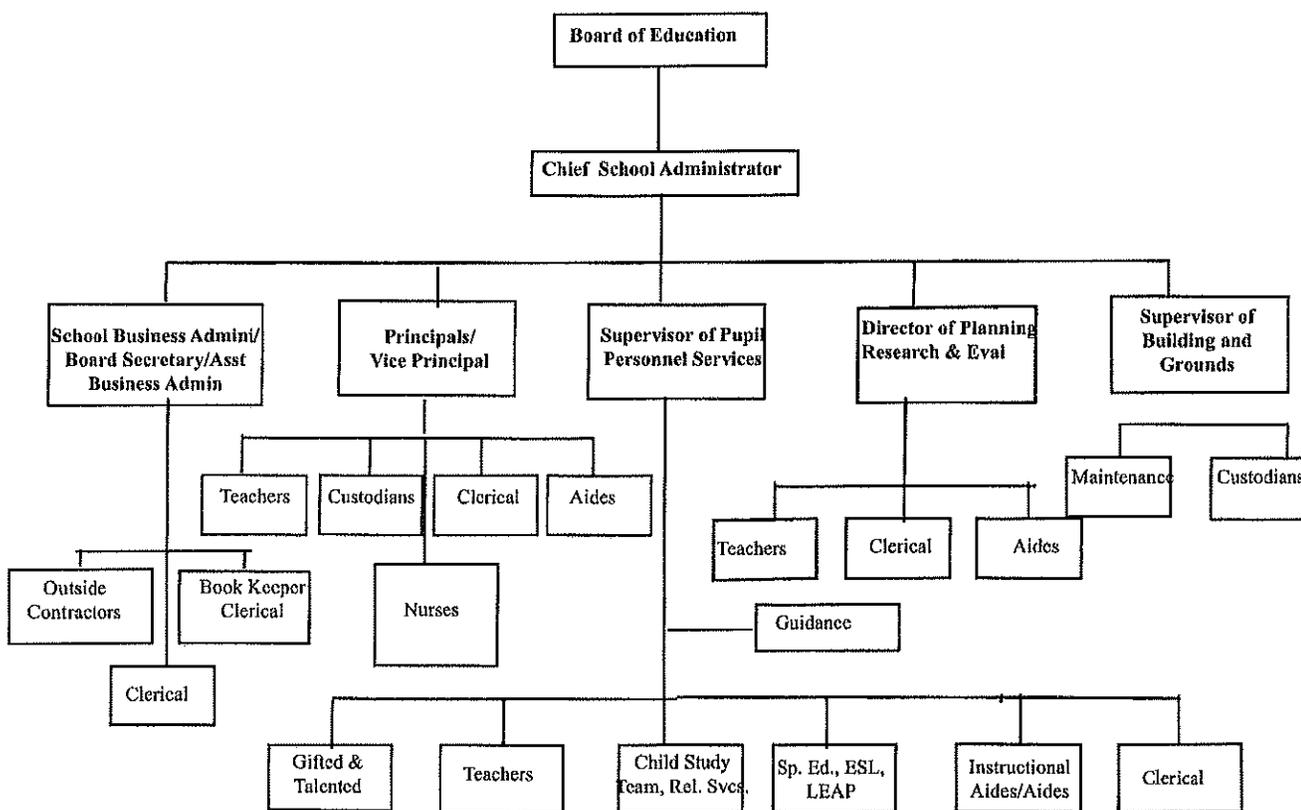
Vincent Varcadipane  
School Business Administrator/  
Board Secretary

# POLICY

## BOARD OF EDUCATION BOROUGH OF TOTOWA

ADMINISTRATION  
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Organizational Chart

### 1110 ORGANIZATIONAL CHART



REVISED: October 21, 2015 - Totowa Board of Education

**TOTOWA BOARD OF EDUCATION**

**ROSTER OF OFFICIALS  
JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michelle Ruocco, President	2016
Thomas Ferraro, Vice-President	2017
Gary Bierach	2016
Rosemarie Carr	2016
Jennifer DeCeglie	2017
Marcello Guarneri	2018
Kenneth Kerwin	2018
Sanders Reynoso	2017
Keith Schaffer	2018
<u>Other Officials</u>	
Vincent Varcadipane, Ed.D., Chief School Administrator	
Colin Monahan, Board Secretary/School Business Administrator	
Lisa Nash, Treasurer of School Monies	
Raymond B. Reddin, Attorney	

**TOTOWA BOARD OF EDUCATION**  
**Consultants and Advisors**

**Audit Firm**

Lerch, Vinci & Higgins, LLP  
17-17 Route 208N  
Fair Lawn, New Jersey 07410

**Attorney**

Raymond B. Reddin  
Piro, Zinna, Cifelli, Paris & Genitempo  
360 Passaic Avenue  
Nutley, New Jersey 07110-2787

**Official Depository**

Valley National Bank  
55 Union Boulevard  
Totowa, New Jersey 07512

**FINANCIAL SECTION**



# 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  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
KATHLEEN WANG, CPA  
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
Totowa Board of Education  
Totowa, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

### *Adoption of New Accounting Pronouncement*

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Totowa Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

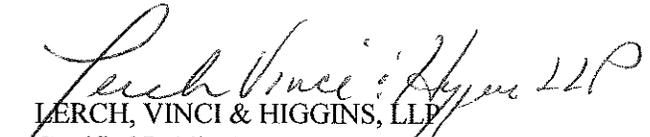
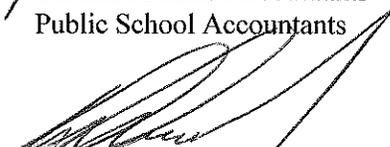
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Totowa Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Totowa Board of Education.

The combining fund financial statements, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2016 on our consideration of the Totowa Board of Education'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 Totowa Board of Education's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants  
  
Dieter P. Lerch  
Public School Accountant  
PSA Number CS00756

Fair Lawn, New Jersey  
January 8, 2016

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Totowa Board of Education Totowa, New Jersey**

## **Management's Discussion and Analysis Year Ended June 30, 2015**

This section of the Totowa Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2014-2015 fiscal year are as follows:

- The assets of the Totowa Board of Education exceeded its liabilities at the close of the fiscal year by \$1,406,595 (net position).
- The District's total net position increased through current year operations by \$5,922.
- Total district-wide revenues were \$19,012,311. General revenues accounted for \$14,060,506 or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,951,805 or 26% of total revenues.
- The school district had \$18,596,285 in expenses for governmental activities; only \$4,546,549 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$14,060,249 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,785,625. Of this amount, \$5,687 is restricted for capital reserve. After deducting statutory reserves and year end encumbrances, \$302,136 is available for spending at the District's discretion (unassigned fund balance – General Fund).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Totowa Board of Education.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Totowa Board of Education's overall financial status.

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

- The remaining statements are fund financial statements that focus on individual parts of the Totowa Board of Education, reporting the Board's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 summarizes the major features of the Board's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:
Required financial Statements	Statements of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances	Food Service  Statement of Net Position  Statement of Revenues, Expenses, and Changes in Fund Net Position  Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows/inflows of resources and liability information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, and short-term and long-Term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

# Totowa Board of Education Totowa, New Jersey

## Management's Discussion and Analysis (continued) Year Ended June 30, 2015

### District-Wide Statements

The district-wide statements report information about the Totowa Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows/inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

In the district-wide financial statements the district's activities are shown in two categories:

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds – focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The district uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

The district has three kinds of funds:

- *Governmental funds*- Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- *Fiduciary funds*- The District is the trustee, or *fiduciary*, for assets that belong to others such as payroll and payroll agency funds, as well as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOTOWA BOARD OF EDUCATION AS A WHOLE**

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 provides a summary of the school district's net position for 2015 and 2014.

**Net Position.** The district's combined net position were \$1,406,595 and \$1,400,673, as restated, on June 30, 2015 and 2014, respectively. (See Table A-1).

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**Table A-1  
Statement of Net Position  
as of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u> (Restated)	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u> (Restated)
Current Assets	\$ 2,931,942	\$ 3,482,090	\$ 136,994	\$ 142,079	\$ 3,068,936	\$ 3,624,169
Capital Assets	8,493,009	8,821,882	-	-	8,493,009	8,821,882
<b>Total Assets</b>	<b>11,424,951</b>	<b>12,303,972</b>	<b>136,994</b>	<b>142,079</b>	<b>11,561,945</b>	<b>12,446,051</b>
Deferred Outflows of Resources	244,890	157,493	-	-	244,890	157,493
<b>Total Assets and Deferred Outflows</b>	<b>\$ 11,669,841</b>	<b>\$ 12,461,465</b>	<b>\$ 136,994</b>	<b>\$ 142,079</b>	<b>\$ 11,806,835</b>	<b>\$ 12,603,544</b>
Long-Term Liabilities	9,157,332	5,913,665			9,157,332	5,913,665
Other Liabilities	205,455	193,519	25,776	26,535	231,231	220,054
<b>Total Liabilities</b>	<b>9,362,787</b>	<b>6,107,184</b>	<b>25,776</b>	<b>26,535</b>	<b>9,388,563</b>	<b>6,133,719</b>
Deferred Inflows of Resources	1,011,095	-	582	317	1,011,677	317
<b>Total Liabilities and Deferred Inflows</b>	<b>10,373,882</b>	<b>6,107,184</b>	<b>26,358</b>	<b>26,852</b>	<b>10,400,240</b>	<b>6,134,036</b>
Net Position						
Net Investment in Capital Assets	3,793,083	3,240,656			3,793,083	3,240,656
Restricted	5,687	21,979			5,687	21,979
Unrestricted	(2,502,811)	(1,977,189)	110,636	115,227	(2,392,175)	(1,861,962)
<b>Total Net Position</b>	<b>\$ 1,295,959</b>	<b>\$ 1,285,446</b>	<b>\$ 110,636</b>	<b>\$ 115,227</b>	<b>\$ 1,406,595</b>	<b>\$ 1,400,673</b>

Table A-2 on the following page shows changes in net position for fiscal years 2015 and 2014.

**Totowa Board of Education**  
**Totowa, New Jersey**

**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2015**

Table A-2  
Change in Net Position  
For The Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 249,491	\$ 245,546	\$ 260,744	\$ 277,756	\$ 510,235	\$ 523,302
Grants and Contributions	4,297,058	2,428,747	144,512	142,198	4,441,570	2,570,945
General Revenues						
Property Taxes	14,015,703	13,775,651			14,015,703	13,775,651
State Aid - Unrestricted	20,320				20,320	
Interest	10,994	15,145	257	248	11,251	15,393
Miscellaneous	13,232	20,343	-	-	13,232	20,343
<b>Total Revenues</b>	<u>18,606,798</u>	<u>16,485,432</u>	<u>405,513</u>	<u>420,202</u>	<u>19,012,311</u>	<u>16,905,634</u>
<b>Expenses</b>						
Instruction						
Regular	8,621,057	6,938,174			8,621,057	6,938,174
Special Education	2,396,063	2,075,543			2,396,063	2,075,543
Other Instruction	309,226	264,514			309,226	264,514
Support Services						
Student and Instruction Related Services	2,998,736	2,608,490			2,998,736	2,608,490
General Administrative Services	564,468	757,434			564,468	757,434
School Administrative Services	930,742	837,684			930,742	837,684
Plant Operations and Maintenance	1,736,065	1,762,510			1,736,065	1,762,510
Pupil Transportation	471,983	406,677			471,983	406,677
Business Services	459,313	442,115			459,313	442,115
Food Services			410,104	408,029	410,104	408,029
Interest on Long-Term Debt	108,632	117,250	-	-	108,632	117,250
<b>Total Expenses</b>	<u>18,596,285</u>	<u>16,210,391</u>	<u>410,104</u>	<u>408,029</u>	<u>19,006,389</u>	<u>16,618,420</u>
Change in Net Position	<u>\$ 10,513</u>	<u>\$ 275,041</u>	<u>\$ (4,591)</u>	<u>\$ 12,173</u>	<u>\$ 5,922</u>	<u>\$ 287,214</u>

# Totowa Board of Education Totowa, New Jersey

## Management's Discussion and Analysis (continued) Year Ended June 30, 2015

**Governmental Activities.** The District's total revenues were \$18,606,798. General revenues, which included property taxes, tuition, unrestricted state aid, investment earnings, and miscellaneous revenue, amounted to \$14,060,249 or 76% of total revenues. Grants and contributions amounted to \$4,297,058 or 23%. (See Figure A-2)

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$11,326,346 or 61% and student support services and debt service totaled \$7,269,939 or 39% of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities  
For Fiscal Year 2015

