

**BOROUGH OF DEMAREST  
SCHOOL DISTRICT**

**Demarest Borough Board of Education  
Demarest, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**BOROUGH OF DEMAREST SCHOOL DISTRICT**

**Demarest, New Jersey**

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

**Prepared by**

**Borough of Demarest Board of Education  
Finance Department**

BOROUGH OF DEMAREST SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal .....	1
Organizational Chart.....	4
Roster of Officials.....	5
Consultants and Advisors .....	6

FINANCIAL SECTION .....

Independent Auditors' Report .....	8
Required Supplementary Information .....	11
Management's Discussion and Analysis (Unaudited).....	12
Basic Financial Statements (Sections A. and B.).....	21
A. District-Wide Financial Statements .....	22
A-1 Statement of Net Position.....	23
A-2 Statement of Activities .....	24
B. Fund Financial Statements .....	26
B-1 Balance Sheet – Governmental Funds.....	27
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	28
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
B-4 Statement of Net Position– Proprietary Funds .....	31
B-5 Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds .....	32
B-6 Statement of Cash Flows – Proprietary Funds .....	33
B-7 Statement of Fiduciary Net Position– Fiduciary Fund .....	34
B-8 Statement of Changes in Fiduciary Net Position– Fiduciary Fund .....	35
Notes to the Basic Financial Statements .....	36

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited).....	64
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	64
L-2 Schedule of District Contributions – Public Employees Retirement System.....	65
L-3 Schedule of District's Proportionate Share of the Net Pension Liability – Teachers' Pension and Annuity Fund.....	66
Notes to Required Supplementary Information.....	67
C. Budgetary Comparison Schedules .....	68
C-1 Budgetary Comparison Schedule – General Fund (Unaudited) .....	69
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Unaudited).....	79
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information (Unaudited) .....	80

BOROUGH OF DEMAREST SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable) .....	81
E. Special Revenue Fund.....	82
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis .....	83
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable) .....	
F. Capital Projects Fund (Not Applicable) .....	84
G. Proprietary Funds .....	85
Enterprise Fund:	
G-1 Statement of Net Position.....	86
G-2 Statement of Revenue, Expenses and Changes in Net Position .....	87
G-3 Statement of Cash Flows .....	88
H. Fiduciary Funds.....	89
H-1 Combining Statement of Net Position.....	90
H-2 Statement of Changes in Net Position .....	91
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements .....	92
H-4 Student Activity Agency Fund Statement of Activity.....	93
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	94
I. Long-Term Debt.....	95
I-1 Schedule of Serial Bonds.....	96
I-2 Schedule of Obligations Under Capital Leases .....	97
I-3 Budgetary Comparison Schedule - Debt Service Fund (Unaudited).....	98

STATISTICAL SECTION (Unaudited)

J. Statistical Schedules.....	99
J-1 Net Position by Component.....	100
J-2 Changes in Net Position .....	101
J-3 Fund Balances - Governmental Funds .....	104
J-4 Changes in Fund Balance – Governmental Funds.....	105
J-5 General Fund Other Local Revenue by Source.....	107
J-6 Assessed Value and Actual Value of Taxable Property .....	108
J-7 Direct and Overlapping Property Tax Rates.....	109
J-8 Principal Property Tax Payers .....	110

BOROUGH OF DEMAREST SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

STATISTICAL SECTION (UNAUDITED) (Cont'd)

J-9	Property Tax Levies and Collections .....	111
J-10	Ratios of Outstanding Debt by Type .....	112
J-11	Ratios of Net General Bonded Debt Outstanding .....	113
J-12	Ratios of Overlapping Governmental Activities Debt .....	114
J-13	Legal Debt Margin Information .....	115
J-14	Demographic and Economic Statistics .....	116
J-15	Principal Employers (not available) .....	117
J-16	Full-Time Equivalent District Employees by Function/Program .....	118
J-17	Operating Statistics .....	119
J-18	School Building Information .....	120
J-19	Schedule of Required Maintenance for School Facilities .....	121
J-20	Insurance Schedule .....	122

SINGLE AUDIT SECTION..... 124

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	125
K-2	Report on Compliance for Each Major State Program: Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 .....	127
	Schedule of Expenditures of Federal Awards .....	129
	Schedule of Expenditures of State Awards .....	130
	Notes to the Schedules of Expenditures of Federal and State Awards .....	131
	Schedule of Findings and Questioned Costs .....	133
	Summary Schedule of Prior Audit Findings .....	135

INTRODUCTORY SECTION

# DEMAREST BOARD OF EDUCATION

**568 Piermont Road, Demarest, NJ 07627 - T (201)768-6060 F (201) 767-9122**

November 23, 2015

Honorable President and Board Members  
Demarest Board of Education  
568 Piermont Road  
Demarest, NJ 07627

Dear President and Board Members:

The comprehensive annual financial report of the Demarest School District for the fiscal year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the representation, including all disclosures, rests with the management of the Board. 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 basic financial statements and results of operations 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 annual 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 basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi year 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 States, Local Governments, and Non-Profit Organizations", and the New Jersey's OMB Circulars 04-04 and 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws, regulations, contracts, grants, and findings and questioned costs, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** Demarest School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (the "GASB"). All funds of the District are included in this report. The Demarest Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2014/2015 fiscal year with an enrollment of 681 students, which is 8 students above the previous year's enrollment.

**2) ECONOMIC CONDITION AND OUTLOOK:** The entire state is recovering from a recession which will affect our ability to receive additional revenue. The state implementation of the 2011 Pension and Health Benefits Reforms (P.L. 2011 C.78) has helped contain costs to offset loss of various state aids.

Honorable President and Board Members  
of the Board of Education  
Demarest Board of Education  
Page 2  
November 23, 2015

**3) MAJOR INITIATIVES:** We continue to seek various ways to share services with other districts and the Borough of Demarest to reduce expenditures. The Board established an ad hoc committee to review District organization and recommend alternatives for the Board's consideration.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits; 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 system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, 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 regulations.

**5) 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 Board of Education. 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.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2015.

**6) 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. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

**7) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic 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 the funds are secured in accordance with the act.

**8) RISK MANAGEMENT:** The District carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due to the current economic conditions.

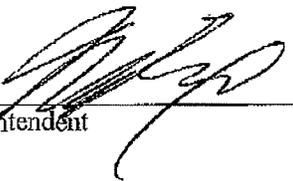
Honorable President and Board Members  
of the Board of Education  
Demarest Board of Education  
Page 3  
November 23, 2015

**9) OTHER INFORMATION:**

A) *Independent Audit* – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Education. 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 New Jersey's OMB Circulars 04-04 and 15-08. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Governmental Auditing Standards* are included in the single audit section of this report.

**10) ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Demarest 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 accounting staff.

Respectfully submitted,

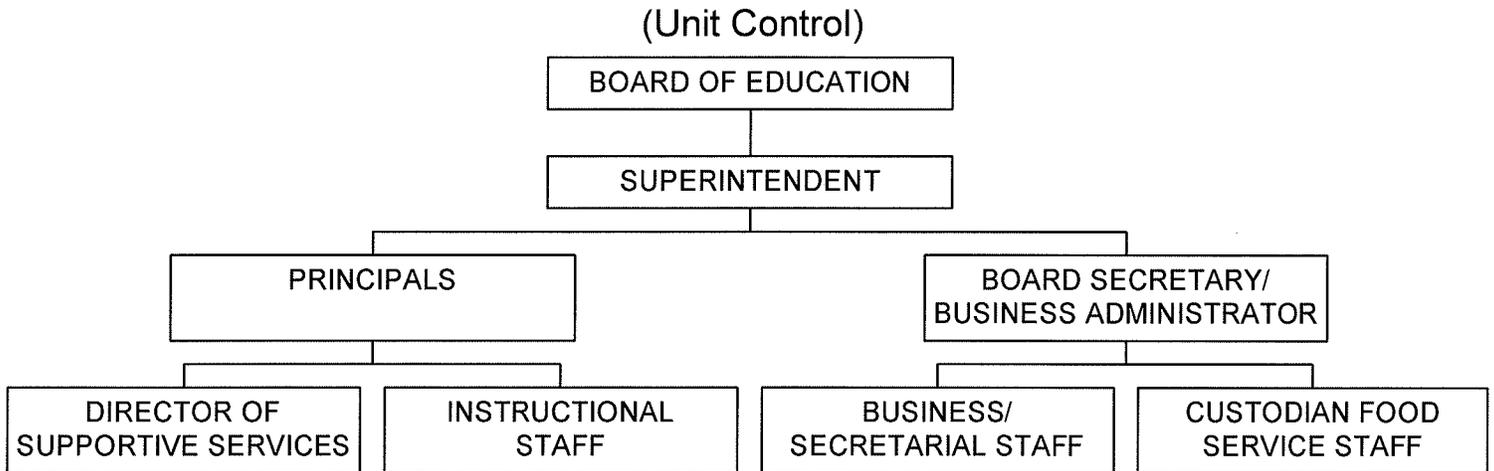
  
\_\_\_\_\_  
Superintendent

  
\_\_\_\_\_  
Business Administrator

# DEMAREST PUBLIC SCHOOL DISTRICT

## ORGANIZATIONAL CHART

2014/2015



**Administrative Offices**

**568 Piermont Road, Demarest, NJ 07627 - T 201.768.6060 F 201.767.9122**

## ROSTER OF OFFICIALS

2014/2015

### MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2017
Kristie Woods	Vice President	2015
Erica Cantatore	Member	2017
Kristin Geller	Member	2015
Ammu Kirtane	Member	2016
Carlos Molina	Member	2016
Sheila Verna	Member	2016