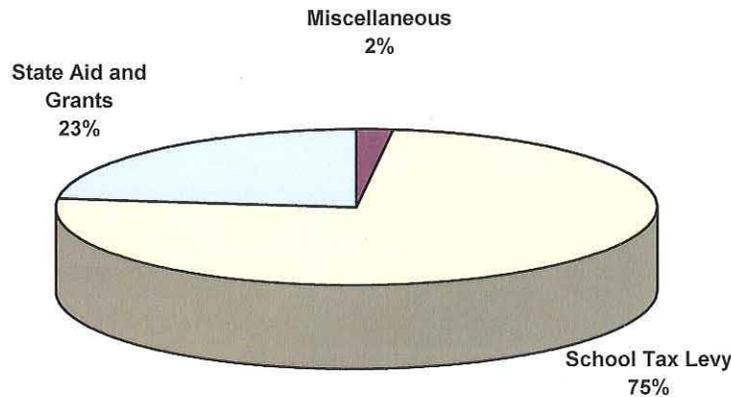
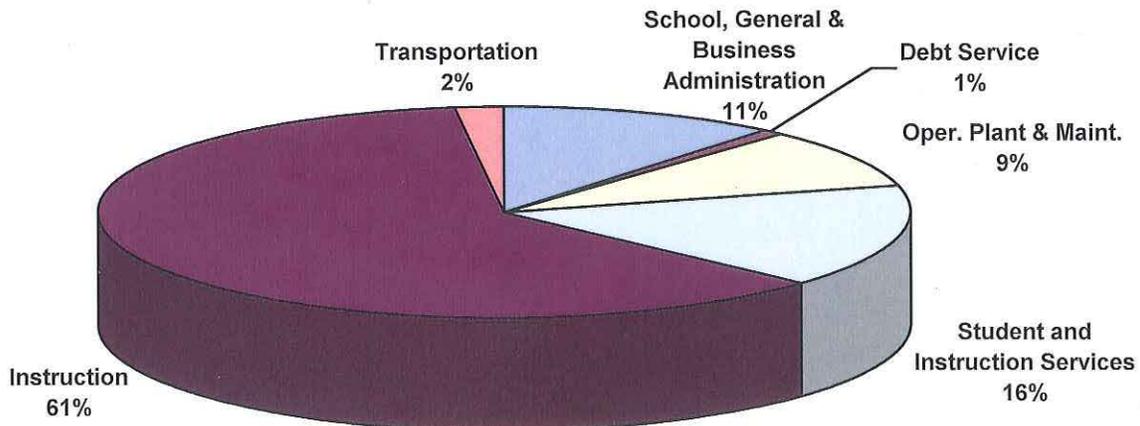


Figure A-3 Expenses by Function – Governmental Activities  
For Fiscal Year 2015



**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**Table A-3  
Total and Net Cost of Governmental Activities  
For the Fiscal Years Ended June 30, 2015 and 2014**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Instruction				
Regular	\$ 8,621,057	\$ 6,938,174	\$ 6,154,589	\$ 5,732,062
Special Education	2,396,063	2,075,543	1,314,815	1,212,729
Other Instruction	309,226	264,514	227,194	227,797
Support Services				
Student and Instruction Related Services	2,998,736	2,608,490	2,298,094	2,152,658
General Administrative Services	564,468	757,434	564,468	757,434
School Administrative Services	930,742	837,684	760,725	769,186
Plant Operations and Maintenance	1,736,065	1,762,510	1,709,503	1,737,209
Pupil Transportation	471,983	406,677	452,403	385,633
Business Services	459,313	442,115	459,313	442,115
Interest on Long-Term Debt	<u>108,632</u>	<u>117,250</u>	<u>108,632</u>	<u>117,250</u>
 Total	 <u>\$ 18,596,285</u>	 <u>\$ 16,210,391</u>	 <u>\$ 14,049,736</u>	 <u>\$ 13,534,073</u>

**Business-Type Activities**

The cost of Business-Type Activities for the fiscal year ended June 30, 2015 was \$410,104. These costs were funded by operating grants, charges for services and investment earnings (Detailed on Table A-2).

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$2,785,625. At June 30, 2014, the fund balance was \$3,353,896, for a decrease of \$568,271.

Revenues for the District's governmental funds were \$17,030,372, while total expenditures were \$17,598,643.

**General Fund** - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students for grades K through 8 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

**General Fund Revenues**

	<b>For the Fiscal Years</b>		<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
	<b><u>Ended June 30,</u></b>			
	<b><u>2015</u></b>	<b><u>2014</u></b>		
Local Sources:				
Property Taxes	\$ 13,307,833	\$ 13,046,927	\$ 260,906	2%
Tuition	249,491	245,546	3,945	2%
Investment Earnings	10,946	15,097	(4,151)	-27%
Miscellaneous	13,232	6,260	6,972	111%
Intergovernmental				
Federal Sources	33,076	24,919	8,157	33%
State Sources	<u>2,049,927</u>	<u>1,714,899</u>	<u>335,028</u>	20%
 Total Revenues	 <u>\$ 15,664,505</u>	 <u>\$ 15,053,648</u>	 <u>\$ 610,857</u>	 4.06%

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

The following schedule presents a summary of General Fund expenditures.

**General Fund Expenditures**

	<b>For the Fiscal Years</b>		<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
	<b>Ended June 30,</b>			
	<b><u>2015</u></b>	<b><u>2014</u></b>		
Instruction	\$ 9,445,984	\$ 8,642,058	\$ 803,926	9%
Support Services	6,579,726	6,472,304	107,422	2%
Capital Outlay	<u>190,784</u>	<u>107,970</u>	<u>82,814</u>	77%
 Total Expenditures	 <u>\$ 16,216,494</u>	 <u>\$ 15,222,332</u>	 <u>\$ 994,162</u>	 6%

Total General Fund expenditures increased by \$994,162, or 6%, from the previous year.

**Special Revenue Fund** - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$657,949 for the year ended June 30, 2015. Federal sources accounted for 37% of the total revenue for the year, while state sources accounted for 63%.

Expenditures of the Special Revenue Fund were \$657,949. Instructional expenditures were \$415,047 or 63%.

**Proprietary Funds**

The District maintains an Enterprise Fund to account for activities which are supported in part through user fees.

**Enterprise Fund** - The District uses an Enterprise Fund to report activities related to the Food Services programs. The District's Enterprise Fund provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**Capital Assets.** At the end of the fiscal years ended June 30, 2015 and 2014, the school district had invested in land, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

**Table A-4**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
	Land	\$ 130,267
Construction in Progress		
Buildings	11,882,161	11,882,161
Improvements Other Than Buildings	236,503	101,320
Machinery and Equipment	<u>1,828,007</u>	<u>1,772,406</u>
 Total	 14,076,938	 13,886,154
 Less: Accumulated Depreciation	 <u>(5,583,929)</u>	 <u>(5,199,950)</u>
 Total	 <u>\$ 8,493,009</u>	 <u>\$ 8,686,204</u>

Additional information about the District's capital assets can be found in Note 3C of this report.

**Debt Administration.** As of June 30, 2015 the school district had outstanding long-term liabilities in the amount of \$8,837,406.

**Long-Term Liabilities**

**Table A-5  
Long-Term Debt  
Outstanding Long-Term Liabilities  
As of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u> (Restated)
Serial Bonds Payable	\$ 4,380,000	\$ 4,930,000
Net Pension Liability	3,931,843	4,933,157
Compensated Absences Payable	<u>525,563</u>	<u>568,117</u>
 Total	 <u>\$ 8,837,406</u>	 <u>\$ 10,431,274</u>

Additional information about the District's long-term liabilities can be found in Note 3E of this report.

**Totowa Board of Education  
Totowa, New Jersey**

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2015**

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget in order to prevent over-expenditures in specific line item accounts. These budget revisions were related to:

- ✓ Increases in the cost relating to instructional supplies.
- ✓ Increased costs in providing purchased and professional technical services

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business Administrator, Totowa Board of Education, 294 Totowa Road, Totowa, New Jersey 07512.

**BASIC FINANCIAL STATEMENTS**

**TOTOWA BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,863,441	\$ 92,219	\$ 2,955,660
Receivables, net			
Receivables from Other Governments	93,301	10,239	103,540
Internal Balances	(28,416)	28,416	
Due From Other Funds	3,616		3,616
Inventory		6,120	6,120
Capital Assets, Not Being Depreciated	130,267		130,267
Capital Assets, Being Depreciation	<u>8,362,742</u>	<u>-</u>	<u>8,362,742</u>
Total Assets	<u>11,424,951</u>	<u>136,994</u>	<u>11,561,945</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Net Pension Liability	123,638		123,638
Deferred Amount on Refunding	<u>121,252</u>	<u>-</u>	<u>121,252</u>
Total Deferred Outflows of Resources	<u>244,890</u>	<u>-</u>	<u>244,890</u>
Total Assets and Deferred Outflows of Resources	<u>11,669,841</u>	<u>136,994</u>	<u>11,806,835</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	125,586	25,776	151,362
Payable to Other Governments	20,069		20,069
Unearned Revenue	662		662
Accrued Interest Payable	59,138		59,138
Noncurrent Liabilities			
Due Within One Year	761,336		761,336
Due Beyond One Year	<u>8,395,996</u>	<u>-</u>	<u>8,395,996</u>
Total Liabilities	<u>9,362,787</u>	<u>25,776</u>	<u>9,388,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount on Net Pension Liability	1,011,095		1,011,095
USDA Commodities	<u>-</u>	<u>582</u>	<u>582</u>
Total Deferred Inflows of Resources	<u>1,011,095</u>	<u>582</u>	<u>1,011,677</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,373,882</u>	<u>26,358</u>	<u>10,400,240</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,793,083		3,793,083
Restricted for			
Capital Projects	5,687		5,687
Unrestricted	<u>(2,502,811)</u>	<u>110,636</u>	<u>(2,392,175)</u>
Total Net Position	<u>\$ 1,295,959</u>	<u>\$ 110,636</u>	<u>\$ 1,406,595</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOTOWA BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 8,621,057	\$ 249,491	\$ 2,216,977	\$ -	\$ (6,154,589)		\$ (6,154,589)
Special Education	2,396,063		1,081,248		(1,314,815)		(1,314,815)
Other Instruction	309,226		82,032		(227,194)		(227,194)
Support Services							
Student and Instruction Related Services	2,998,736		700,642		(2,298,094)		(2,298,094)
General Administrative Services	564,468		-		(564,468)		(564,468)
School Administrative Services	930,742		170,017		(760,725)		(760,725)
Central Services	459,313		-		(459,313)		(459,313)
Plant Operations and Maintenance	1,736,065		26,562		(1,709,503)		(1,709,503)
Pupil Transportation	471,983		19,580		(452,403)		(452,403)
Interest on Debt	108,632	-	-	-	(108,632)	-	(108,632)
<b>Total Governmental Activities</b>	<b>18,596,285</b>	<b>249,491</b>	<b>4,297,058</b>	<b>-</b>	<b>(14,049,736)</b>	<b>-</b>	<b>(14,049,736)</b>
<b>Business-Type Activities</b>							
Food Service	410,104	260,744	144,512	-	-	\$ (4,848)	(4,848)
<b>Total Business-Type Activities</b>	<b>410,104</b>	<b>260,744</b>	<b>144,512</b>	<b>-</b>	<b>-</b>	<b>(4,848)</b>	<b>(4,848)</b>
<b>Total Primary Government</b>	<b>\$ 19,006,389</b>	<b>\$ 510,235</b>	<b>\$ 4,441,570</b>	<b>\$ -</b>	<b>(14,049,736)</b>	<b>(4,848)</b>	<b>(14,054,584)</b>
<b>General Revenues</b>							
Property Taxes, Levied for General Purposes					13,307,866		13,307,866
Taxes Levied for Debt Service					707,837		707,837
State Aid - Unrestricted					20,320		20,320
Investment Earnings					10,994	257	11,251
Miscellaneous Income					13,232	-	13,232
<b>Total General Revenues</b>					<b>14,060,249</b>	<b>257</b>	<b>14,060,506</b>
Change in Net Position					10,513	(4,591)	5,922
Net Position, Beginning of Year (Restated)					1,285,446	115,227	1,400,673
Net Position, End of Year					\$ 1,295,959	\$ 110,636	\$ 1,406,595

**FUND FINANCIAL STATEMENTS**

**TOTOWA BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,824,358	\$ 20,151	\$ 18,932		\$ 2,863,441
Receivables, Net					
Due from Other Funds	22,548				22,548
Receivables from Other Governments	56,767	36,534	-	-	93,301
	<u>2,903,673</u>	<u>56,685</u>	<u>18,932</u>	<u>\$ -</u>	<u>\$ 2,979,290</u>
Total Assets					
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 89,632	\$ 35,954			\$ 125,586
Due to Other Funds	28,416		\$ 18,932		47,348
Payable to State Government		20,069			20,069
Unearned Revenue	-	662	-	-	662
	<u>118,048</u>	<u>56,685</u>	<u>18,932</u>	<u>-</u>	<u>193,665</u>
Total Liabilities					
Fund Balances					
Restricted					
Capital Reserve	5,687				5,687
Excess Surplus	1,168,329				1,168,329
Excess Surplus - Designated for Subsequent Year's Budget	1,197,974				1,197,974
Assigned					
Year End Encumbrances	9,317				9,317
Designated in Subsequent Year's Budget	102,182				102,182
Unassigned	302,136	-	-	-	302,136
	<u>2,785,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,785,625</u>
Total Fund Balances					
Total Liabilities and Fund Balances	<u>\$ 2,903,673</u>	<u>\$ 56,685</u>	<u>\$ 18,932</u>	<u>\$ -</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$ 14,076,938 and the accumulated depreciation is \$5,583,929. 8,493,009

Amounts resulting from the refunding of debt and net pension liabilities are reported as deferred inflows and outflows of resources on the statement of net position and amortized over the life of the debt.

Deferred Inflows of Resources	
Net Pension Liability	\$ (1,011,095)
Deferred Outflows of Resources	
Net Pension Liability	123,638
Debt Refunding	<u>121,252</u>
	(766,205)

The District has financed capital assets through the issuance of serial bonds and intergovernmental loans. The interest accrual at year end is: (59,138)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

Serial Bonds Payable, Net	(4,699,926)
Net Pension Liability	(3,931,843)
Compensated Absences	<u>(525,563)</u>
	(9,157,332)

Net Position of Governmental Activities \$ 1,295,959

**TOTOWA BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 13,307,866			\$ 707,837	\$ 14,015,703
Tuition	249,491				249,491
Investment Earnings	10,946		\$ 48		10,994
Miscellaneous	<u>13,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,232</u>
Total - Local Sources	<u>13,581,535</u>	<u>-</u>	<u>48</u>	<u>707,837</u>	<u>14,289,420</u>
State Sources	2,049,927	\$ 412,977			2,462,904
Federal Sources	<u>33,076</u>	<u>244,972</u>	<u>-</u>	<u>-</u>	<u>278,048</u>
Total Revenues	<u>15,664,538</u>	<u>657,949</u>	<u>48</u>	<u>707,837</u>	<u>17,030,372</u>
<b>EXPENDITURES</b>					
Current					
Regular Instruction	7,138,190	156,673			7,294,863
Special Education Instruction	2,040,723	258,374			2,299,097
Other Instruction	267,071				267,071
School-Sponsored Activities and Athletics	-				-
Support Services and Undistributed Costs					
Student and Instruction Related Services	2,510,972	242,902			2,753,874
General Administrative Services	530,967				530,967
School Administrative Services	837,253				837,253
Central Services	465,525				465,525
Plant Operations and Maintenance	1,760,685				1,760,685
Pupil Transportation	474,324				474,324
Debt Service					
Principal				550,000	550,000
Interest and Other Charges				174,200	174,200
Capital Outlay	<u>190,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,784</u>
Total Expenditures	<u>16,216,494</u>	<u>657,949</u>	<u>-</u>	<u>724,200</u>	<u>17,598,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(551,956)</u>	<u>-</u>	<u>48</u>	<u>(16,363)</u>	<u>(568,271)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	48				48
Transfers Out	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>-</u>	<u>(48)</u>
Total Other Financing Sources and Uses	<u>48</u>	<u>-</u>	<u>(48)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(551,908)	-	-	(16,363)	(568,271)
Fund Balance, Beginning of Year	<u>3,337,533</u>	<u>-</u>	<u>-</u>	<u>16,363</u>	<u>3,353,896</u>
Fund Balance, End of Year	<u>\$ 2,785,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,785,625</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

**TOTOWA BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (568,271)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense.

Capital Outlay	\$ 190,784	
Depreciation Expense	<u>(383,979)</u>	
		(193,195)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. for these items are measured by the amount of financial resources used (paid):

Amortization of Original Issue Premium	95,622	
Amortization of Deferred Amount on Refunding	(36,241)	
Net Pension Liability	113,857	
Compensated Absences	<u>42,554</u>	
		215,792

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Principal		550,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>6,187</u>
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Change in Net Position of Governmental Activities		<u>\$ 10,513</u>
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**TOTOWA BOARD OF EDUCATION  
 PROPRIETARY FUND  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2015**

	<u>Enterprise Fund - Food Service</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 92,219
Intergovernmental Receivable	
State	304
Federal	9,935
Inventory	6,120
Due From Other Funds	<u>28,416</u>
Total Current Assets	<u>136,994</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>25,776</u>
Total Liabilities	<u>25,776</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
USDA Commodities	<u>582</u>
Total Deferred Inflows of Resources	<u>582</u>
Total Liabilities and Deferred Inflows of Resources	<u>26,358</u>
<b>NET POSITION</b>	
Unrestricted	<u>110,636</u>
Total Net Position	<u>\$ 110,636</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION  
 PROPRIETARY FUND  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Fund - <u>Food Service</u></b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 256,493
Other Sales	4,251
	260,744
Total Operating Revenues	260,744
<b>OPERATING EXPENSES</b>	
Cost of Sales	181,366
Salaries & Wages	130,662
Insurance	15,341
Supplies	21,325
Professional Service	3,121
Management Fee	39,150
Miscellaneous	19,139
	410,104
Total Operating Expenses	410,104
Operating Loss	(149,360)
<b>NONOPERATING REVENUES</b>	
Federal Sources	
National School Lunch Program	133,311
National Breakfast Program	7,253
State Sources	
State School Lunch Program	3,948
Interest and Investment Revenue	257
	144,769
Total Nonoperating Revenues	144,769
Change in Net Position	(4,591)
Net Position, Beginning of Year	115,227
Net Position, End of Year	\$ 110,636

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION  
 PROPRIETARY FUND  
 FOOD SERVICE ENTERPRISE FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Fund - Food Service</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 260,744
Cash Payments to Employees for Salaries and Wages	(130,662)
Cash Payments to Suppliers for Goods and Services	<u>(261,221)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(131,139)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Received from State and Federal Subsidy Reimbursements	<u>123,606</u>
Net Cash Provided by Noncapital Financing Activities	<u>123,606</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>257</u>
Net Cash Provided by Investing Activities	<u>257</u>
Net Decrease in Cash and Cash Equivalents	(7,276)
Cash and Cash Equivalents, Beginning of Year	<u>99,495</u>
Cash and Cash Equivalents, End of Year	<u>\$ 92,219</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	<u>\$ (149,360)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
USDA Commodities	20,278
Change in Assets and Liabilities (Increase)/Decrease in Inventory	(1,563)
Increase/(Decrease) in Unearned Revenue	265
Increase/(Decrease) in Accounts Payable	<u>(759)</u>
Total Adjustments	<u>18,221</u>
Net Cash Used for Operating Activities	<u>\$ (131,139)</u>
Non-cash Investing, Capital and Financing Activities:	
Value Received- Food Distribution Program	<u>\$ 20,543</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2015**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 69,030	\$ 206,517
Total Assets	<u>69,030</u>	<u>\$ 206,517</u>
<b>LIABILITIES</b>		
Accrued Salaries and Wages		\$ 130,512
Due to Student Groups		40,799
Payroll Deductions and Withholdings		31,335
Reserve for Flex Spending		255
Due to Other Funds		3,616
Due to State Government	<u>849</u>	<u>-</u>
Total Liabilities	<u>849</u>	<u>\$ 206,517</u>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 68,181</u>	

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**TOTOWA BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>	
Contributions	
Employees	\$ 24,898
Investment Earnings	
Interest	<u>166</u>
Total Additions	<u>25,064</u>
<b>DEDUCTIONS</b>	
Unemployment Claims and Contributions	<u>20,282</u>
Total Deductions	<u>20,282</u>
Change in Net Position	4,782
Net Position, Beginning of Year	<u>63,399</u>
Net Position, End of Year	<u>\$ 68,181</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**NOTES TO THE FINANCIAL STATEMENTS**

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Totowa Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Totowa Board of Education this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

**B. New Accounting Standards**

During fiscal year 2015, the District adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**B. New Accounting Standards (Continued)**

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District’s enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

**Fund Financial Statements (Continued)**

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

**Reclassifications**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

***2. Receivables***

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***3. Inventories***

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

***4. Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**4. *Capital Assets (Continued)***

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	10
Computer Equipment	5-7

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***5. Deferred Outflows/Inflows of Resources (Continued)***

The other item that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

***6. Compensated Absences***

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused personal, and sick leave benefits. A long-term liability of accumulated personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

***7. Pensions***

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

***8. Long-Term Obligations***

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2C.)

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that is required to be appropriated in the 2016/2017 original budget certified for taxes.

*Excess Surplus – Designated for Subsequent Year's Expenditures* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that was appropriated in the 2015/2016 original budget certified for taxes.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Year-End Encumbrances* – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

*Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2015/2016 District budget certified for taxes.

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

***2. Property Taxes***

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

***3. Tuition Revenues and Expenditures***

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2013-2014 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

***4. Proprietary Funds, Operating and Non-Operating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. The annual budget is voted upon at the annual school election on the third Tuesday in April.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2014/2015. Also, during 2014/2015 the Board increased the original budget by \$394,018. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Undistributed Expenditures – Instruction			
Tuition to CSSD and Regional Day Schools	\$266,598	\$279,198	\$12,600

The above variances were offset with other available resources.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Capital Reserve**

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2015 is as follows:

Balance, July 1, 2014	\$ 5,616
Increased by:	
Interest Earnings	<u>71</u>
	5,687
Withdrawals:	
Approved in District Budget	<u>-</u>
Balance, June 30, 2015	<u>\$ 5,687</u>

**D. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2015 is \$2,366,303. Of this amount, \$1,197,974 was designated and appropriated in the 2015/2016 original budget certified for taxes and the remaining amount of \$1,168,329 will be appropriated in the 2016/2017 original budget certified for taxes.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2015, the book value of the Board's deposits were \$3,231,207 and bank and brokerage firm balances of the Board's deposits amounted to \$3,770,524. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>3,770,524</u>
---------	---------------------

**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 Board does not have a policy for custodial credit risk. As of June 30, 2015 the Board's bank balances were not exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are 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 school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2015, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of June 30, 2015 for the district's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 36,534	\$ 9,935	\$ 46,469
State	\$ 56,767	-	304	57,071
Gross Receivables	56,767	36,534	10,239	103,540
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 56,767</u>	<u>\$ 36,534</u>	<u>\$ 10,239</u>	<u>\$ 103,540</u>

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 662
 Total Unearned Revenue for Governmental Funds	 <u>\$ 662</u>

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance, July 1, 2014 (Restated)	Increases	Decreases	Balance, June 30, 2015
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,267	-	-	\$ 130,267
Total Capital Assets, Not Being Depreciated	<u>130,267</u>	<u>-</u>	<u>-</u>	<u>130,267</u>
Capital Assets, Being Depreciated:				
Buildings	11,882,161			11,882,161
Improvements Other Than Buildings	101,320	\$ 135,183		236,503
Machinery and Equipment	<u>1,772,406</u>	<u>55,601</u>	<u>-</u>	<u>1,828,007</u>
Total Capital Assets Being Depreciated	<u>13,755,887</u>	<u>190,784</u>	<u>-</u>	<u>13,946,671</u>
Less Accumulated Depreciation for:				
Buildings	(3,858,669)	(266,904)		(4,125,573)
Improvements Other Than Buildings	(101,467)	(10,520)		(111,987)
Machinery and Equipment	<u>(1,239,814)</u>	<u>(106,555)</u>	<u>-</u>	<u>(1,346,369)</u>
Total Accumulated Depreciation	<u>(5,199,950)</u>	<u>(383,979)</u>	<u>-</u>	<u>(5,583,929)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,555,937</u>	<u>(193,195)</u>	<u>-</u>	<u>8,362,742</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,686,204</u>	<u>\$ (193,195)</u>	<u>\$ -</u>	<u>\$ 8,493,009</u>

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the District as follows:

**Governmental Activities:**

Instruction		
Regular		\$ 273,371
Special		3,915
		<hr/>
Total Instruction		277,286
		<hr/>
Support Services		
Student Services - Students		30,965
General administration		34,831
School Administration		15,545
Operation and Maintenance of Plant		15,428
Business and Other Support Services		9,924
		<hr/>
Total Support Services		106,693
		<hr/>
Total Governmental Funds		383,979
		<hr/>
Total Depreciation Expense - Governmental Activities		\$ 383,979
		<hr/>

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2015, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 18,932
General Fund	Payroll Agency Fund	3,616
Food Service Fund	General Fund	28,416
		<hr/>
Total		\$ 50,964
		<hr/>

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

The District expects all interfund balances to be liquidated within one year.

TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers

	<u>Transfer In:</u>	
	<u>General</u>	<u>Total</u>
Transfer Out:		
Capital Projects Fund	\$ 48	\$ 48
	<u>\$ 48</u>	<u>\$ 48</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2015 are comprised of the following issues:

\$5,460,000, 2013 Refunding Bonds, due in annual  
 installments of \$565,000 to \$705,000  
 through February 15, 2022, interest at 3.00%-4.00% \$4,380,000

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2016	\$ 565,000	\$ 157,700	\$ 722,700
2017	585,000	140,750	725,750
2018	600,000	123,200	723,200
2019	615,000	105,200	720,200
2020	645,000	80,600	725,600
2021-2022	<u>1,370,000</u>	<u>83,000</u>	<u>1,453,000</u>
	<u>\$ 4,380,000</u>	<u>\$ 690,450</u>	<u>\$ 5,070,450</u>

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-Term Debt (Continued)**

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2015 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 62,960,592
Less: Net Debt	<u>4,380,000</u>
Remaining Borrowing Power	<u>\$ 58,580,592</u>

**G. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Balance, July 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2015</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 4,930,000		\$ (550,000)	\$ 4,380,000	\$ 565,000
Add: Unamortized Premiums	415,548	-	(95,622)	319,926	-
Total Bonds Payable	5,345,548	-	(645,622)	4,699,926	565,000
Net Pension Liability	4,933,157		(1,001,314)	3,931,843	196,336
Compensated Absences	568,117	-	(42,554)	525,563	-
Governmental Activity Long-Term Liabilities	<u>\$ 10,846,822</u>	<u>\$ -</u>	<u>\$ (1,689,490)</u>	<u>\$ 9,157,332</u>	<u>\$ 761,336</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG).

The relationship between the Board 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 Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, 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 they were a member.

NJSBAIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School's Business Administrator.

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

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District 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 District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>District</u> <u>Contribution</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2015		\$ 24,898	\$ 20,282	\$ 68,181
2014		13,918	12,239	63,399
2013		13,737	3,064	61,558

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board 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 Board may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2015, the District has not estimated its arbitrage earnings due to the IRS, if any.

**D. Employee Retirement Systems and Pension Plans**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

**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 health care, 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 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

**Teachers' Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

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 Board 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, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. 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 government employers do not appropriate funds to SACT.

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

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

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Other Pension Funds (Continued)**

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

**Investment Valuation**

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

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

**Funding Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and \$37.3 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 75.4 percent and \$13.7 billion, respectively.