### OTHER OFFICIALS

Michael Fox	Superintendent
Thomas J. Perez	Business Administrator/Board Secretary
Phil Nisonoff	Treasurer
Stephen Fogarty, Esq.	Board Attorney
Matthew Giacobbe, Esq.	Board Attorney

## CONSULTANTS AND ADVISORS

2014/2015

### ARCHITECT

El Associates  
8 Ridgedale Avenue  
Cedar Knolls, NJ 07927  
T 973.775.7777

### ATTORNEYS

Cleary, Giacobbe, Alfieri & Jacobs  
5 Ravine Drive  
Matawan, NJ 07747  
T 732.583.7474

Fogarty & Hara  
16-00 Route 208 South  
Fair Lawn, NJ 07410  
T 201.791.3340

### AUDIT FIRM

Nisivoccia, LLP  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856-1320  
T 973.328.1825

### BOND COUNCIL

Wilentz, Goldman & Spitzer, P.A.  
90 Wodbridge Center Drive  
Suite 900, Box 10  
Woodbridge, NJ 07095  
T 732.636.8000

And

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
T 973.383.6699

### OFFICIAL DEPOSITORY

Capital One Bank  
600 Piermont Road  
Closter, NJ 07624  
T 201.750.2639

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Park  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Borough of Demarest School District  
 County of Bergen, 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 Borough of Demarest School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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.

### ***Auditors' 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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

The Honorable President and Members  
of the Board of Education  
Borough of Demarest School District  
Page 2

### ***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 Borough of Demarest School District, in the County of Bergen, 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***

As discussed in Note 15 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 15 to the basic financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 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 District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members  
of the Board of Education  
Borough of Demarest School District  
Page 3

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2015 on our consideration of the District'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 District's internal control over financial reporting and compliance.

November 14, 2015  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP



---

Francis J. Jones, Jr.  
Certified Public Accountant  
Licensed Public School Accountant #1154

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

This section of Borough of Demarest School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending 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 follow this section.

**Financial Highlights**

- The District's total net position increased by \$816,898 or 19.82%.
- Overall revenue was \$15,904,819.
- Overall expenses were \$15,087,921.

**Overview of the Financial Statements**

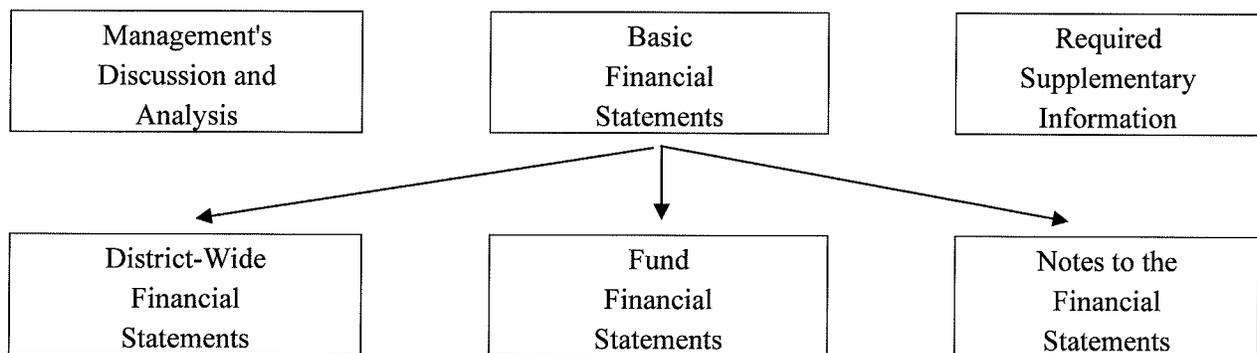
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations 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 the 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 a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

**Organization of Borough of Demarest School District's Financial Report**



**BOROUGH OF DEMAREST SCHOOL DISTRICT**  
**DEMAREST, NEW JERSEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

Figure A-2 summarizes the major features of the District'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-2**

*Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, deferred inflows and outflows both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

***District-wide Statements***

The district-wide statements report information about the District 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 inflows and outflows, and liabilities. All of the current year's revenue 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 inflows and outflows, and liabilities – 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 District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service 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 establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

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 you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

- *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. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

*Net Position.* The District's *combined* net position was \$4,937,790 on June 30, 2015, which is \$816,898, or 19.82%, more than the year before. (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2014/2015	2013/2014*	2014/2015	2013/2014*	2014/2015	2013/2014*	
Current and Other Assets	\$ 4,335,671	\$ 4,005,125	\$ 1,383	\$ 9,032	\$ 4,337,054	\$ 4,014,157	8.04%
Capital Assets, Net	10,762,011	10,597,383	4,039	4,694	10,766,050	10,602,077	1.55%
Total Assets	15,097,682	14,602,508	5,422	13,726	15,103,104	14,616,234	3.33%
Deferred Outflows of Resources	455,414				455,414		
Long-Term Debt	10,280,113	10,381,178			10,280,113	10,381,178	-0.97%
Other Liabilities	91,038	114,164			91,038	114,164	-20.26%
Total Liabilities	10,371,151	10,495,342			10,371,151	10,495,342	-1.18%
Deferred Inflows of Resources	249,577				249,577		
Net Position:							
Net Investment in Capital Assets	4,889,512	4,208,106	4,039	4,694	4,893,551	4,212,800	16.16%
Restricted	3,600,911	3,249,765			3,600,911	3,249,765	10.81%
Unrestricted	(3,558,055)	(3,350,705)	1,383	9,032	(3,556,672)	(3,341,673)	6.43%
Total Net Position	\$ 4,932,368	\$ 4,107,166	\$ 5,422	\$ 13,726	\$ 4,937,790	\$ 4,120,892	19.82%

\* Restated

*Changes in Net Position.* The District's *combined* net position increased \$816,898. Net position from governmental activities increased \$825,202 while net position from business-type activities decreased \$8,304. Net investment in capital assets increased \$680,751 due to reductions in long-term debt of \$516,778, and \$509,585 of capital asset additions, offset by current year depreciation of \$345,612. Restricted net position increased \$351,146 due entirely to an increase of \$351,146 in Excess Surplus. Unrestricted net position decreased by \$214,999 due to normal operations.

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Revenue:							
Program Revenue:							
Charges for Services	\$ 34,468	\$ 37,976	\$ 191,955	\$ 218,936	\$ 226,423	\$ 256,912	-11.87%
Operating Grants/Contributions	2,842,634	1,617,511			2,842,634	1,617,511	75.74%
General Revenue:							
Property Taxes	12,644,878	12,639,679			12,644,878	12,639,679	0.04%
Other	190,851	258,520	33	169	190,884	258,689	-26.21%
Total Revenue	<u>15,712,831</u>	<u>14,553,686</u>	<u>191,988</u>	<u>219,105</u>	<u>15,904,819</u>	<u>14,772,791</u>	7.66%
Expenses:							
Instruction	8,208,139	7,189,235			8,208,139	7,189,235	14.17%
Pupil and Instruction Services	3,548,420	3,385,755			3,548,420	3,385,755	4.80%
Administrative and Business	1,422,963	1,570,241			1,422,963	1,570,241	-9.38%
Maintenance and Operations	1,299,364	1,295,535			1,299,364	1,295,535	0.30%
Transportation	161,220	194,037			161,220	194,037	-16.91%
Other	242,675	466,796	205,140	217,783	447,815	684,579	-34.59%
Total Expenses	<u>14,882,781</u>	<u>14,101,599</u>	<u>205,140</u>	<u>217,783</u>	<u>15,087,921</u>	<u>14,319,382</u>	5.37%
Transfers	(4,848)	(1,929)	4,848	1,929			
Increase in Net Position	<u>\$ 825,202</u>	<u>\$ 450,158</u>	<u>\$ (8,304)</u>	<u>\$ 3,251</u>	<u>\$ 816,898</u>	<u>\$ 453,409</u>	80.17%

*Revenue Sources.* The District's total revenue for the 2014/2015 school year was \$15,904,819. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$12,644,878 of the total, or 79.51 percent. (See Figure A-5). Another \$2,842,634 or 17.87 percent came from state and federal aid for specific programs, \$226,423 from charges for services and the remainder from miscellaneous sources. The Borough of Demarest School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2015**

	Amount	Percentage
Sources of Income:		
Property Taxes	\$ 12,644,878	79.51%
Operating Grants/Contributions	2,842,634	17.87%
Charges for Services	226,423	1.42%
Other	190,884	1.20%
Total Revenue	<u>\$ 15,904,819</u>	<u>100.00%</u>

The total cost of all programs and services was \$15,087,921. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (78.99%). (See Figure A-6.) The District's administration and business activities accounted for 9.43% of total costs. Maintenance and operations costs constituted 8.61% of total costs and the remainder is for other purposes.