The funded status and funding progress of the retirement systems is based on 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 financing 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.

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 4.24 percent for the PERS and 3.33 percent for TPAF.

**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 member 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 retirement systems require employee contributions based on 6.9% for PERS, 6.9% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2015 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2015, 2014 and 2013 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2015	\$ 180,156	\$ 359,900	\$ 19,949
2014	194,487	284,828	4,869
2013	199,924	442,021	

For fiscal years 2014/2015 and 2012/2013, the state contributed \$359,900 and \$442,021, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$284,828 for normal cost pension and NCGI premium.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Annual Pension Costs (APC) (Continued)**

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$509,048 during the fiscal year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

**Public Employees Retirement System (PERS)**

At June 30, 2015, the District reported in the statement of net position (accrual basis) a liability of \$3,931,843 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the District's proportionate share was 0.021 percent, which was a decrease of 0.0048 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$66,299 for PERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of Assumptions	\$ 123,638	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 234,316
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	776,779
Total	<u>\$ 123,638</u>	<u>\$ 1,011,095</u>

TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (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)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2016	\$ (178,642)
2017	(178,642)
2018	(178,642)
2019	(178,642)
2020	(120,063)
Thereafter	<u>(52,826)</u>
	<u>\$ (887,457)</u>

*Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

<u>PERS</u>	
Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial Assumptions were Based	June 30, 2011

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

**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

***Discount Rate***

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

<u>Plan</u>	<u>Discount Rate</u>
PERS	5.39%



**TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF)**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,936,326 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2015 the State's proportionate share of the net pension liability attributable to the District is \$35,984,913. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2014.

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 - June 30, 2012
Study Upon Which Actuarial Assumptions were Based	

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

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF) (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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

TOTOWA BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

*Discount Rate*

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

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.68%

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

TPAF

Period of Projected Benefit

Payments for which the Following  
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

\* The municipal bond return rate used is 4.29%. 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 State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.68%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	<u>1% Decrease (3.68%)</u>	<u>Current Discount Rate (4.68%)</u>	<u>1% Increase (5.68%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 43,280,494</u>	<u>\$ 35,984,913</u>	<u>\$ 29,917,137</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2014. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2014 was not provided by the pension system.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the TPAF 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).

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2014.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**Health Benefits Program Fund (HBPF) – Local Education** (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Basis of Accounting**

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

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$53.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.7 billion for state active and retired members and \$33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB 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 OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2013, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432, retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2015, 2014 and 2013 were \$571,343, \$467,010 and \$499,814, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 5 RESTATEMENT**

On July 1, 2014, the Totowa Board of Education implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions. The Totowa Board of Education has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to recognize the District's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$4,933,157. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2014 from \$6,354,281 as originally reported to \$1,421,124 as adjusted for the effects of the change in accounting principle.

**BUDGETARY COMPARISON SCHEDULES**

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
<b>Local Sources</b>					
Local Tax Levy	\$ 13,307,866		\$ 13,307,866	\$ 13,307,866	
Tuition	175,000		175,000	249,491	\$ 74,491
Interest				10,875	10,875
Interest Earned - Capital Reserve				71	71
Miscellaneous	8,000	-	8,000	13,232	5,232
<b>Total Local Sources</b>	<u>13,490,866</u>	<u>-</u>	<u>13,490,866</u>	<u>13,581,535</u>	<u>90,669</u>
<b>State Sources</b>					
Special Education Aid	391,662		391,662	391,662	
Transportation Aid	12,273		12,273	12,273	
Security Aid	25,172		25,172	25,172	
Other State Aid	20,320		20,320	20,320	
Extraordinary Aid				136,729	136,729
Non Public Transportation Reimbursements				6,612	6,612
On-behalf TPAF Pension Payments (Non-Budget) - Pension				335,745	335,745
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				24,155	24,155
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				571,343	571,343
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	509,048	509,048
<b>Total State Sources</b>	<u>449,427</u>	<u>-</u>	<u>449,427</u>	<u>2,033,059</u>	<u>1,583,632</u>
<b>Federal Sources</b>					
ARRA/SEMI				4,591	4,591
Medicaid Reimbursements	11,501	-	11,501	28,485	16,984
<b>Total Federal Sources</b>	<u>11,501</u>	<u>-</u>	<u>11,501</u>	<u>33,076</u>	<u>21,575</u>
<b>Total Revenues</b>	<u>13,951,794</u>	<u>-</u>	<u>13,951,794</u>	<u>15,647,670</u>	<u>1,695,876</u>
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Preschool	282,748	\$ (1,020)	281,728	281,728	
Kindergarten	346,867	(113,633)	233,234	233,234	
Grades 1-5	1,811,426	337,317	2,148,743	2,097,743	51,000
Grades 6-8	2,007,045	(28,734)	1,978,311	1,936,248	42,063
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	45,078		45,078	34,929	10,149
Purchased Technical Services	101,200	115,927	217,127	210,338	6,789
Other Purchased Services	77,480	(3,000)	74,480	62,149	12,331
General Supplies	235,881	(62,426)	173,455	107,114	66,341
Textbooks	55,000	(30,121)	24,879	7,295	17,584
Other Objects	2,000	527	2,527	2,527	-
<b>Total Regular Programs - Instruction</b>	<u>4,964,725</u>	<u>214,837</u>	<u>5,179,562</u>	<u>4,973,305</u>	<u>206,257</u>
<b>Special Education Instruction</b>					
<b>Behavioral Disabilities</b>					
Salaries of Teachers	136,880	(52,839)	84,041	84,041	-
Other Salaries for Instruction	123,895	(107,881)	16,014	9,530	6,484
<b>Total Behavioral Disabilities</b>	<u>260,775</u>	<u>(160,720)</u>	<u>100,055</u>	<u>93,571</u>	<u>6,484</u>

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 397,565	\$ (114,274)	\$ 283,291	\$ 283,291	
Other Salaries for Instruction	226,599	87,418	314,017	306,551	\$ 7,466
Total Resource Room/Resource Center	624,164	(26,856)	597,308	589,842	7,466
Autism					
Salaries of Teachers	187,908		187,908	179,313	8,595
Other Salaries for Instruction	333,040	20,543	353,583	332,423	21,160
Total Autism	520,948	20,543	541,491	511,736	29,755
Total Special Education Instruction	1,405,887	(167,033)	1,238,854	1,195,149	43,705
Basic Skills/Remedial - Instruction					
Salaries of Teachers	167,796	(27,697)	140,099	126,026	14,073
Total Basic Skills/Remedial - Instruction	167,796	(27,697)	140,099	126,026	14,073
Bilingual Education - Instruction					
Salaries of Teachers	75,000	(19,200)	55,800	55,800	-
Total Bilingual Education - Instruction	75,000	(19,200)	55,800	55,800	-
School Sponsored Co/Extra Curricular Activities					
Salaries	2,000		2,000		2,000
Other Objects	5,000	-	5,000	-	5,000
Total School Sponsored Co/Extra Curricular Activities	7,000	-	7,000	-	7,000
Total Instruction	6,620,408	907	6,621,315	6,350,280	271,035
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	135,000	(122,015)	12,985	12,985	
Tuition to CSSD and Regional Day Schools	76,000	190,598	266,598	279,198	(12,600)
Tuition to Priv. Sch. for the Disabled Within State	92,000	(58,151)	33,849	33,849	-
Total Undistributed Expenditures - Instruction	303,000	10,432	313,432	326,032	(12,600)

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 145,825	\$ (3,658)	\$ 142,167	\$ 141,285	\$ 882
Purchased Professional and Technical Svces.	58,000	18,290	76,290	72,710	3,580
Supplies and Materials	4,500	-	4,500	3,638	862
<b>Total Health Services</b>	<b>208,325</b>	<b>14,632</b>	<b>222,957</b>	<b>217,633</b>	<b>5,324</b>
Speech, OT, PT and Related Services					
Salaries	468,124	(53,807)	414,317	391,625	22,692
Purchased Professional Educational Services	232,000	60,307	292,307	237,613	54,694
<b>Total Speech, OT, PT and Related Services</b>	<b>700,124</b>	<b>6,500</b>	<b>706,624</b>	<b>629,238</b>	<b>77,386</b>
Guidance					
Salaries of Other Professional Staff	89,004		89,004	89,004	
Purchased Professional - Educational Services	80,000	23,371	103,371	60,334	43,037
Other Purchased Prof. and Tech. Services	15,000		15,000	488	14,512
Supplies and Materials	14,000		14,000	6,512	7,488
Other Objects	400	-	400	129	271
<b>Total Guidance</b>	<b>198,404</b>	<b>23,371</b>	<b>221,775</b>	<b>156,467</b>	<b>65,308</b>
Child Study Teams					
Salaries of Other Professional Staff	294,538		294,538	294,538	
Salaries of Secretarial and Clerical Assistants	44,627		44,627	44,627	
Other Salaries	125,000	(43,371)	81,629	81,629	
Other Purchased Professional and Tech. Services	15,000		15,000	2,500	12,500
Supplies and Materials	3,000		3,000	642	2,358
Other Objects	1,300	-	1,300	1,220	80
<b>Total Child Study Teams</b>	<b>483,465</b>	<b>(43,371)</b>	<b>440,094</b>	<b>425,156</b>	<b>14,938</b>
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	147,763		147,763	147,763	
Salaries of Secretarial & Clerical Assistants	62,387		62,387	62,387	
Other Salaries	-	45,269	45,269	45,269	-
<b>Total Improvement of Instructional Services</b>	<b>210,150</b>	<b>45,269</b>	<b>255,419</b>	<b>255,419</b>	<b>-</b>

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 91,644		\$ 91,644	\$ 91,644	
Salaries of Technology Coordinator		\$ 80,658	80,658	80,658	
Supplies and Materials	20,500	(702)	19,798	12,106	\$ 7,692
<b>Total Educational Media Serv./School Library</b>	<b>112,144</b>	<b>79,956</b>	<b>192,100</b>	<b>184,408</b>	<b>7,692</b>
Instructional Staff Training Services					
Other Purchased Services	1,000	1,703	2,703	2,703	-
<b>Total Instructional Staff Training Services</b>	<b>1,000</b>	<b>1,703</b>	<b>2,703</b>	<b>2,703</b>	<b>-</b>
Support Services General Administration					
Salaries	275,591		275,591	275,586	5
Salaries of Attorneys	20,000		20,000	17,000	3,000
Legal Services	125,000	(487)	124,513	23,190	101,323
Audit Fees	24,000	14,913	38,913	38,913	-
Other Purchased Professional Services	11,500	9,575	21,075	17,710	3,365
Communications/Telephone	30,600	5,000	35,600	8,071	27,529
Miscellaneous Purchased Services	44,800	10,836	55,636	26,490	29,146
BOE In-House Training/Meeting Supplies	3,000	164	3,164	3,164	-
Judgments Against The School District	50,000		50,000	-	50,000
Miscellaneous Expenditures	7,000		7,000	3,149	3,851
BOE Membership Dues and Fees	7,500	-	7,500	7,203	297
<b>Total Support Services General Administration</b>	<b>598,991</b>	<b>40,001</b>	<b>638,992</b>	<b>420,476</b>	<b>218,516</b>
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	380,222		380,222	376,844	3,378
Salaries of Secretarial and Clerical Assistants	197,446		197,446	181,452	15,994
Purchased Professional and Technical Svcs.	9,500		9,500	9,495	5
Supplies and Materials	7,000	3,821	10,821	2,417	8,404
Other Objects	18,600	6,179	24,779	17,646	7,133
<b>Total Support Services School Administration</b>	<b>612,768</b>	<b>10,000</b>	<b>622,768</b>	<b>587,854</b>	<b>34,914</b>
Central Services					
Salaries	311,428		311,428	310,650	778
Purchased Professional Services	15,000	14,182	29,182	13,277	15,905
Misc. Purchased Services	300	3,000	3,300	3,270	30
Supplies and Materials	7,000	4,318	11,318	5,264	6,054
Miscellaneous Expenditures	1,200	-	1,200	1,165	35
<b>Total Central Services</b>	<b>334,928</b>	<b>21,500</b>	<b>356,428</b>	<b>333,626</b>	<b>22,802</b>

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Admin. Info. Tech.					
Salaries	\$ 80,658	\$ (80,658)			
Other Purchased Services	5,000	1,500	\$ 6,500	\$ 6,312	\$ 188
Other Objects	2,375	-	2,375	-	2,375
<b>Total Admin. Info. Tech</b>	<b>88,033</b>	<b>(79,158)</b>	<b>8,875</b>	<b>6,312</b>	<b>2,563</b>
Required Maintenance For School Facilities					
Salaries	82,121		82,121	82,121	
Cleaning, Repair and Maintenance Services	116,965	(19,365)	97,600	91,078	6,522
General Supplies	50,000	2,000	52,000	51,351	649
Other Objects	13,000	(8,000)	5,000	3,913	1,087
<b>Total Required Maint. For School Facilities</b>	<b>262,086</b>	<b>(25,365)</b>	<b>236,721</b>	<b>228,463</b>	<b>8,258</b>
Custodial Services					
Salaries	740,498	(3,635)	736,863	688,894	47,969
Cleaning, Repair and Maintenance Services	44,500	(3,500)	41,000	37,650	3,350
Other Purchased Property Services	18,369		18,369	11,404	6,965
Insurance	67,000	(1,500)	65,500	64,839	661
General Supplies	45,000	(22,500)	22,500	21,010	1,490
Energy (Natural Gas)	100,000		100,000	79,374	20,626
Energy (Electricity)	170,000		170,000	159,966	10,034
Other Objects	5,300	-	5,300	4,146	1,154
<b>Total Custodial Services</b>	<b>1,190,667</b>	<b>(31,135)</b>	<b>1,159,532</b>	<b>1,067,283</b>	<b>92,249</b>
Security Services					
Salaries	45,269	(45,269)			
Purchased Professional & Technical Services	180,000	(25,000)	155,000	153,240	1,760
<b>Total Security Services</b>	<b>225,269</b>	<b>(70,269)</b>	<b>155,000</b>	<b>153,240</b>	<b>1,760</b>
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	50,000		50,000	45,070	4,930
Contracted Services - Aid in Lieu Payments - Nonpublic	55,000	(1,000)	54,000	39,202	14,798
Contracted Services (Between Home and School) - Vendors	190,000		190,000	188,554	1,446
Contracted Services (Other than Between Home and School - Vendors	5,000	1,000	6,000	5,625	375
Contracted Services - (Spl. Ed. Students) - Joint Agreements	185,000	-	185,000	177,652	7,348
<b>Total Student Transportation Services</b>	<b>485,000</b>	<b>-</b>	<b>485,000</b>	<b>456,103</b>	<b>28,897</b>

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>CURRENT EXPENDITURES (Continued)</b>					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 200,000		\$ 200,000	\$ 199,392	\$ 608
TPAF Contributions - ERIP	40,000	\$ 723	40,723	40,723	
Other Retirement Contributions - PERS	230,000	(7,800)	222,200	180,156	42,044
Other Retirement Contributions - DCRP	15,000	7,800	22,800	19,949	2,851
Unemployment Compensation	10,000	(722)	9,278		9,278
Workmen's Compensation	88,000		88,000	79,338	8,662
Health Benefits	2,247,000		2,247,000	2,144,140	102,860
Tuition Reimbursement	10,000		10,000	10,000	
Other Employee Benefits	67,500	-	67,500	62,566	4,934
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>2,907,500</b>	<b>1</b>	<b>2,907,501</b>	<b>2,736,264</b>	<b>171,237</b>
On-behalf TPAF Pension Payments (Non-Budget) - Pension				335,745	(335,745)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				24,155	(24,155)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				571,343	(571,343)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	509,048	(509,048)
<b>Total Undistributed Expenditures</b>	<b>8,921,854</b>	<b>4,067</b>	<b>8,925,921</b>	<b>9,626,968</b>	<b>(701,047)</b>
<b>Total Expenditures - Current Expenditures</b>	<b>15,542,262</b>	<b>4,974</b>	<b>15,547,236</b>	<b>15,977,248</b>	<b>(430,012)</b>
<b>CAPITAL OUTLAY</b>					
Equipment					
School Administration		3,147	3,147	2,927	220
Required Maintenance for School Facilities	10,000	(3,147)	6,853		6,853
School Buses - Regular	60,000	-	60,000	52,674	7,326
<b>Total Equipment</b>	<b>70,000</b>	<b>-</b>	<b>70,000</b>	<b>55,601</b>	<b>14,399</b>
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services	10,000		10,000	7,371	2,629
Construction Services	145,000		145,000	127,812	17,188
Other Objects (Debt Service Assessment)	38,436	-	38,436	38,436	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>193,436</b>	<b>-</b>	<b>193,436</b>	<b>173,619</b>	<b>19,817</b>
<b>Total Capital Outlay</b>	<b>263,436</b>	<b>-</b>	<b>263,436</b>	<b>229,220</b>	<b>34,216</b>
Transfer to Charter School	12,000	(1,974)	10,026	10,026	-
<b>Total Expenditures</b>	<b>15,817,698</b>	<b>3,000</b>	<b>15,820,698</b>	<b>16,216,494</b>	<b>(395,796)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,865,904)	(3,000)	(1,868,904)	(568,824)	1,300,080
Other Financing Sources (Uses)					
Capital Reserve Transfer to Capital Projects	(5,000)		(5,000)		5,000
Operating Transfer In	-	-	-	48	48
<b>Total Other Financing Sources</b>	<b>(5,000)</b>	<b>-</b>	<b>(5,000)</b>	<b>48</b>	<b>5,048</b>

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	\$ (1,870,904)	\$ (3,000)	\$ (1,873,904)	\$ (568,776)	\$ 1,305,128
Fund Balance, Beginning of Year	<u>3,491,130</u>	-	<u>3,491,130</u>	<u>3,491,130</u>	-
Fund Balance, End of Year	<u>\$ 1,620,226</u>	<u>\$ (3,000)</u>	<u>\$ 1,617,226</u>	<u>\$ 2,922,354</u>	<u>\$ 1,305,128</u>

**Recapitulation of Fund Balance**

Restricted	
Capital Reserve	\$ 5,687
Excess Surplus	1,168,329
Excess Surplus - Designated in Subsequent Year's Budget	1,197,974
Assigned	
Year End Encumbrances	9,317
Designated in Subsequent Year's Budget	102,182
Unassigned	<u>438,865</u>
	2,922,354
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(136,729)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 2,785,625</u>

**TOTOWA BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 60,000	\$ 205,039	\$ 265,039	\$ 244,972	\$ (20,067)
Federal	243,378	185,979	429,357	412,977	(16,380)
Total Revenues	<u>303,378</u>	<u>391,018</u>	<u>694,396</u>	<u>657,949</u>	<u>(36,447)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	56,378	50,353	106,731	106,731	
Other Salaries		72,466	72,466	72,466	
Tuition	187,000	(6,636)	180,364	180,364	
General Supplies		8,736	8,736	8,685	51
Textbooks	-	16,265	16,265	16,168	97
Total Instruction	<u>243,378</u>	<u>141,184</u>	<u>384,562</u>	<u>384,414</u>	<u>148</u>
Support Services					
Personal Services-Employee Benefits		30,633	30,633	30,633	
Purchased Prof./Ed. Services	60,000	189,427	249,427	215,266	34,161
Other Purchased Services		3,880	3,880	2,880	1,000
Miscellaneous Purchased Services	-	25,894	25,894	24,756	1,138
Total Support Services	<u>60,000</u>	<u>249,834</u>	<u>309,834</u>	<u>273,535</u>	<u>36,299</u>
Total Expenditures	<u>303,378</u>	<u>391,018</u>	<u>694,396</u>	<u>657,949</u>	<u>36,447</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**TOTOWA BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 15,647,670	(C-2)	\$ 657,949
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Current Year				-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Prior Year				-
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements - Prior Year		153,597		
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year		<u>(136,729)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		<u>\$ 15,664,538</u>		<u>\$ 657,949</u>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 16,216,494	(C-2)	\$ 657,949
Differences - Budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes - Prior Year				-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes - Current Year		<u>-</u>		<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		<u>\$ 16,216,494</u>		<u>\$ 657,949</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION INFORMATION**

**TOTOWA BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Public Employees Retirement System**

**Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02100	0.02581
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,931,843	\$ 4,933,157
District's Covered-Employee Payroll	\$ 1,490,126	\$ 1,665,683
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	263.86%	296.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS**

**Public Employees Retirement System**

**Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 180,156	\$ 194,487
Contributions in Relation to the Contractually Required Contribution	<u>180,156</u>	<u>194,487</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,490,126	\$ 1,665,683
Contributions as a Percentage of Covered-Employee Payroll	12.08%	11.68%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Teachers Pension and Annuity Fund**

**Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 35,984,913</u>	<u>\$ 34,572,836</u>
<b>Total</b>	<u><b>\$ 35,984,913</b></u>	<u><b>\$ 34,572,836</b></u>
District's Covered-Employee Payroll	\$ 6,566,592	\$ 6,432,436
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**TOTOWA BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Change of Benefit Terms:**           None.

**Change of Assumptions:**       The discount rate changed from the District's rate as of June 30, 2014 to the District's rate as of June 30, 2015, in accordance with GASB Statement No. 67.

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

**TOTOWA BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	NCLB		IDEA Part B		Chapter 192		Chapter 193			Nonpublic Nursing	Nonpublic Textbook	Nonpublic Technology	Home Instruction	Total
	Title I 2014-15	Title II-A 2014-15	Basic 2014-15	Preschool 2014-15	Comp. Education	ESL	Corrective Speech	Exam. & Classification	Supplemental Instruction					
<b>REVENUES</b>														
Intergovernmental														
Federal	\$ 122,309	\$ 12,391	\$ 270,240	\$ 8,037										\$ 412,977
State	-	-	-	-	\$ 133,653	\$ 1,827	\$ 10,249	\$ 22,169	\$ 27,465	\$ 24,756	\$ 16,168	\$ 8,685	\$ -	244,972
<b>Total Revenues</b>	<b>\$ 122,309</b>	<b>\$ 12,391</b>	<b>\$ 270,240</b>	<b>\$ 8,037</b>	<b>\$ 133,653</b>	<b>\$ 1,827</b>	<b>\$ 10,249</b>	<b>\$ 22,169</b>	<b>\$ 27,465</b>	<b>\$ 24,756</b>	<b>\$ 16,168</b>	<b>\$ 8,685</b>	<b>\$ -</b>	<b>\$ 657,949</b>
<b>EXPENDITURES</b>														
Instruction														
Salaries of Teachers	\$ 96,897	\$ 9,834	\$ -	\$ -										\$ 106,731
Other Salaries			65,000	7,466										72,466
Tuition			180,364											180,364
General Supplies												\$ 8,685		8,685
Textbooks											\$ 16,168			16,168
<b>Total Instruction</b>	<b>96,897</b>	<b>9,834</b>	<b>245,364</b>	<b>7,466</b>							<b>16,168</b>	<b>8,685</b>		<b>384,414</b>
Support Services														
Personal Services - Employee Benefits	22,532	2,557	4,973	571										30,633
Purchased Prof./Ed. Services			19,903		\$ 133,653	\$ 1,827	\$ 10,249	\$ 22,169	\$ 27,465					215,266
Other Purchased Services	2,880	-												2,880
Miscellaneous Purchased Services										\$ 24,756				24,756
Supplies and Materials														-
Personal Services - Employee Benefits														-
<b>Total Support Services</b>	<b>25,412</b>	<b>2,557</b>	<b>24,876</b>	<b>571</b>	<b>133,653</b>	<b>1,827</b>	<b>10,249</b>	<b>22,169</b>	<b>27,465</b>	<b>24,756</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273,535</b>
<b>Total Expenditures</b>	<b>\$ 122,309</b>	<b>\$ 12,391</b>	<b>\$ 270,240</b>	<b>\$ 8,037</b>	<b>\$ 133,653</b>	<b>\$ 1,827</b>	<b>\$ 10,249</b>	<b>\$ 22,169</b>	<b>\$ 27,465</b>	<b>\$ 24,756</b>	<b>\$ 16,168</b>	<b>\$ 8,685</b>	<b>\$ -</b>	<b>\$ 657,949</b>

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**TOTOWA BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOT APPLICABLE**

**CAPITAL PROJECTS FUND**

TOTOWA BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Revenues and Other Financing Sources**

Revenues	
Interest	\$ <u>48</u>
 Total Revenues and Other Financing Sources	 <u>48</u>

**Expenditures and Other Financing Uses**

Transfer Out - General Fund	<u>48</u>
 Total Expenditures and Other Financing Uses	 <u>48</u>

Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-
 Fund Balance- Beginning of Year	 <u>-</u>
 Fund Balance- End of Year	 <u>\$ -</u>

**ENTERPRISE FUND**

**EXHIBIT G-1**

**TOTOWA BOARD OF EDUCATION  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**TOTOWA BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 40,799	\$ 165,718	\$ 206,517
Total Assets	<u>\$ 40,799</u>	<u>\$ 165,718</u>	<u>\$ 206,517</u>
<b>LIABILITIES</b>			
Accrued Salaries and Wages		\$ 130,512	\$ 130,512
Payroll Deductions and Withholdings Payable		31,335	31,335
Due to Other Funds		3,616	3,616
Reserve for Flex Spending		255	255
Accounts Payable			-
Due to Student Groups	<u>\$ 40,799</u>	<u>-</u>	<u>40,799</u>
Total Liabilities	<u>\$ 40,799</u>	<u>\$ 165,718</u>	<u>\$ 206,517</u>

**TOTOWA BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Balance, July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2015</u>
Due to Student Groups				
Elementary Schools				
Washington Park	\$ 40,095	\$ 92,580	\$ 103,393	\$ 29,282
Memorial	10,465	3,546	2,494	11,517
	<u>50,560</u>	<u>96,126</u>	<u>105,887</u>	<u>40,799</u>
Total All Schools	<u>\$ 50,560</u>	<u>\$ 96,126</u>	<u>\$ 105,887</u>	<u>\$ 40,799</u>

**TOTOWA BOARD OF EDUCATION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Balance, July 1, <u>2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance, June 30, <u>2015</u></b>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 36,803	\$ 4,867,440	\$ 4,872,908	\$ 31,335
Accrued Salaries and Wages	130,505	5,725,174	5,725,167	130,512
Reserve for Flex Spending	2,255	300	2,300	255
Due to Other Funds	<u>3,029</u>	<u>587</u>	<u>-</u>	<u>3,616</u>
Total	<u>\$ 172,592</u>	<u>\$ 10,593,501</u>	<u>\$ 10,600,375</u>	<u>\$ 165,718</u>

**LONG-TERM DEBT**

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2015</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	1/25/2013	\$ 5,460,000	2/15/2016	\$ 565,000	3.000%	<u>\$ 4,930,000</u>		<u>\$ 550,000</u>	<u>\$ 4,380,000</u>
			2/15/2017	585,000	3.000%				
			2/15/2018	600,000	3.000%				
			2/15/2019	615,000	4.000%				
			2/15/2020	645,000	4.000%				
			2/15/2021	665,000	4.000%				
			2/15/2022	705,000	4.000%				
					<u>\$ 4,930,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 4,380,000</u>	
						Paid by Budget	<u>\$ 550,000</u>		