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Figure A-6  
Sources of School District Expenses - Fiscal Year 2015**

Expense Category:	Amount	Percentage
Instruction	\$ 8,208,139	54.40%
Pupil and Instruction Services	3,548,420	23.52%
Administrative and Business	1,422,963	9.43%
Maintenance and Operations	1,299,364	8.61%
Transportation	161,220	1.07%
Other	447,815	2.97%
	<u>\$ 15,087,921</u>	<u>100.00%</u>

***Governmental Activities***

As discussed elsewhere in this commentary, the financial position of the District improved slightly. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

**Figure A-7  
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 8,208,139	\$ 7,189,235	\$ 5,936,137	\$ 5,777,775
Pupil and Instruction Services	3,548,420	3,385,755	3,133,839	3,223,998
Administration and Business	1,422,963	1,570,241	1,235,576	1,491,013
Maintenance and Operations	1,299,364	1,295,535	1,299,364	1,295,535
Transportation	161,220	194,037	158,088	190,995
Other	242,675	466,796	242,675	263,700
	<u>\$ 14,882,781</u>	<u>\$ 14,101,599</u>	<u>\$ 12,005,679</u>	<u>\$ 12,243,016</u>

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

***Governmental Activities***

- The cost of all governmental activities this year was \$14,882,781.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$2,842,634.
- Most of the District's costs, however, were financed by District taxpayers (\$12,644,828).

***Business-Type Activities***

Net position from the District's business-type activity decreased by \$8,304, (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues and transfers by \$8,304, accounting for all of the decrease in the net position of the business-type activities.

**Financial Analysis of the District's Funds**

The District's financial position increased despite significant changes in the student clientele and difficult economic times. However, expenditures during the recent year increased significantly as a result of an increased number of pupils with disabilities entering the School District. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

A continued increase in the enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides and special transportation. The cost of these additional teachers, and special education aides, however, has largely been offset by salary reductions realized from the retirement of a significant number of veteran staff. Fringe benefit costs for all staff have increased dramatically in the past several years. The Board has changed to a different Health Benefits carrier in order to reduce costs in this area.

Legislation (S-1701) which reduced the District's unassigned General Fund surplus funds to 2% of the budget has had a direct impact on the District's planning for upcoming years. The District now has less funds available in the event of an emergency or unanticipated special education tuition. Consideration must be given to suspending the practice of utilizing unassigned fund balance to reduce the tax levy in future budgets. Increases in operating costs could exceed expected growth in the Borough's ratables and could potentially increase local taxes in the future. In order to maintain a stable financial position, the District must continue its practice of sound fiscal management.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Capital Asset and Debt Administration**

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	0.00%
Buildings and Building Improvements	9,213,909	9,145,942			9,213,909	9,145,942	0.74%
Machinery & Equipment	244,532	147,871	\$ 4,039	\$ 4,694	248,571	152,565	62.93%
Total Capital Assets, (Net of Depreciation)	<u>\$10,762,011</u>	<u>\$10,597,383</u>	<u>\$ 4,039</u>	<u>\$ 4,694</u>	<u>\$10,766,050</u>	<u>\$10,602,077</u>	1.55%

The increase in capital assets is due to \$509,585 of capital asset additions, offset by current year depreciation of \$331,293 for governmental type activities and \$655 for business type activities, and an adjustment to depreciation of \$13,664 by the in the capital assets appraisal report.

**Long-term Debt**

At year-end, the District had \$5,635,000 in general obligation bonds outstanding. The decrease from the previous year represents bond principal payments of \$390,000. Capital leases payable decreased as a result of lease payments of \$126,778. The District's compensated absences payable increased overall by \$119,549 in governmental activities, and there was a net increase of \$296,164 in net pension liability. (See Figure A-9.) (More detailed information about the District's long-term liabilities is presented in Note 6 to the basic financial statements.)

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percent Change
	2014/2015	2013/2014	
General Obligation Bonds	\$ 5,635,000	\$ 6,025,000	-6.47%
Obligations Under Capital Leases	237,499	364,277	-34.80%
Compensated Absences Payable	219,703	100,154	119.37%
Net Pension Liability - PERS	4,187,911	3,891,747	7.61%
	<u>\$ 10,280,113</u>	<u>\$ 10,381,178</u>	-0.97%

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Statutory limitation on Tax Levy increases of 2%
- Very limited State Aid expected
- Limitation on District's General Fund Unassigned Fund Balance

**BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMAREST, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Contacting the District's Financial Management**

This financial report is designed to provide the District's 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 Mr. Thomas J. Perez, Board Secretary/Business Administrator at 568 Piermont Road, Demarest, NJ 07627.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,189,024	\$ 221	\$ 4,189,245
Interfund Receivables	41		41
Receivables from Federal Government	50,336		50,336
Receivables from State Government	95,133		95,133
Inventory		1,162	1,162
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,137		1,137
Capital Assets:			
Sites (Land)	1,303,570		1,303,570
Depreciable Building and Building Improvements and Machinery and Equipment	9,458,441	4,039	9,462,480
Total Assets	15,097,682	5,422	15,103,104
 <b>DEFERRED OUTFLOW OF RESOURCES</b>			
Changes in Assumptions - Pensions	131,690		131,690
Changes in Proportion - Pensions	323,724		323,724
Total Deferred Outflow of Resources	455,414		455,414
 <b>LIABILITIES</b>			
Current Liabilities:			
Accrued Interest Payable	89,428		89,428
Accounts Payable - Vendors	1,610		1,610
Noncurrent Liabilities:			
Due Within One Year	519,324		519,324
Due Beyond One Year	9,760,789		9,760,789
Total Liabilities	10,371,151		10,371,151
 <b>DEFERRED INFLOW OF RESOURCES</b>			
Investment Gains - Pensions	249,577		249,577
Total Deferred Inflow of Resources	249,577		249,577
 <b>NET POSITION</b>			
Net Investment in Capital Assets	4,889,512	4,039	4,893,551
Restricted for:			
Capital Projects	1,137		1,137
Debt Service	1		1
Other Purposes	3,599,773		3,599,773
Unrestricted (Deficit)	(3,558,055)	1,383	(3,556,672)
Total Net Position	\$ 4,932,368	\$ 5,422	\$ 4,937,790

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 6,085,677		\$ 1,235,285	\$ (4,850,392)		\$ (4,850,392)
Special Education	1,498,122	\$ 34,468	866,975	(596,679)		(596,679)
Other Special Instruction	525,674		135,274	(390,400)		(390,400)
School Sponsored Instruction	98,666			(98,666)		(98,666)
Support Services:						
Tuition	902,177			(902,177)		(902,177)
Student & Instruction Related Services	2,646,243		414,581	(2,231,662)		(2,231,662)
General Administrative Services	400,331		93,215	(307,116)		(307,116)
School Administrative Services	626,806		94,172	(532,634)		(532,634)
Central Services	395,826			(395,826)		(395,826)
Plant Operations and Maintenance	1,299,364			(1,299,364)		(1,299,364)
Pupil Transportation	161,220		3,132	(158,088)		(158,088)
Interest on Long-Term Debt	242,675			(242,675)		(242,675)
Total Governmental Activities	14,882,781	34,468	2,842,634	(12,005,679)		(12,005,679)