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOT APPLICABLE**

**TOTOWA BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 707,837	-	\$ 707,837	\$ 707,837	-
Total Revenues	<u>707,837</u>	<u>-</u>	<u>707,837</u>	<u>707,837</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	550,000		550,000	550,000	
Interest	<u>174,200</u>	<u>-</u>	<u>174,200</u>	<u>174,200</u>	<u>-</u>
Total Expenditures	<u>724,200</u>	<u>-</u>	<u>724,200</u>	<u>724,200</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,363)	-	(16,363)	(16,363)	-
Fund Balance, Beginning of Year	<u>16,363</u>	<u>-</u>	<u>16,363</u>	<u>16,363</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## STATISTICAL SECTION

This part of the Totowa Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### Contents

### Exhibits

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**TOTOWA BOARD OF EDUCATION**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Unaudited)  
*(accrual basis of accounting)*

	Fiscal Year Ended									
	2006	2007	2008	2009 (Restated)	2010	2011	2012	2013	2014 (Restated)	2015
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 2,401,427	\$ 5,763,733	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,896,557	\$ 3,002,673	\$ 3,340,656	\$ 3,793,083
Restricted	21,508	12,070	12,535	302,768	117,070	97,306	154,563	32,236	21,979	5,687
Unrestricted	<u>3,882,985</u>	<u>2,692,907</u>	<u>1,917,878</u>	<u>2,029,661</u>	<u>2,065,023</u>	<u>2,005,795</u>	<u>2,328,848</u>	<u>3,044,331</u>	<u>(2,077,189)</u>	<u>(2,502,811)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 6,305,920</u>	<u>\$ 8,468,710</u>	<u>\$ 7,991,706</u>	<u>\$ 4,622,466</u>	<u>\$ 4,873,608</u>	<u>\$ 4,963,651</u>	<u>\$ 5,379,968</u>	<u>\$ 6,079,240</u>	<u>\$ 1,285,446</u>	<u>\$ 1,295,959</u>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets										
Restricted										
Unrestricted	<u>\$ 23,659</u>	<u>\$ 24,285</u>	<u>\$ 30,491</u>	<u>\$ 40,650</u>	<u>\$ 68,261</u>	<u>\$ 90,516</u>	<u>\$ 98,736</u>	<u>\$ 103,054</u>	<u>\$ 115,227</u>	<u>\$ 110,636</u>
<b>Total Business-Type Activities Net Position</b>	<u>\$ 23,659</u>	<u>\$ 24,285</u>	<u>\$ 30,491</u>	<u>\$ 40,650</u>	<u>\$ 68,261</u>	<u>\$ 90,516</u>	<u>\$ 98,736</u>	<u>\$ 103,054</u>	<u>\$ 115,227</u>	<u>\$ 110,636</u>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 2,401,427	\$ 5,763,733	\$ 6,061,293	\$ 2,290,037	\$ 2,691,515	\$ 2,860,550	\$ 2,896,557	\$ 3,002,673	\$ 3,340,656	\$ 3,793,083
Restricted	21,508	12,070	12,535	302,768	117,070	97,306	154,563	32,236	21,979	5,687
Unrestricted	<u>3,906,644</u>	<u>2,717,192</u>	<u>1,948,369</u>	<u>2,070,311</u>	<u>2,133,284</u>	<u>2,096,311</u>	<u>2,427,584</u>	<u>3,147,385</u>	<u>(1,961,962)</u>	<u>(2,392,175)</u>
<b>Total District Net Position</b>	<u>\$ 6,329,579</u>	<u>\$ 8,492,995</u>	<u>\$ 8,022,197</u>	<u>\$ 4,663,116</u>	<u>\$ 4,941,869</u>	<u>\$ 5,054,167</u>	<u>\$ 5,478,704</u>	<u>\$ 6,182,294</u>	<u>\$ 1,400,673</u>	<u>\$ 1,406,595</u>

Note 1 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

**TOTOWA BOARD OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 5,244,312	\$ 6,384,262	\$ 6,996,539	\$ 6,857,279	\$ 7,171,784	\$ 6,859,725	\$ 6,985,771	\$ 6,832,422	\$ 6,938,174	\$ 8,621,057
Special Education	1,485,801	1,908,657	2,261,052	1,363,745	1,888,150	1,610,676	1,482,236	1,897,792	2,075,543	2,396,063
Other Instruction	544,383	443,779	773,083	665,212	465,383	593,159	573,051	370,870	262,489	309,226
School Sponsored Activities And Athletics	17,233	29,869	27,478	18,158	8,238	5,217	4,780	3,071	2,025	-
<b>Support Services:</b>										
Student & Instruction Related Services	1,475,387	1,429,682	1,455,257	1,650,247	1,786,109	2,030,595	2,273,015	2,502,875	2,608,490	2,998,736
School Administrative Services	652,533	562,460	529,842	605,756	534,856	639,407	745,495	727,904	837,684	930,742
General Administration	448,356	538,773	772,583	543,284	667,796	573,380	705,178	801,427	757,434	564,468
Plant Operations And Maintenance	956,291	1,147,998	1,243,589	1,263,197	1,339,428	1,311,870	1,352,130	1,411,469	1,762,510	1,736,065
Pupil Transportation	480,380	555,811	613,911	518,655	409,175	372,654	405,861	381,361	406,677	471,983
Other Support Services	294,653	555,980	347,644	334,823	368,456	404,065	455,910	478,021	442,115	459,313
Interest On Long-Term Debt	404,532	382,623	362,979	342,566	317,817	297,576	276,942	131,817	117,250	108,632
Unallocated Depreciation	-	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>12,003,861</b>	<b>13,939,894</b>	<b>15,383,957</b>	<b>14,162,922</b>	<b>14,957,192</b>	<b>14,698,324</b>	<b>15,260,369</b>	<b>15,539,029</b>	<b>16,210,391</b>	<b>18,596,285</b>
<b>Business-Type Activities:</b>										
Food Service	49,351	58,362	64,969	65,869	269,279	302,041	332,751	354,840	408,029	410,104
<b>Total Business-Type Activities Expense</b>	<b>49,351</b>	<b>58,362</b>	<b>64,969</b>	<b>65,869</b>	<b>269,279</b>	<b>302,041</b>	<b>332,751</b>	<b>354,840</b>	<b>408,029</b>	<b>410,104</b>
<b>Total District Expenses</b>	<b>\$ 12,053,212</b>	<b>\$ 13,998,256</b>	<b>\$ 15,448,926</b>	<b>\$ 14,228,791</b>	<b>\$ 15,226,471</b>	<b>\$ 15,000,365</b>	<b>\$ 15,593,120</b>	<b>\$ 15,893,869</b>	<b>\$ 16,618,420</b>	<b>\$ 19,006,389</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges For Services:</b>										
Instruction (Tuition)		\$ 55,203	\$ 96,949	\$ 93,721	\$ 173,659	\$ 159,033	\$ 320,503	\$ 367,690	\$ 245,546	\$ 249,491
Operating Grants And Contributions	\$ 1,812,947	2,318,007	2,489,613	1,974,331	2,226,081	1,505,589	2,076,249	2,385,053	2,373,347	4,289,058
Capital Grants And Contributions	1,173,073	1,653,629	1,17,890	117,890	125,355	13,997	44,062	-	55,400	-
<b>Total Governmental Activities Program Revenues</b>	<b>2,986,020</b>	<b>4,026,839</b>	<b>2,704,452</b>	<b>2,185,942</b>	<b>2,525,095</b>	<b>1,678,619</b>	<b>2,440,814</b>	<b>2,752,743</b>	<b>2,674,293</b>	<b>4,538,549</b>
<b>Business-Type Activities:</b>										
<b>Charges For Services</b>										
Food Service	29,388	30,366	\$ 36,592	\$ 40,236	\$ 229,515	\$ 245,793	\$ 252,665	\$ 253,558	\$ 277,756	\$ 260,744
Operating Grants And Contributions	19,494	27,601	33,893	35,646	67,174	78,342	88,143	105,446	142,198	144,512
<b>Total Business Type Activities Program Revenues</b>	<b>48,882</b>	<b>57,967</b>	<b>70,485</b>	<b>75,882</b>	<b>296,689</b>	<b>324,135</b>	<b>340,808</b>	<b>359,004</b>	<b>419,954</b>	<b>405,256</b>
<b>Total District Program Revenues</b>	<b>\$ 3,034,902</b>	<b>\$ 4,084,806</b>	<b>\$ 2,774,937</b>	<b>\$ 2,261,824</b>	<b>\$ 2,821,784</b>	<b>\$ 2,002,754</b>	<b>\$ 2,781,622</b>	<b>\$ 3,111,747</b>	<b>\$ 3,094,247</b>	<b>\$ 4,943,805</b>

**TOTOWA BOARD OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (9,017,841)	\$ (9,913,055)	\$ (12,679,505)	\$ (11,976,980)	\$ (12,432,097)	\$ (13,019,705)	\$ (12,819,555)	\$ (12,786,286)	\$ (13,536,098)	\$ (14,057,736)
Business-Type Activities	(469)	(395)	5,516	10,013	27,410	22,094	8,057	4,164	11,925	(4,848)
<b>Total District-Wide Net Expense</b>	<u>\$ (9,018,310)</u>	<u>\$ (9,913,450)</u>	<u>\$ (12,673,989)</u>	<u>\$ (11,966,967)</u>	<u>\$ (12,404,687)</u>	<u>\$ (12,997,611)</u>	<u>\$ (12,811,498)</u>	<u>\$ (12,782,122)</u>	<u>\$ (13,524,173)</u>	<u>\$ (14,062,584)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 10,264,318	\$ 10,863,652	\$ 11,055,151	\$ 11,447,357	\$ 11,893,664	\$ 12,294,411	\$ 12,540,299	\$ 12,791,105	\$ 13,046,927	\$ 13,307,866
Taxes Levied For Debt Service	818,583	781,019	787,194	797,538	761,399	777,816	777,410	657,058	728,724	707,837
Investment Earnings	384,665	281,519	173,835	75,357	27,089	16,826	16,044	12,381	15,145	10,994
Federal and State Aid - Unrestricted	125,866	125,764	147,763	38,413						20,320
State Aid Restricted for Debt Service	28,740									
Miscellaneous Income	30,278	23,891	38,558	2,572	1,087	20,695	2,725	25,014	20,343	13,232
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<u>11,652,450</u>	<u>12,075,845</u>	<u>12,202,501</u>	<u>12,361,237</u>	<u>12,683,239</u>	<u>13,109,748</u>	<u>13,336,478</u>	<u>13,485,558</u>	<u>13,811,139</u>	<u>14,060,249</u>
Business-Type Activities:										
Investment Earnings	800	1,021	690	146	201	161	163	154	248	257
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<u>800</u>	<u>1,021</u>	<u>690</u>	<u>146</u>	<u>201</u>	<u>161</u>	<u>163</u>	<u>154</u>	<u>248</u>	<u>257</u>
<b>Total District-Wide</b>	<u>\$ 11,653,250</u>	<u>\$ 12,076,866</u>	<u>\$ 12,203,191</u>	<u>\$ 12,361,383</u>	<u>\$ 12,683,440</u>	<u>\$ 13,109,909</u>	<u>\$ 13,336,641</u>	<u>\$ 13,485,712</u>	<u>\$ 13,811,387</u>	<u>\$ 14,060,506</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 2,634,609	\$ 2,162,790	\$ (477,004)	\$ 384,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513
Business-Type Activities	331	626	6,206	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)
	<u>2,634,940</u>	<u>2,163,416</u>	<u>(470,798)</u>	<u>394,416</u>	<u>278,753</u>	<u>112,298</u>	<u>525,143</u>	<u>703,590</u>	<u>287,214</u>	<u>(2,078)</u>
Transfer Out	-	-	-	(55,000)	-	-	-	-	-	-
<b>Net Change in Net Position</b>										
Governmental Activities	\$ 2,634,609	\$ 2,162,790	\$ (477,004)	\$ 329,257	\$ 251,142	\$ 90,043	\$ 516,923	\$ 699,272	\$ 275,041	\$ 2,513
Business-Type Activities	331	626	6,206	10,159	27,611	22,255	8,220	4,318	12,173	(4,591)
<b>Total District</b>	<u>\$ 2,634,940</u>	<u>\$ 2,163,416</u>	<u>\$ (470,798)</u>	<u>\$ 339,416</u>	<u>\$ 278,753</u>	<u>\$ 112,298</u>	<u>\$ 525,143</u>	<u>\$ 703,590</u>	<u>\$ 287,214</u>	<u>\$ (2,078)</u>

**TOTOWA BOARD OF EDUCATION  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Unaudited)  
(modified accrual basis of accounting)**