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Food Service	\$ 205,140	\$ 191,955			\$ (13,185)	\$ (13,185)
Total Business-Type Activities	205,140	191,955			(13,185)	(13,185)
Total Primary Government	<u>\$ 15,087,921</u>	<u>\$ 226,423</u>	<u>\$ 2,842,634</u>	<u>\$ (12,005,679)</u>	<u>(13,185)</u>	<u>(12,018,864)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				12,000,802		12,000,802
Taxes Levied for Debt Service				644,076		644,076
Investment Earnings					33	33
Miscellaneous Income				190,851		190,851
Transfers				(4,848)	4,848	
Total General Revenues and Transfers				<u>12,830,881</u>	<u>4,881</u>	<u>12,835,762</u>
Change in Net Position				825,202	(8,304)	816,898
Net Position - Beginning (Restated)				<u>4,107,166</u>	<u>13,726</u>	<u>4,120,892</u>
Net Position - Ending				<u>\$ 4,932,368</u>	<u>\$ 5,422</u>	<u>\$ 4,937,790</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 4,189,023		\$ 1	\$ 4,189,024
Interfund Receivable	50,377			50,377
Receivables from Federal Government		\$ 50,336		50,336
Receivables from State Government	95,133			95,133
Restricted Cash and Cash Equivalents	1,137			1,137
<b>TOTAL ASSETS</b>	<b>\$ 4,335,670</b>	<b>\$ 50,336</b>	<b>\$ 1</b>	<b>\$ 4,386,007</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Interfund Payable		\$ 50,336		\$ 50,336
Accounts Payable - Vendors	\$ 1,610			1,610
<b>Total Liabilities</b>	<b>1,610</b>	<b>50,336</b>	<b>1</b>	<b>51,946</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Excess Surplus - Current Year	1,982,993			1,982,993
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,616,780			1,616,780
Capital Reserve Account	1,137			1,137
Debt Service Fund			\$ 1	1
<b>Assigned:</b>				
Year-End Encumbrances	322,646			322,646
Subsequent Year's Expenditures	181,121			181,121
<b>Unassigned:</b>				
General Fund	229,383			229,383
<b>Total Fund Balances</b>	<b>4,334,060</b>	<b>50,336</b>	<b>1</b>	<b>4,334,061</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 4,335,670</b>	<b>\$ 50,336</b>	<b>\$ 1</b>	<b>\$ 4,386,007</b>

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances - Governmental Funds (Above)	\$ 4,334,061
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$17,956,356 and the accumulated depreciation is \$7,194,345. (See Note 5)	10,762,011
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. (See Note 6)	(6,092,202)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(89,428)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(4,187,911)
<b>Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:</b>	
Changes in Assumptions - Pensions	131,690
Investment Gains - Pensions	(249,577)
Changes in Proportions - Pensions	323,724
<b>Net Position of Governmental Activities</b>	<b>\$ 4,932,368</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 12,000,802		\$ 644,076	\$ 12,644,878
Tuition	34,468			34,468
Miscellaneous	190,851			190,851
Total - Local Sources	12,226,121		644,076	12,870,197
State Sources	1,548,510			1,548,510
Federal Sources		\$ 164,133		164,133
Total Revenues	13,774,631	164,133	644,076	14,582,840
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular Instruction	3,722,770			3,722,770
Special Education Instruction	800,631	164,133		964,764
Other Special Instruction	292,671			292,671
School Sponsored Instruction	98,666			98,666
Support Services and Undistributed Costs:				
Tuition	902,177			902,177
Student & Instruction Related Services	1,676,849			1,676,849
General Administration Services	355,131			355,131
School Administration Services	360,164			360,164
Central Services	276,171			276,171

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:				
Current:				
Support Services and Undistributed Costs:				
Plant Operations and Maintenance	\$ 995,433			\$ 995,433
Pupil Transportation	147,932			147,932
Allocated and Unallocated Benefits	3,289,332			3,289,332
Capital Outlay	509,585			509,585
Debt Service:				
Principal			\$ 390,000	390,000
Interest and Other Charges			254,075	254,075
Total Expenditures	<u>13,427,512</u>	<u>\$ 164,133</u>	<u>644,075</u>	<u>14,235,720</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>347,119</u>		<u>1</u>	<u>347,120</u>
OTHER FINANCING SOURCES/(USES):				
Transfers Out	<u>(4,848)</u>			<u>(4,848)</u>
Total Other Financing Sources/(Uses)	<u>(4,848)</u>			<u>(4,848)</u>
Net Change in Fund Balances	342,271		1	342,272
Fund Balance—July 1	<u>3,991,789</u>			<u>3,991,789</u>
Fund Balance—June 30	<u>\$ 4,334,060</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 4,334,061</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 342,272
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Depreciation differs from Capital Outlays during the period.		
	Depreciation Expense	\$ (331,293)
	Capital Outlays	<u>509,585</u>
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		164,628
		(119,549)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		390,000
In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		11,400
Repayment of Capital Leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		126,778
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(296,164)
Deferred Outflows:		
Changes in Assumptions		131,690
Changes in Proportion		323,724
Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>(249,577)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 825,202</u>

## Exhibit B-4

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Business-Type Activities Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 221
Inventory	1,162
	1,383
Total Current Assets	1,383
Non-Current Assets:	
Capital Assets	66,655
Less: Accumulated Depreciation	(62,616)
	4,039
Total Non-Current Assets	4,039
Total Assets	5,422
<b>NET POSITION:</b>	
Net Investment in Capital Assets	4,039
Unrestricted	1,383
	5,422
Total Net Position	\$ 5,422

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 196,803
Total Operating Revenue	<u>196,803</u>
Operating Expenses:	
Cost of Sales	86,137
Salaries, Payroll Taxes & Benefits	117,180
Supplies and Materials	339
Depreciation Expense	654
Miscellaneous Expenses	830
Total Operating Expenses	<u>205,140</u>
Operating Loss	<u>(8,337)</u>
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	<u>33</u>
Total Non-Operating Revenue	<u>33</u>
Change in Net Position	(8,304)
Net Position- Beginning of Year	<u>13,726</u>
Net Position- End of Year	<u><u>\$ 5,422</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 196,803
Payments to Employees	(117,180)
Payments to Food Service Vendor	(86,327)
Payments to Suppliers	<u>(1,169)</u>
Net Cash Used for Operating Activities	<u>(7,873)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>33</u>
Net Cash Provided by Investing Activities	<u>33</u>
Net Decrease in Cash and Cash Equivalents	(7,840)
Cash and Cash Equivalents, July 1	<u>8,061</u>
Cash and Cash Equivalents, June 30	<u>\$ 221</u>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (8,337)
Adjustment to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
(Increase) in Inventory	<u>(190)</u>
Net Cash Used for Operating Activities	<u>\$ (7,873)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Agency</u>	<u>Flex Spending Trust</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 95,250	\$ 3,305
Total Assets	<u>95,250</u>	<u>3,305</u>
<b>LIABILITIES:</b>		
Interfund Payable - General Fund	41	
Payroll Deductions and Withholdings	55,145	
Due to Student Groups	<u>40,064</u>	
Total Liabilities	<u>95,250</u>	
<b>NET POSITION:</b>		
Held in Trust for: Flex Spending Claims		<u>3,305</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 3,305</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Employee Contributions	\$ 14,395
Total Contributions	<u>14,395</u>
Total Additions	<u>14,395</u>
Deductions:	
Flex Spending Claims	<u>13,613</u>
Total Deductions	<u>13,613</u>
Change in Net Position	782
Net Position - Beginning of the Year	<u>2,523</u>
Net Position - End of the Year	<u><u>\$ 3,305</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Borough of Demarest School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools and a middle school located in the Borough of Demarest. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: This Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities, Payroll Agency, and Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting:

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting: (Cont'd)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,769,659	\$ 164,133
Differences - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	28,721	
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	<u>(23,749)</u>	
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 13,774,631</u>	<u>\$ 164,133</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

Uses/Outflows of Resources:	General Fund	Special Revenue Fund
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 13,432,360	\$ 164,133
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 13,432,360	\$ 164,133

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions: (Cont'd)

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

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 restricted, 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.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 Years
Site Improvements	20 Years
Furniture and Equipment	10 to 15 Years
Computer and Related Technology	5 Years
Vehicles	8 Years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financials.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, 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.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with District personnel policies. Upon termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after varying years of service based upon employees' individual contracts.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$4,334,060 General Fund fund balance at June 30, 2015, \$322,646 is assigned for encumbrances; \$181,121 is assigned for subsequent year's expenditures; \$1,137 is restricted in the capital reserve account; \$1,982,993 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$1,616,780 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and \$229,383 is unassigned which is \$23,749 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2016.

Debt Service Fund: The Debt Service Fund has \$1 of restricted fund balance at June 30, 2015.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, C.73 (S1701), the designation for Restricted Fund Balance-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 restrict General Fund fund balance 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 District had excess surplus as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$23,749, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit in Net Position:

The District has a deficit in unrestricted net position of \$3,558,055 in its governmental activities, which is primarily due to General Fund unassigned fund balance of \$229,383, \$322,646 of General Fund fund balance assigned for encumbrances, \$181,121 is assigned for subsequent years expenditures, \$131,690 of changes in pension assumptions, and \$323,724 for changes in proportion in pensions; net of net investment gains in pensions of \$249,577 and net pension liability of \$4,187,911. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred inflow of resources at June 30, 2015 for changes in assumptions in pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus and a capital reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and amounts designated for the fiscal year 2016 budget in the General Fund at June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

U. Revenue - Exchange and Non-exchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute in the section of this Note on Investments.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 4,287,800	\$ 1,137	\$ 4,288,937

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$4,288,937 and the bank balance was \$4,513,349.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution during for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by a transfer by Board resolution at year-end of any unanticipated revenue or unexpended line item appropriation, 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-5.1(d)7, the balance in the account 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 July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 1,137
Ending Balance, June 30, 2015	\$ 1,137

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects at June 30, 2015 exceeds the balance in the capital reserve account as of June 30, 2015.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Total Capital Assets not Being Depreciated	1,303,570			1,303,570
Capital Assets Being Depreciated				
Buildings and Building Improvements	14,499,863	\$ 364,264		14,864,127
Machinery and Equipment	1,643,338	145,321		1,788,659
Total Capital Assets Being Depreciated	16,143,201	509,585		16,652,786
Governmental Activities Capital Assets	17,446,771	509,585		17,956,356
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,353,921)	(282,633)	\$ (13,664)	(5,650,218)
Machinery and Equipment	(1,495,467)	(48,660)		(1,544,127)
Total Accumulated Depreciation	(6,849,388)	(331,293)	(13,664)	(7,194,345)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 10,597,383	\$ 178,292	\$ (13,664)	\$ 10,762,011

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 66,655			\$ 66,655
Less: Accumulated Depreciation	<u>(61,961)</u>	<u>\$ (655)</u>		<u>(62,616)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,694</u>	<u>\$ (655)</u>	<u>\$ -0-</u>	<u>\$ 4,039</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 208,615
Student & Instruction Related Services	95,313
General Administrative Services	2,518
School Administrative Services	6,228
Plant Operations and Maintenance	15,372
Pupil Transportation	<u>3,247</u>
	<u>\$ 331,293</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance June 30,</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance June 30,</u>
Serial Bonds Payable	\$ 6,025,000		\$ 390,000	\$ 5,635,000
Capital Leases Payable	364,277		126,778	237,499
Compensated Absences Payable	100,154	\$ 143,549	24,000	219,703
Net Pension Liability - PERS	<u>3,891,747</u>	<u>296,164</u>		<u>4,187,911</u>
	<u>\$ 10,381,178</u>	<u>\$ 439,713</u>	<u>\$ 540,778</u>	<u>\$ 10,280,113</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be retired through the Debt Service Fund.

The District had bonds outstanding at June 30, 2015 as follows:

<u>Serial Bonds</u>			
<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
02/21/07	02/15/26	4.00-5.00%	<u>\$ 5,635,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 415,000	\$ 238,475	\$ 653,475
2017	440,000	218,763	658,763
2018	440,000	196,763	636,763
2019	465,000	174,763	639,763
2020	490,000	155,000	645,000
2021-2025	2,770,000	463,800	3,233,800
2026	615,000	24,600	639,600
	<u>\$ 5,635,000</u>	<u>\$ 1,472,164</u>	<u>\$ 7,107,164</u>

On February 21, 2007, the District issued refunding school bonds of \$7,135,000 with interest rates ranging from 3.70% to 4.00% to advance refund \$6,904,000 school bonds with an interest rate of 4.75%. The bonds mature on February 15, 2008 through 2026 and February 15, 2018 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on February 15, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$384,251, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$270,333.

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the District has no bonds authorized but not issued.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District purchased various computer technology equipment, copiers, and a bus under capital leases. All capital leases are for terms of three years for the computer technology equipment and copiers, and five years for the bus and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2015.

Fiscal Year	Amount
2016	\$ 133,153
2017	109,628
	242,781
Less: Amount Representing Interest	(5,282)
Present Value of Net Minimum Lease Payments	\$ 237,499

The current portion of capital leases payable is \$129,324 and the long term portion is \$108,175.

D. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$219,703 is reported as a long-term liability in the governmental fund types. The General Fund will be used to liquidate Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Food Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$4,187,911. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$184,399 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2015, the District reported a liability of \$4,187,911 for its proportionate share of the 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion 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 members, actuarially determined. At June 30, 2014, the District's proportion was 0.022%, which was an increase of 0.002% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$277,310. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 131,690	
Changes in Proportion	323,724	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 249,577
	<u>\$ 455,414</u>	<u>\$ 249,577</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	\$ (38,186)
2016	(38,186)
2017	(38,186)
2018	(38,186)
2019	24,207
Thereafter	10,650
	<u>\$ (117,887)</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 U.S. 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%

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 5,268,535	\$ 4,187,911	\$ 3,280,462

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$291,374 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,421,365.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$26,414,822. 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion 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 members, actuarially determined. At June 30, 2014, the District's proportion was 0.049%, which was a decrease of 0.004% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>26,414,822</u>
Total	<u>\$ 26,414,822</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,129,991 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,268</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.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is 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-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. 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%

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. 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 in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums 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 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's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$462,557, \$342,809 and \$387,636 for 2015, 2014, and 2013, respectively.



BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District's claims are paid by the State.

NOTE 10. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Great American Life Insurance Company (G.A.L.I.C.)  
AXA/Equitable Life Assurance  
Metropolitan Life Insurance Company  
Prudential Insurance Company

NOTE 11. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 50,377	
Special Revenue Fund		\$ 50,336
Fiduciary Funds - Payroll Agency Fund		41
	\$ 50,377	\$ 50,377

The interfund payable in the Special Revenue Fund due to the General Fund is the amount of the cash deficit in the Special Revenue Fund due to a timing lag in the reimbursement of federal grant funds from the state. The interfund receivable in the General Fund and the interfund payable in the Payroll Agency Fund represent excess funds that were transferred to the Payroll Agency Fund which are due back to the General Fund.

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 14. CONTINGENT LIABILITIESGrant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District estimates that any potential claims against it resulting from litigation which would not be covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2015, there were encumbrances in the General Fund of \$322,646.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	<u>Balance 6/30/14</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/14</u> <u>as Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 6,489,431	\$ 3,891,747	\$ 10,381,178
Total Liabilities	6,603,595	3,891,747	10,495,342
Net Position:			
Unrestricted/(Deficit)	541,042	(3,891,747)	(3,350,705)
Total Net Position	7,998,913	(3,891,747)	4,107,166

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

BOROUGH OF DEMAREST SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0203628612%	0.0223680527%
District's proportionate share of the net pension liability	\$ 3,891,747	\$ 4,187,911
District's covered employee payroll	\$ 1,085,204	\$ 1,019,081
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	358.62%	410.95%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 165,131	\$ 155,922
Contributions in relation to the contractually required contribution	<u>(165,131)</u>	<u>(155,922)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,085,204	\$ 1,019,081
Contributions as a percentage of covered employee payroll	15.22%	15.30%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0530543147%	0.0494226942%
State's proportionate share of the net pension liability attributable to the District	\$ 26,813,233	\$ 26,414,822
District's covered employee payroll	\$ 5,513,739	\$ 5,373,803
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	486.30%	491.55%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2014 to 5.39% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2014 to 4.68% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 12,000,802		\$ 12,000,802	\$ 12,000,802	
Tuition:					
From Other Individuals	36,431		36,431	34,468	\$ (1,963)
Miscellaneous	124,000		124,000	190,851	66,851
<b>Total - Local Sources</b>	<b>12,161,233</b>		<b>12,161,233</b>	<b>12,226,121</b>	<b>64,888</b>
State Sources:					
Categorical Special Education Aid	291,599		291,599	291,599	
Categorical Security Aid	10,062		10,062	10,062	
Categorical Transportation Aid	8,454		8,454	8,454	
PARCC Readiness Aid	6,960		6,960	6,960	
Per Pupil Growth Aid	6,960		6,960	6,960	
Extraordinary Special Education Costs Aid		\$ 72,495	72,495	72,495	
Nonpublic School Transportation Costs				3,132	3,132
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				291,374	291,374
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				462,557	462,557
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				389,945	389,945
<b>Total State Sources</b>	<b>324,035</b>	<b>72,495</b>	<b>396,530</b>	<b>1,543,538</b>	<b>1,147,008</b>
<b>TOTAL REVENUES</b>	<b>12,485,268</b>	<b>72,495</b>	<b>12,557,763</b>	<b>13,769,659</b>	<b>1,211,896</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 310,046		\$ 310,046	\$ 258,509	\$ 51,537
Grades 1-5 - Salaries of Teachers	1,536,360	\$ 254,868	1,791,228	1,731,614	59,614
Grades 6-8 - Salaries of Teachers	1,601,016	(190,440)	1,410,576	1,236,928	173,648
Regular Programs - Home Instruction:					
Salaries of Teachers	8,000		8,000		8,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	22,499		22,499	16,552	5,947
Purchased Professional - Educational Services	6,000	(1,200)	4,800	525	4,275
Purchased Technical Services	123,790	(12,070)	111,720	109,524	2,196
Other Purchased Services (400-500 series)	113,731	72,650	186,381	107,841	78,540
General Supplies	326,067	(56,150)	269,917	245,289	24,628
Textbooks	6,244	5,600	11,844	11,212	632
Other Objects	8,231	170	8,401	4,776	3,625
Total Regular Programs - Instruction	4,061,984	73,428	4,135,412	3,722,770	412,642
Special Education:					
Visual Impairments					
Salaries of Teachers	50,828	(50,828)			
Other Salaries for Instruction	16,000	(16,000)			
General Supplies	1,000		1,000	263	737
Total Visual Impairments	67,828	(66,828)	1,000	263	737
Resource Room/Resource Center:					
Salaries of Teachers	821,175	(14,736)	806,439	791,258	15,181
Other Purchased Services (400-500 series)	125		125	40	85
General Supplies	13,572		13,572	9,070	4,502
Textbooks	710		710		710
Total Resource Room/Resource Center	835,582	(14,736)	820,846	800,368	20,478
Total Special Education Instruction	903,410	(81,564)	821,846	800,631	21,215
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	203,640		203,640	171,713	31,927
Other Purchased Services	100		100	78	22
General Supplies	7,818		7,818	4,028	3,790
Total Basic Skills/Remedial - Instruction	211,558		211,558	175,819	35,739