	Fiscal Year Ended									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 3,519,516	\$ 2,956,817	\$ 2,186,368	\$ 2,703,336	\$ 2,533,451					
Unreserved	230,570	199,366	239,121	149,048	238,921					
Restricted						\$ 2,300,921	\$ 2,621,684	\$ 3,242,443	\$ 2,964,438	\$ 2,371,990
Committed						130,000				
Assigned						51,625	187,406	5,963	108,056	111,499
Unassigned	-	-	-	-	-	262,082	258,123	243,680	265,039	302,136
<b>Total General Fund</b>	<b>\$ 3,750,086</b>	<b>\$ 3,156,183</b>	<b>\$ 2,425,489</b>	<b>\$ 2,852,384</b>	<b>\$ 2,772,372</b>	<b>\$ 2,744,628</b>	<b>\$ 3,067,213</b>	<b>\$ 3,492,086</b>	<b>\$ 3,337,533</b>	<b>\$ 2,785,625</b>
All Other Governmental Funds										
Reserved	\$ 1,405,853		\$ 36,000							
Unreserved	(1,113,377)	\$ 482,604	560,948	\$ 271,209	\$ 74,672					
Restricted	-	-	-	-	-	\$ 105,788	\$ 89,014	\$ 16,770	\$ 16,363	\$ -
<b>Total All Other Governmental Funds</b>	<b>\$ 292,476</b>	<b>\$ 482,604</b>	<b>\$ 596,948</b>	<b>\$ 271,209</b>	<b>\$ 74,672</b>	<b>\$ 105,788</b>	<b>\$ 89,014</b>	<b>\$ 16,770</b>	<b>\$ 16,363</b>	<b>\$ -</b>

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

**TOTOWA BOARD OF EDUCATION**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited)  
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Tax Levy	\$ 11,082,901	\$ 11,644,671	\$ 11,842,345	\$ 12,244,895	\$ 12,655,073	\$ 13,072,227	\$ 13,317,709	\$ 13,448,163	\$ 13,775,651	\$ 14,015,703
Tuition Charges		55,203	96,949	93,721	173,659	159,033	320,503	367,690	245,546	249,491
Interest Earnings	384,665	281,519	173,835	75,357	27,089	16,826	16,044	12,381	15,145	10,994
Miscellaneous	30,278	23,891	38,558	2,572	1,087	23,895	4,546	22,122	20,343	13,232
State Sources	2,902,003	3,834,168	2,495,841	1,718,611	1,779,089	1,186,364	1,641,075	2,024,056	1,974,276	2,462,904
Federal Sources	238,623	263,232	259,425	294,133	572,347	330,022	477,415	360,997	399,071	278,048
<b>Total Revenue</b>	<b>14,638,470</b>	<b>16,102,684</b>	<b>14,906,953</b>	<b>14,429,289</b>	<b>15,208,344</b>	<b>14,788,367</b>	<b>15,777,292</b>	<b>16,235,409</b>	<b>16,430,032</b>	<b>17,030,372</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	5,327,095	6,107,261	6,741,663	6,617,221	6,870,794	6,568,872	6,719,327	6,593,278	6,727,427	7,294,863
Special Education Instruction	1,470,943	1,936,243	2,260,935	1,376,222	1,876,687	1,598,701	1,477,848	1,896,073	2,070,969	2,299,097
Other Instruction	538,950	453,105	773,083	665,212	462,474	588,661	572,725	371,277	262,304	267,071
School Sponsored Activities and Athletics	17,233	29,869	27,478	18,158	8,228	5,217	4,780	3,074	2,025	-
<b>Support Services:</b>										
Student and Inst. Related Services	1,518,747	1,436,618	1,402,848	1,608,630	1,746,024	1,988,907	2,242,163	2,477,292	2,579,919	2,753,874
General Administration	437,465	503,038	720,712	493,445	499,993	539,670	671,488	770,520	726,658	530,967
School Administrative Services	654,308	529,323	502,933	565,288	648,906	620,890	730,146	714,698	823,505	837,253
Plant Operations And Maintenance	956,396	1,135,197	1,221,276	1,239,119	1,324,186	1,297,071	1,342,083	1,403,577	1,753,108	1,760,685
Pupil Transportation	480,380	555,811	613,911	518,655	409,175	372,654	405,861	381,361	406,677	474,324
Other Support Services	282,587	535,309	329,036	314,517	351,702	387,578	440,839	464,653	428,316	465,525
Capital Outlay	7,742,854	2,493,453	142,234	59,294	328,778	38,792	86,268	79,089	74,953	190,784
<b>Debt Service:</b>										
Principal	455,366	401,914	417,147	447,393	629,644	472,913	493,197	508,502	538,822	550,000
Interest and Other Charges	411,130	389,318	370,047	349,979	328,292	305,069	284,756	222,278	190,309	174,200
Bond Issuance Costs	-	-	-	-	-	-	100,606	-	-	-
<b>Total Expenditures</b>	<b>20,293,454</b>	<b>16,506,459</b>	<b>15,523,303</b>	<b>14,273,133</b>	<b>15,484,883</b>	<b>14,784,995</b>	<b>15,572,087</b>	<b>15,885,672</b>	<b>16,584,992</b>	<b>17,598,643</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	(5,654,984)	(403,775)	(616,350)	156,156	(276,539)	3,372	205,205	349,737	(154,960)	(568,271)
<b>Other Financing Sources (Uses)</b>										
Serial Bond Proceeds							5,460,000			
Premium Interest on Bonds							624,165			
Payment to Refunded Bond Escrow Agent							(5,983,559)			
Cancellation of Unexpended SDA Grant								2,892		
Transfers In	431,275	868,453	30,282	316,629	477,329	52,575	74,101	18,636	14,131	48
Transfers Out	(431,275)	(868,453)	(30,282)	(371,629)	(477,329)	(52,575)	(74,101)	(18,636)	(14,131)	(48)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,000)</b>	<b>-</b>	<b>-</b>	<b>100,606</b>	<b>2,892</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ (5,654,984)</b>	<b>\$ (403,775)</b>	<b>\$ (616,350)</b>	<b>\$ 101,156</b>	<b>\$ (276,539)</b>	<b>\$ 3,372</b>	<b>\$ 305,811</b>	<b>\$ 352,629</b>	<b>\$ (154,960)</b>	<b>\$ (568,271)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>6.90%</b>	<b>5.65%</b>	<b>5.12%</b>	<b>5.61%</b>	<b>6.32%</b>	<b>5.28%</b>	<b>5.02%</b>	<b>4.62%</b>	<b>4.42%</b>	<b>4.16%</b>

\* Noncapital expenditures are total expenditures less capital outlay.

**TOTOWA BOARD OF EDUCATION  
GOVERNMENTAL FUNDS OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>Tuition</u>	<u>Interest on Deposits</u>	<u>Misc.</u>	<u>Total</u>
2015	\$ 249,491	\$ 10,994	\$ 13,232	\$ 273,717
2014	245,546	15,145	20,343	281,034
2013	367,690	12,381	22,122	402,193
2012	320,503	16,044	4,546	341,093
2011	159,033	16,826	23,895	199,754
2010	173,659	27,089	1,087	201,835
2009	93,721	48,633	2,572	144,926
2008	96,949	143,553	38,558	279,060
2007	55,203	218,581	8,891	282,675
2006		166,673	30,278	196,951

**TOTOWA BOARD OF EDUCATION  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN YEARS  
 (Unaudited)**

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
2006	\$ 10,906,600	\$ 664,187,700	\$ 550,800	\$ 500	\$ 316,473,400	\$ 196,183,800	N/A	\$ 1,188,302,800	\$ 1,564,506	\$ 1,189,867,306	\$ 2,335,362,720	\$ 0.978
2007	12,383,700	656,438,500	550,800	500	312,189,700	190,153,000	N/A	1,171,716,200	1,422,982	1,173,139,182	2,316,477,454	1.012
2008	13,260,200	658,512,500	550,800	500	320,241,600	177,776,500	N/A	1,170,342,100	1,447,159	1,171,789,259	1,763,425,655	1.045
2009 *	36,899,000	1,544,805,000	1,007,100	2,800	739,736,900	377,270,900	N/A	2,699,721,700	3,583,498	2,703,305,198	2,527,634,598	0.468
2010	33,653,600	1,543,628,500	1,007,100	2,800	731,106,100	368,661,200	N/A	2,678,059,300	2,883,486	2,680,942,786	2,522,765,395	0.488
2011	30,317,700	1,380,731,400	900,400	2,800	655,477,800	337,383,600	N/A	2,404,813,700	2,718,721	2,407,532,421	2,454,392,427	0.554
2012	29,449,300	1,378,014,500	900,400	2,800	635,098,000	332,149,500	N/A	2,375,614,500	2,717,962	2,378,332,462	2,324,179,089	0.566
2013	27,680,700	1,375,565,900	900,400	2,800	604,639,000	330,052,800	N/A	2,338,841,600	2,405,947	2,341,247,547	2,113,230,027	0.588
2014	44,455,000	1,360,013,300	900,400	2,800	602,371,000	289,825,800	N/A	2,297,568,300	1,910,636	2,299,478,936	1,971,601,591	0.610
2015	44,758,200	1,357,951,300	900,400	2,800	612,756,900	289,562,300	N/A	2,305,931,900	2,290,124	2,308,222,024	2,156,561,331	0.638

Source: County Abstract of Ratables

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a Tax rates are per \$100

\* Revaluation of Real Property

**TOTOWA BOARD OF EDUCATION  
PROPERTY TAX RATES  
PER \$100 OF ASSESSED VALUATION  
LAST TEN YEARS  
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Regional School District</u>	<u>Municipality</u>	<u>County</u>
2015	\$ 2.284	\$ 0.638	\$ 0.404	\$ 0.534	\$ 0.708
2014	2.122	0.610	0.397	0.524	0.591
2013	2.103	0.588	0.401	0.512	0.602
2012	2.060	0.566	0.399	0.474	0.621
2011	1.965	0.554	0.372	0.462	0.577
2010	1.698	0.488	0.323	0.390	0.497
2009 *	1.620	0.468	0.294	0.391	0.467
2008	3.539	1.045	0.638	0.859	0.997
2007	3.400	1.012	0.607	0.828	0.953
2006	3.210	0.978	0.578	0.729	0.925

\* Revaluation of Real Property

**TOTOWA BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Taxpayer	2015		2006	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Totowa VF, LLC	\$ 56,501,300	2.45%	\$ 32,000,000	2.72%
Fidelity Syndications	46,000,000	1.99%	26,018,600	2.21%
Totowa Property Assoc LLC	24,521,900	1.06%		
930 N. Riverview Assoc LLC	24,424,700	1.06%	8,830,500	0.75%
Abill Realty	22,365,000	0.97%	9,305,000	0.79%
50 Madison Road LLC	18,928,400	0.82%		
Norwell Land Company	18,500,000	0.80%	15,474,200	0.83%
Totowa Plaza Rt 46 LLC	18,355,800	0.80%		
Totowa Plaza Rt 46 LLC	17,711,500	0.77%		
Taft Associates	16,920,000	0.73%	9,778,800	0.83%
Hoffman La Roche, Inc.			19,125,600	1.63%
Holiday 46 LLC			17,757,800	1.51%
Rossmore Assoc/Vons Co.			11,500,000	0.98%
IMS America, LTD			10,500,000	0.89%
	<u>\$ 264,228,600</u>	<u>11.45%</u>	<u>\$ 160,290,500</u>	<u>13.14%</u>

Source: Municipal Tax Assessor

**TOTOWA BOARD OF EDUCATION  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 11,082,901	\$ 11,082,901	100.00%	
2007	11,644,071	11,615,330	98.00%	\$ 28,741
2008	11,842,345	11,842,345	100.00%	
2009	12,244,895	12,244,895	100.00%	
2010	13,072,227	13,072,227	100.00%	
2011	13,072,227	13,072,227	100.00%	
2012	13,317,709	13,317,709	100.00%	
2013	13,448,163	13,448,163	100.00%	
2014	13,775,651	13,775,651	100.00%	
2015	14,015,703	14,015,703	100.00%	

**TOTOWA BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases	Total District		
2006	\$ 9,064,000			\$ 62,532		\$ 9,126,532	10,431	\$ 875
2007	8,669,000			55,678		8,724,678	10,489	832
2008	8,259,000			48,471		8,307,471	10,557	787
2009	7,819,000			41,078		7,860,078	10,661	737
2010	7,197,000			33,434		7,230,434	10,813	669
2011	6,732,000			25,521		6,757,521	10,883	621
2012	5,960,000			17,324		5,977,324	10,896	549
2013	5,460,000			8,822		5,468,822	10,930	500
2014	4,930,000			-		4,930,000	10,937	451
2015	4,380,000			-		4,380,000	10,937 *	400

Source: District records

\* - Estimate

**TOTOWA BOARD OF EDUCATION**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST NINE FISCAL YEARS**  
**(Unaudited)**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2007	\$ 8,669,000		\$ 8,669,000	0.74%	826
2008	8,259,000		8,259,000	0.70%	782
2009	7,819,000		7,819,000	0.29%	733
2010	7,197,000		7,197,000	0.27%	666
2011	6,732,000		6,732,000	0.28%	619
2012	5,960,000		5,960,000	0.25%	547
2013	5,460,000		5,460,000	0.23%	500
2014	4,930,000		4,930,000	0.21%	451
2015	4,380,000		4,380,000	0.19%	400

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only nine years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**TOTOWA BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT  
FOR YEAR ENDED DECEMBER 31, 2014  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Borough of Totowa School District	\$ 4,930,000	\$ 4,930,000	
Regional School District	2,514,698	2,514,698	
Borough of Totowa	<u>4,075,710</u>	<u>583,577</u>	<u>\$ 3,492,133</u>
	<u>\$ 11,520,408</u>	<u>\$ 8,028,275</u>	<u>3,492,133</u>
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			16,294,069
Passaic County Utilities Authority (B)			2,430,418
Passaic Valley Sewerage Commission (B)			<u>2,594,282</u>
			<u>21,318,769</u>
Total Direct and Overlapping Debt			<u>\$ 24,810,902</u>

(A) The debt for this entity was apportioned to the Borough of Totowa by dividing the Municipality's 2014 equalized value by the total 2014 equalized value for Passaic County.

(B) Overlapping debt was computed based upon municipal flow to the Authority.

Sources:

- (1) Borough of Totowa 2014 Annual Debt Statement
- (2) PCUA 2014 Audit
- (3) PVSC 2014 Audit

TOTOWA BOARD OF EDUCATION  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

	Equalized valuation basis
	2014 2,146,457,679
	2013 2,005,351,625
	2012 2,144,249,932
	<u>\$ 6,296,059,236</u>
	Average equalized valuation of taxable property \$ 2,098,686,412
	Debt limit (3 % of average equalization value) 62,960,592
	Total Net Debt Applicable to Limit <u>4,380,000</u>
	Legal debt margin <u>\$ 58,580,592</u>

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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 63,408,826	\$ 67,501,286	\$ 71,628,296	\$ 73,709,739	\$ 75,524,419	\$ 73,926,513	\$ 69,964,649	\$ 64,996,589	\$ 62,960,592
Total Net Debt Applicable to Limit	<u>8,724,618</u>	<u>8,307,471</u>	<u>7,860,078</u>	<u>7,230,434</u>	<u>6,757,521</u>	<u>5,977,324</u>	<u>5,468,822</u>	<u>4,930,000</u>	<u>4,380,000</u>
Legal Debt Margin	<u>\$ 54,684,208</u>	<u>\$ 59,193,815</u>	<u>\$ 63,768,218</u>	<u>\$ 66,479,305</u>	<u>\$ 68,766,898</u>	<u>\$ 67,949,189</u>	<u>\$ 64,495,827</u>	<u>\$ 60,066,589</u>	<u>\$ 58,580,592</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.76%	12.31%	10.97%	9.81%	8.95%	8.09%	7.82%	7.59%	6.96%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

a Limit set by NJS A 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

**TOTOWA BOARD OF EDUCATION  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>School District Population</u>
2014	6.8%	N/A	10,937
2013	8.2	\$ 44,688	10,930
2012	7.3	44,600	10,896
2011	7.5	43,853	10,883
2010	7.6	41,936	10,813
2009	7.4	41,050	10,661
2008	3.8	41,657	10,557
2007	2.9	40,839	10,489
2006	3.1	38,584	10,431
2005	3.1	36,142	10,386

Source: United States Bureau of Census - Population Division NJ Department of Labor,  
Bureau of Labor Force Statistics

N/A - Updated information not available

TOTOWA BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)

<u>Employer</u>	<u>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

**TOTOWA BOARD OF EDUCATION**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	74	66	62	68	71	68	69	65	68	67
Special Education		14	26	23	17	18	19	20	13	13
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services	9	12	12	12	12	12	13	13	17	11
General Administration	2	2	2	2	2	7	9	9	2	2
School Administrative Services	7	7	7	7	7	7	9	9	9	13
Other Administrative Services										
Central Services	3	3	3	3	3	3	4	4	4	4
Administrative Information Technology										
Plant Operations And Maintenance	10	13	13	13	13	13	13	13	15	17
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>105</u>	<u>117</u>	<u>125</u>	<u>128</u>	<u>125</u>	<u>128</u>	<u>136</u>	<u>133</u>	<u>128</u>	<u>127</u>

Source: District Personnel Records

TOTOWA BOARD OF EDUCATION  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2006	973	\$ 11,684,104	\$ 12,008	3.74%	83	1:12	1:12	N/A	973	951	6.69%	97.74%
2007	1,055	13,221,774	12,532	4.36%	92	1:12	1:12	N/A	981	971	0.82%	98.98%
2008	1,053	14,594,875	13,860	10.59%	88	1:12	1:12	N/A	982	929	0.10%	94.60%
2009	1,054	13,416,467	12,729	-8.16%	91	1:12	1:12	N/A	1,000	956	1.83%	95.60%
2010	1,073	13,968,221	13,018	2.27%	91	1:12	1:12	N/A	1,021	970	2.10%	95.00%
2011	1,037	13,968,221	13,470	3.47%	86	1:12	1:12	N/A	1,027	968	0.59%	94.26%
2012	995	14,607,260	14,681	8.99%	88	1:12	1:12	N/A	990	945	-3.60%	95.45%
2013	1,013	15,075,803	14,882	1.37%	85	1:12	1:12	N/A	1,015	962	2.53%	94.78%
2014	1,059	15,747,891	14,871	1.29%	87	1:12	1:12	N/A	1,057	1,008	4.14%	95.36%
2015	1,083	16,683,659	15,405	3.51%	85	1:12	1:12	N/A	1,071	1,022	1.32%	95.42%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
  - b Operating expenditures equal total expenditures less debt service and capital outlay.
  - c Cost per pupil represents operating expenditures divided by enrollment.

**TOTOWA BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>District Building</u>										
<u>Elementary</u>										
Square Feet	54,000	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152	62,152
Capacity (students)										
Enrollment	516	697	354	363	389	372	351	350	395	414
<u>Middle School</u>										
Square Feet	94,700	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822	89,822
Capacity (students)										
Enrollment	399	344	686	680	584	655	539	660	662	669
Number of Schools at June 30, 2015										
Elementary =	1	1	1	1	1	1	1	1	1	1
Middle School =	1	1	1	1	1	1	1	1	1	1
Senior High School =										
Other =										

Source: District Records

**TOTOWA BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
(Unaudited)**

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES

		<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
School Facilities	Project #										
Memorial School	N/A	\$ 117,348	\$ 89,731	\$ 92,804	\$ 109,743	\$ 115,799	\$ 140,587	\$ 147,564	\$ 145,719	\$ 127,803	\$ 64,470
Washington Park School	N/A	111,115	110,358	150,263	140,008	131,283	105,686	99,597	92,763	105,263	74,865
Board Offices - Firehouse	N/A	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<u>\$ 228,463</u>	<u>\$ 200,089</u>	<u>\$ 243,067</u>	<u>\$ 249,751</u>	<u>\$ 247,082</u>	<u>\$ 246,273</u>	<u>\$ 247,161</u>	<u>\$ 238,482</u>	<u>\$ 233,066</u>	<u>\$ 139,335</u>

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Source: School District Financial Statements

**TOTOWA BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
JUNE 30, 2015  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
<b>New Jersey School Boards Association Insurance Group</b>		
<u>Property</u>		
Blanket Real and Personal Property	\$ 350,000,000	\$ 5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers and Records	10,000,000	5,000
Demolition and Increased Cost of Construction	10,000,000	
Pollutant Cleanup and Removal	250,000	
Flood Zones	50,000,000	10,000
Earthquake	50,000,000	
Terrorism	1,000,000	
<u>Electronic Data Processing</u>		
Blanket Hardware/Software	100,000	1,000
Blanket Extra Expense	Included	
Flood	500,000	10,000
<u>Equipment Breakdown</u>		
Combined Single Limit per Accident for Property Damage and Business Income	100,000,000	5,000
<u>Crime</u>		
Public Employee Dishonesty with Faithful Performance	500,000	1,000
Theft, Disappearance and Destruction	50,000	1,000
Forgery or Alteration	50,000	1,000
Computer Fraud	50,000	1,000
Public Officials Bond		
Board Secretary	15,000	
Treasurer of School Monies	200,000	
<u>Comprehensive General Liability</u>		
Bodily Injury and Property Damage	11,000,000	
Personal Injury and Advertising Injury	11,000,000	
Employee Benefits Liability	11,000,000	1,000
Automobile		
Combined Single Limit per Accident for Property Damage	11,000,000	
Uninsured/Underinsured Motorists - Private Passenger Auto	1,000,000	
Personal Injury Protection	250,000	
Physical Damage		1,000

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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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DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA

## 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 President and Members  
of the Board of Trustees  
Totowa Board of Education  
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 Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Totowa Board of Education's basic financial statements and have issued our report thereon dated January 8, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Totowa Board of Education'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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Totowa Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Totowa Board of Education'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Totowa Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Totowa Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 8, 2016.

### **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 Totowa Board of Education'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 Totowa Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
 LERCH, VINCI & HIGGINS, LLP  
 Certified Public Accountants  
 Public School Accountants

  
 Dieter P. Lerch  
 Public School Accountant  
 PSA Number CS00756

Fair Lawn, New Jersey  
 January 8, 2016



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
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RALPH M. PICONE, CPA, RMA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Trustees  
Totowa Board of Education  
Totowa, New Jersey

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

We have audited the Totowa Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Totowa Board of Education's major federal and state programs for the fiscal year ended June 30, 2015. The Totowa Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Totowa Board of Education's major federal and state 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 Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Totowa Board of Education'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 and state program. However, our audit does not provide a legal determination of the Totowa Board of Education's compliance.

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

In our opinion, the Totowa Board of Education 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 and state programs for the fiscal year ended June 30, 2015.

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

Management of the Totowa Board of Education 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 Totowa Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08, 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 Totowa Board of Education's internal control over compliance.

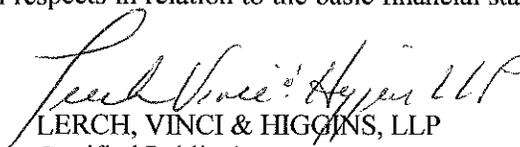
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 or state 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 or state 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.

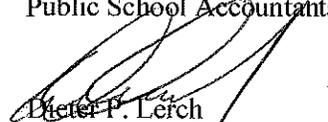
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Totowa Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 8, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants



Dieter P. Lerch  
Public School Accountant  
PSA Number CS00756

Fair Lawn, New Jersey  
January 8, 2016

TOTOWA BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2014	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2015			MEMO GAAP Receivable
										Accounts Receivable	Unearned Revenue	Due to Grantor	
<b>U.S. Department of Agriculture</b>													
<b>Passed-Through State Dept. of Education</b>													
<i>Enterprise Fund</i>													
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	\$ 7,253			\$ 6,572	\$ 7,253		\$ (681)			\$ 681
School Breakfast Program	10.553	N/A	7/1/13-6/30/14	6,010	\$ (561)		561						
Food Distribution Program													
Non-Cash Assistance	10.555	N/A	7/1/14-6/30/15	20,543			20,543	19,961			\$ 582		
Non-Cash Assistance	10.555	N/A	7/1/13-6/30/14	19,263	317			317					
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	113,033			103,779	113,033		(9,254)			9,254
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	112,718	(8,727)		8,727						
Total U.S. Department of Agriculture					(8,971)	-	140,182	140,564	-	(9,935)	582	-	9,935
<b>U.S. Department of Education</b>													
<i>General Fund</i>													
ARRA-SEMI	93.778	N/A		4,591			4,591	4,591					
Special Education Medicaid Reimbursement	93.778	N/A	7/1/14-6/30/15	32,533			28,485	28,485					
Total General Fund					-	-	33,076	33,076	-	-	-	-	-
<b>U.S. Department of Education</b>													
<b>Passed-Through State Dept. of Education</b>													
<i>Special Revenue Fund</i>													
NCLB - Title I	84.010	NCLB520015	7/1/14-6/30/15	122,393			119,429	122,309		(2,964)	84		2,880
NCLB - Title II-A	84.281	NCLB520015	7/1/14-6/30/15	13,307			12,391	12,391		(916)	916		
I.D.E.A. Part B, Basic Regular	84.027	IDEA520015	7/1/14-6/30/15	269,863		\$ 12,649	239,694	270,240	\$ (12,649)	(42,818)	12,272		30,546
I.D.E.A. Part B, Basic Regular	84.027	IDEA520014	7/1/13-6/30/14	247,205	(56,377)	(12,649)	53,269		12,649	(3,108)			3,108
I.D.E.A. Part B, Preschool	84.173	IDEA520015	7/1/14-6/30/15	8,037		662	8,037	8,037		-	662		-
I.D.E.A. Part B, Preschool	84.173	IDEA520014	7/1/13-6/30/14	7,940	(517)	(662)	1,179						
Total Special Revenue Fund					(56,894)	-	433,999	412,977	-	(49,806)	13,934	-	36,534
Total Federal Awards					\$ (65,865)	\$ -	\$ 607,257	\$ 586,617	\$ -	\$ (59,741)	14,516	\$ -	\$ 46,469



**TOTOWA BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

The financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$16,868 for the general fund. There was no adjustment for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 33,076	\$ 2,049,927	\$ 2,083,003
Special Revenue Fund	244,972	412,977	657,949
Food Service Fund	<u>140,564</u>	<u>3,948</u>	<u>144,512</u>
Total Financial Assistance	<u>\$ 418,612</u>	<u>\$ 2,466,852</u>	<u>\$ 2,885,464</u>

**TOTOWA BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 District's fiscal year and grant program years.

**NOTE 5 OTHER INFORMATION**

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$509,048 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. The amount reported as TPAF Pension System Contributions in the amount of \$359,900 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$571,343 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2015.

**NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.



**TOTOWA BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*Part I – Summary of Auditor's Results*

**State Awards Section**

J) Dollar threshold used to distinguish Type A and Type B programs: \$ 300,000

K) Auditee qualified as low-risk auditee?  X  yes   no

L) Type of auditor's report on compliance for major programs: Unmodified

M) Internal Control over compliance:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?   yes  X  none

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08?   yes  X  no

O) Identification of major programs:

GMIS Number(s)	Name of State Program
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>100-034-5094-003</u>	<u>Reimbursed TPAF Social Security</u>
<u>495-034-5120-098</u>	<u>PARCC</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**TOTOWA BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

TOTOWA BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

**CURRENT YEAR FEDERAL AWARDS**

There are none.

**CURRENT YEAR STATE AWARDS**

There are none.

**TOTOWA BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.