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 56,640	\$ 395	\$ 57,035	\$ 57,030	\$ 5
Other Purchased Services (400-500 Series)	225		225	138	87
General Supplies	6,011	(395)	5,616	4,460	1,156
Other Objects	110		110	98	12
Total Bilingual Education - Instruction	<u>62,986</u>		<u>62,986</u>	<u>61,726</u>	<u>1,260</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	91,215	5,850	97,065	91,782	5,283
Purchased Services (300-500 series)	8,200	(5,250)	2,950	2,936	14
Supplies and Materials	3,950	(600)	3,350	3,085	265
Other Objects	1,200	(85)	1,115	778	337
Total School-Sponsored Cocurricular Activities - Instruction	<u>104,565</u>	<u>(85)</u>	<u>104,480</u>	<u>98,581</u>	<u>5,899</u>
School-Sponsored Athletics - Instruction:					
Other Objects		85	85	85	
Total School-Sponsored Athletics - Instruction		<u>85</u>	<u>85</u>	<u>85</u>	
Community Services Programs / Operations:					
Salaries	34,824		34,824	34,676	148
Purchased Services (300-500 series)	22,000		22,000	20,450	1,550
Total Community Services Programs / Operations	<u>56,824</u>		<u>56,824</u>	<u>55,126</u>	<u>1,698</u>
Total Instruction	<u>5,401,327</u>	<u>(8,136)</u>	<u>5,393,191</u>	<u>4,914,738</u>	<u>478,453</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	1,218,467	(16,025)	1,202,442	755,577	446,865
Tuition - Other	19,640		19,640		19,640
Tuition to Private Schools for the Disabled - Within the State	160,258		160,258	94,600	65,658
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	52,000		52,000	52,000	
Total Undistributed Expenditures - Instruction	<u>1,450,365</u>	<u>(16,025)</u>	<u>1,434,340</u>	<u>902,177</u>	<u>532,163</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Attendance and Social Work:					
Salaries	\$ 39,726	\$ 100	\$ 39,826	\$ 37,056	\$ 2,770
Total Attendance and Social Work	<u>39,726</u>	<u>100</u>	<u>39,826</u>	<u>37,056</u>	<u>2,770</u>
Health Services:					
Salaries	147,637	(3,739)	143,898	143,709	189
Purchased Professional and Technical Services	190	9,000	9,190	8,042	1,148
Other Purchased Services (400-500 series)	300		300	185	115
Supplies and Materials	4,875		4,875	4,695	180
Total Health Services	<u>153,002</u>	<u>5,261</u>	<u>158,263</u>	<u>156,631</u>	<u>1,632</u>
Speech, OT, PT & Related Services:					
Salaries	242,741	(59,928)	182,813	180,028	2,785
Purchased Professional - Educational Services	28,000	82,425	110,425	110,422	3
Supplies and Materials	12,079	(8,000)	4,079	3,064	1,015
Other Objects	760	(500)	260	170	90
Total Speech, OT, PT & Related Services	<u>283,580</u>	<u>13,997</u>	<u>297,577</u>	<u>293,684</u>	<u>3,893</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	451,337	(3,074)	448,263	426,776	21,487
Purchased Professional - Educational Services	14,000		14,000	8,565	5,435
Supplies and Materials	2,000		2,000		2,000
Total Other Support Services - Students - Extraordinary Services	<u>467,337</u>	<u>(3,074)</u>	<u>464,263</u>	<u>435,341</u>	<u>28,922</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Guidance:					
Salaries of Other Professional Staff	\$ 123,524	\$ 482	\$ 124,006	\$ 124,006	
Salaries of Secretarial and Clerical Assistants	24,935	146	25,081	24,498	\$ 583
Purchased Professional - Educational Services	12,000	(7,582)	4,418	2,400	2,018
Other Purchased Services (400-500 series)	4,125	(340)	3,785	2,399	1,386
Supplies and Materials	3,400	431	3,831	3,361	470
Other Objects	200	350	550	179	371
Total Guidance	<u>168,184</u>	<u>(6,513)</u>	<u>161,671</u>	<u>156,843</u>	<u>4,828</u>
Child Study Teams:					
Salaries of Other Professional Staff	240,009	10,001	250,010	250,010	
Salaries of Secretarial and Clerical Assistants	60,747	5,200	65,947	65,928	19
Other Salaries	6,600	(6,225)	375	372	3
Purchased Professional - Educational Services	37,867	(6,148)	31,719	31,640	79
Miscellaneous Purchased Services	2,900		2,900	1,514	1,386
Supplies and Materials	11,945	1,250	13,195	13,165	30
Other Objects	400		400		400
Total Child Study Teams	<u>360,468</u>	<u>4,078</u>	<u>364,546</u>	<u>362,629</u>	<u>1,917</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	80,000		80,000	44,825	35,175
Purchased Professional - Educational Services	33,639		33,639	28,281	5,358
Total Improvement of Instructional Services	<u>113,639</u>		<u>113,639</u>	<u>73,106</u>	<u>40,533</u>
Educational Media Services/School Library:					
Salaries	101,361	6,435	107,796	107,784	12
Purchased Professional and Technical Services	14,160	(2,250)	11,910	11,439	471
Other Purchased Services (400-500 series)	125		125	38	87
Supplies and Materials	24,029	(4,185)	19,844	18,880	964
Other Objects	50		50	50	
Total Educational Media Services/School Library	<u>139,725</u>		<u>139,725</u>	<u>138,191</u>	<u>1,534</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 2,000		\$ 2,000	\$ 75	\$ 1,925
Purchased Professional - Educational Services	26,400		26,400	23,155	3,245
Other Purchased Services (400-500 series)	2,000		2,000	96	1,904
Supplies and Materials	2,250		2,250	42	2,208
Total Instructional Staff Training Services	<u>32,650</u>		<u>32,650</u>	<u>23,368</u>	<u>9,282</u>
Support Services - General Administration:					
Salaries	206,851	\$ 38,170	245,021	244,764	257
Legal Services	32,000	(4,800)	27,200	16,607	10,593
Audit Fees	12,000		12,000	10,750	1,250
Architectural / Engineering Services	12,000	(4,500)	7,500		7,500
Other Purchased Professional Services	11,450	1,000	12,450	11,285	1,165
Communications/Telephone	31,400	7,000	38,400	37,026	1,374
BOE Other Purchased Services	6,600		6,600	5,739	861
Miscellaneous Purchased Services (400-500 series)	8,000	10,815	18,815	17,581	1,234
General Supplies	9,500	(3,500)	6,000	4,944	1,056
BOE In-House Training / Meeting Supplies	500		500	18	482
Miscellaneous Expenditures		40	40	40	
BOE Membership Dues and Fees	15,000	(8,225)	6,775	6,377	398
Total Support Services - General Administration	<u>345,301</u>	<u>36,000</u>	<u>381,301</u>	<u>355,131</u>	<u>26,170</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 287,795	\$ (27,235)	\$ 260,560	\$ 247,277	\$ 13,283
Salaries of Secretarial and Clerical Assistants	99,742	1,235	100,977	100,972	5
Purchased Professional and Technical Services	250		250		250
Other Purchased Services (400-500 series)	5,000		5,000	2,654	2,346
Supplies and Materials	9,999	1,901	11,900	9,261	2,639
Total Support Services - School Administration	<u>402,786</u>	<u>(24,099)</u>	<u>378,687</u>	<u>360,164</u>	<u>18,523</u>
Central Services:					
Salaries	249,706	6,124	255,830	255,706	124
Purchased Technical Services	600		600		600
Miscellaneous Purchased Services (400-500 series)	24,900	(2,160)	22,740	19,601	3,139
Supplies and Materials	3,000		3,000	864	2,136
Total Central Services	<u>278,206</u>	<u>3,964</u>	<u>282,170</u>	<u>276,171</u>	<u>5,999</u>
Required Maintenance of School Facilities:					
Salaries	13,480	635	14,115	14,114	1
Cleaning, Repair and Maintenance Services	151,570	(45,635)	105,935	96,843	9,092
General Supplies	38,600	(20,000)	18,600	9,474	9,126
Other Objects		87,000	87,000	37,008	49,992
Total Required Maintenance of School Facilities	<u>203,650</u>	<u>22,000</u>	<u>225,650</u>	<u>157,439</u>	<u>68,211</u>
Custodial Services:					
Salaries	450,020		450,020	437,700	12,320
Purchased Professional and Technical Services	12,000		12,000	7,595	4,405
Other Purchased Property Services	28,000	(10,000)	18,000	11,710	6,290
Insurance	96,200	3,700	99,900	99,014	886

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services: (Cont'd)					
Miscellaneous Purchased Services		\$ 500	\$ 500		\$ 500
General Supplies	\$ 135,569	(67,169)	68,400	\$ 39,554	28,846
Energy (Electricity)	150,000	14,000	164,000	133,950	30,050
Energy (Natural Gas)	122,000	(24,000)	98,000	70,423	27,577
Energy (Gasoline)	8,535	(535)	8,000	5,278	2,722
Other Objects	37,300	(500)	36,800	32,770	4,030
<b>Total Custodial Services</b>	<b>1,039,624</b>	<b>(84,004)</b>	<b>955,620</b>	<b>837,994</b>	<b>117,626</b>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Salaries of Non-Instructional Aides					
Between Home and School - Special	18,033	320	18,353	18,349	4
Other Purchased Professional and Technical Services	1,000	(320)	680	125	555
Cleaning, Repair and Maintenance Services	5,000		5,000	225	4,775
Lease Purchase Payments - School Buses	9,700		9,700	9,691	9
Contracted Services:					
Between Home and School - Vendors	179,602	(15,602)	164,000	103,305	60,695
Aid in Lieu of Payments - Nonpublic Students	18,000	4,000	22,000	16,043	5,957
Miscellaneous Purchased Services - Transportation	3,000		3,000		3,000
General Supplies	1,000		1,000	194	806
<b>Total Student Transportation Services</b>	<b>235,335</b>	<b>(11,602)</b>	<b>223,733</b>	<b>147,932</b>	<b>75,801</b>
Unallocated Employee Benefits:					
Social Security Contributions	144,764	2,600	147,364	139,089	8,275
Other Retirement Contributions - PERS	180,836	3,600	184,436	184,399	37
Other Retirement Contributions - ERIP	17,600	(1,510)	16,090	16,090	
Unemployment Compensation	34,400	40	34,440	27,777	6,663
Workmen's Compensation	96,000	(5,000)	91,000	87,764	3,236

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Employee Benefits:					
Health Benefits	\$ 1,937,453	\$ (36,635)	\$ 1,900,818	\$ 1,508,326	\$ 392,492
Tuition Reimbursement	18,000	(8,000)	10,000	9,962	38
Other Employee Benefits	87,000	85,050	172,050	172,049	1
Total Unallocated Employee Benefits	<u>2,516,053</u>	<u>40,145</u>	<u>2,556,198</u>	<u>2,145,456</u>	<u>410,742</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				291,374	(291,374)
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				462,557	(462,557)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				389,945	(389,945)
Total On-Behalf Contributions				<u>1,143,876</u>	<u>(1,143,876)</u>
Total Personal Services - Employee Benefits	<u>2,516,053</u>	<u>40,145</u>	<u>2,556,198</u>	<u>3,289,332</u>	<u>(733,134)</u>
Total Undistributed Expenses	<u>8,229,631</u>	<u>(846)</u>	<u>8,228,785</u>	<u>8,003,189</u>	<u>225,596</u>
TOTAL GENERAL CURRENT EXPENSE	<u>13,630,958</u>	<u>(8,982)</u>	<u>13,621,976</u>	<u>12,917,927</u>	<u>704,049</u>
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures:					
Custodial Services	48,000	(7,470)	40,530	23,056	17,474
Total Equipment	<u>48,000</u>	<u>(7,470)</u>	<u>40,530</u>	<u>23,056</u>	<u>17,474</u>
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	89,677	10,000	99,677	64,371	35,306
Construction Services	631,618	(3,298)	628,320	416,011	212,309
Assessment for Debt Service on SDA Funding	5,382	(5,382)	6,150	6,147	3
Total Facilities Acquisition and Construction Services	<u>726,677</u>	<u>1,320</u>	<u>734,147</u>	<u>486,529</u>	<u>247,618</u>
TOTAL CAPITAL OUTLAY	<u>774,677</u>	<u>(6,150)</u>	<u>774,677</u>	<u>509,585</u>	<u>265,092</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 14,405,635	\$ (15,132)	\$ 14,396,653	\$ 13,427,512	\$ 969,141
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,920,367)	87,627	(1,838,890)	342,147	2,181,037
Other Financing Uses:					
Operating Transfer Out:					
Transfer to Food Service Fund	(26,750)	(15,132)	(41,882)	(4,848)	(37,034)
Total Other Financing Uses	(26,750)	(15,132)	(41,882)	(4,848)	(37,034)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,947,117)	72,495	(1,880,772)	337,299	2,144,003
Fund Balance, July 1	4,020,510		4,020,510	4,020,510	
Fund Balance, June 30	<u>\$ 2,073,393</u>	<u>\$ 72,495</u>	<u>\$ 2,139,738</u>	<u>\$ 4,357,809</u>	<u>\$ 2,144,003</u>
<u>Recapitulation of Fund Balance at June 30, 2015:</u>					
Restricted:					
Excess Surplus				\$ 1,982,993	
Excess Surplus - For Subsequent Year's Expenditures				1,616,780	
Capital Reserve				1,137	
Assigned:					
Year-End Encumbrances				322,646	
Subsequent Year's Expenditures				181,121	
Unassigned				<u>253,132</u>	
Total Fund Balance (Budgetary/GAAP)				4,357,809	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(23,749)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,334,060</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 139,300	\$ 24,833	\$ 164,133	\$ 164,133	
Total Revenues	<u>139,300</u>	<u>24,833</u>	<u>164,133</u>	<u>164,133</u>	
EXPENDITURES:					
Instruction:					
Tuition	139,300	(15,578)	123,722	123,722	
General Supplies		12,140	12,140	12,140	
Total Instruction	<u>139,300</u>	<u>(3,438)</u>	<u>135,862</u>	<u>135,862</u>	
Support Services:					
Purchased Professional and Technical Services		28,271	28,271	28,271	
Total Support Services		<u>28,271</u>	<u>28,271</u>	<u>28,271</u>	
Total Expenditures	<u>139,300</u>	<u>24,833</u>	<u>164,133</u>	<u>164,133</u>	
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,769,659	\$ 164,133
Difference - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	28,721	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(23,749)	
	<u>\$ 13,774,631</u>	<u>\$ 164,133</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 13,774,631</u>	<u>\$ 164,133</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 13,432,360	\$ 164,133
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 13,432,360</u>	<u>\$ 164,133</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	IDEA Part B		No Child Left Behind	Totals
	Basic	Preschool	Title III	
REVENUE:				
Federal Sources	\$ 148,793	\$ 9,663	\$ 5,677	\$ 164,133
Total Revenue	148,793	9,663	5,677	164,133
EXPENDITURES:				
Instruction:				
Tuition	115,522	8,200		123,722
General Supplies	5,000	1,463	5,677	12,140
Total Instruction	120,522	9,663	5,677	135,862
Support Services:				
Purchased Professional and Technical Services	28,271			28,271
Total Support Services	28,271			28,271
Total Expenditures	\$ 148,793	\$ 9,663	\$ 5,677	\$ 164,133

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 221
Inventory	1,162

Total Current Assets	1,383
----------------------	-------

## Non-Current Assets:

Capital Assets	66,655
Less: Accumulated Depreciation	(62,616)

Total Non-Current Assets	4,039
--------------------------	-------

Total Assets	5,422
--------------	-------

## NET POSITION:

Net Investment in Capital Assets	4,039
Unrestricted	1,383

Total Net Position	\$ 5,422
--------------------	----------

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 196,803
Total Operating Revenue	<u>196,803</u>
Operating Expenses:	
Cost of Sales	86,137
Salaries, Payroll Taxes & Benefits	117,180
Supplies and Materials	339
Depreciation Expense	654
Miscellaneous Expenditures	<u>830</u>
Total Operating Expenses	<u>205,140</u>
Operating Loss	<u>(8,337)</u>
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	<u>33</u>
Total Non-Operating Revenue	<u>33</u>
Change in Net Position	(8,304)
Net Position- Beginning of Year	<u>13,726</u>
Net Position- End of Year	<u><u>\$ 5,422</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 196,803
Payments to Employees	(117,180)
Payments to Food Service Vendor	(86,327)
Payments to Suppliers	(1,169)
	<u>(7,873)</u>
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	33
	<u>33</u>
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	(7,840)
Cash and Cash Equivalents, July 1	<u>8,061</u>
Cash and Cash Equivalents, June 30	<u>\$ 221</u>
Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ (8,337)
Adjustment to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
(Increase) in Inventory	(190)
	<u>(190)</u>
Net Cash Used for Operating Activities	<u>\$ (7,873)</u>

FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Agency</u>		<u>Flexible Spending Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>		<u>Total</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 40,064	\$ 55,186	\$ 95,250	\$ 3,305
Total Assets	<u>40,064</u>	<u>55,186</u>	<u>95,250</u>	<u>3,305</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund		41	41	
Payroll Deductions and Withholdings Due to Student Groups	40,064	55,145	55,145	
	<u>40,064</u>	<u>55,145</u>	<u>40,064</u>	
Total Liabilities	<u>40,064</u>	<u>55,186</u>	<u>95,250</u>	
<b>NET POSITION:</b>				
Held in Trust for: Flex Spending Claims				<u>3,305</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,305</u>

Exhibit H-2

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Flexible Spending Trust
<b>ADDITIONS:</b>	
Contributions - Employee	\$ 14,395
Total Contributions	14,395
Total Additions	14,395
 <b>DEDUCTIONS:</b>	
Flex Spending Claims	13,613
Total Deductions	13,613
Change in Net Position	782
Net Position - Beginning of the Year	2,523
Net Position - End of the Year	\$ 3,305

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 32,685	\$ 73,685	\$ 66,306	\$ 40,064
Total Assets	<u>\$ 32,685</u>	<u>\$ 73,685</u>	<u>\$ 66,306</u>	<u>\$ 40,064</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 32,685	\$ 73,685	\$ 66,306	\$ 40,064
Total Liabilities	<u>\$ 32,685</u>	<u>\$ 73,685</u>	<u>\$ 66,306</u>	<u>\$ 40,064</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Student Activities	\$ 32,685	\$ 73,685	\$ 66,306	\$ 40,064
Total All Schools	<u>\$ 32,685</u>	<u>\$ 73,685</u>	<u>\$ 66,306</u>	<u>\$ 40,064</u>

Exhibit H-5

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 54,960	\$ 8,183,072	\$ 8,182,846	\$ 55,186
Total Assets	<u>\$ 54,960</u>	<u>\$ 8,183,072</u>	<u>\$ 8,182,846</u>	<u>\$ 55,186</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund		\$ 41		\$ 41
Payroll Deductions and Withholdings	\$ 54,960	8,183,031	\$ 8,182,846	55,145
Total Liabilities	<u>\$ 54,960</u>	<u>\$ 8,183,072</u>	<u>\$ 8,182,846</u>	<u>\$ 55,186</u>

LONG-TERM DEBT

BOROUGH OF DEMAREST SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2014	Matured	Balance June 30, 2015
			Date	Amount				
Refunding School Bonds	2/21/2007	\$ 7,135,000	2/15/16	\$ 415,000	4.75%			
			2/15/17	440,000	5.00%			
			2/15/18	440,000	5.00%			
			2/15/19	465,000	4.25%			
			2/15/20	490,000	4.00%			
			2/15/21	510,000	4.00%			
			2/15/22	535,000	4.00%			
			2/15/23	555,000	4.00%			
			2/15/24	575,000	4.00%			
			2/15/25	595,000	4.00%			
			2/15/26	615,000	4.00%			
					\$ 6,025,000	\$ 390,000	\$ 5,635,000	
					<u>\$ 6,025,000</u>	<u>\$ 390,000</u>	<u>\$ 5,635,000</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Purpose	Original Issue	Maturities of Capital Lease Obligations June 30, 2015		Interest Rate	Balance July 1, 2014	Matured	Balance June 30, 2015
		Date	Amount				
Computer Technology	\$ 404,644	8/15/15	\$ 102,208	1.37%	\$ 306,644	\$ 100,832	\$ 205,812
		8/15/16	103,604	1.37%			
School Bus	44,701	10/1/15	9,432	2.75%	18,611	9,179	9,432
Copiers	80,780	6/20/16	17,684	2.75%	39,022	16,767	22,255
		6/20/17	4,571	2.75%			
					\$ 364,277	\$ 126,778	\$ 237,499

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<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	\$ 644,076		\$ 644,076	\$ 644,076	
Total Revenues	<u>644,076</u>		<u>644,076</u>	<u>644,076</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest and Other Charges	254,076		254,076	254,075	\$ 1
Redemption of Principal	390,000		390,000	390,000	
Total Regular Debt Service	<u>644,076</u>		<u>644,076</u>	<u>644,075</u>	<u>1</u>
Total Expenditures	<u>644,076</u>		<u>644,076</u>	<u>644,075</u>	<u>1</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures				<u>1</u>	<u>1</u>
Fund Balance, July 1	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>
<b>Restricted:</b>					
Other Purposes				<u>\$ 1</u>	
				<u>\$ 1</u>	

STATISTICAL SECTION  
(UNAUDITED)

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the District'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 District's overall financial health.

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 11,908,881	\$ 11,821,517	\$ 11,819,859	\$ 12,031,050	\$ 12,084,878	\$ 3,604,251	\$ 3,585,947	\$ 3,680,249	\$ 4,208,106	\$ 4,889,512
Restricted	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859	2,820,145	3,578,346	3,249,765	3,600,911
Unrestricted	255,316	350,116	257,378	164,461	302,132	545,997	187,221	290,160	(3,350,705)	(3,558,055)
Total governmental activities net position	<u>12,684,004</u>	<u>13,144,670</u>	<u>13,496,601</u>	<u>14,094,211</u>	<u>14,165,203</u>	<u>5,912,107</u>	<u>6,593,313</u>	<u>7,548,755</u>	<u>4,107,166</u>	<u>4,932,368</u>
<b>Business-type activities</b>										
Net Investment in Capital Assets			14,705	11,479	8,131	7,208	6,370	5,532	4,694	4,039
Unrestricted / (Deficit)	11,498	17,441	3,331	1,480	1,192	(8,781)	(7,561)	4,943	9,032	1,383
Total business-type activities net position/(deficit)	<u>11,498</u>	<u>17,441</u>	<u>18,036</u>	<u>12,959</u>	<u>9,323</u>	<u>(1,573)</u>	<u>(1,191)</u>	<u>10,475</u>	<u>13,726</u>	<u>5,422</u>
<b>District-wide</b>										
Net Investment in Capital Assets	11,908,881	11,821,517	11,834,564	12,042,529	12,093,009	3,611,459	3,592,317	3,685,781	4,212,800	4,893,551
Restricted	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859	2,820,145	3,578,346	3,249,765	3,600,911
Unrestricted	266,813	367,557	260,709	165,941	303,324	537,216	179,660	295,103	(3,341,673)	(3,556,672)
Total district net position	<u>\$ 12,695,502</u>	<u>\$ 13,162,111</u>	<u>\$ 13,514,637</u>	<u>\$ 14,107,170</u>	<u>\$ 14,174,526</u>	<u>\$ 5,910,534</u>	<u>\$ 6,592,122</u>	<u>\$ 7,559,230</u>	<u>\$ 4,120,892</u>	<u>\$ 4,937,790</u>

\* Restated

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Instruction:										
Regular Instruction	\$ 4,359,484	\$ 4,692,133	\$ 5,026,792	\$ 5,064,205	\$ 5,106,670	\$ 5,112,029	\$ 5,140,931	\$ 5,484,085	\$ 5,441,583	\$ 6,085,677
Special Education Instruction	927,373	925,199	911,912	1,085,286	1,064,971	1,316,740	1,206,584	1,216,808	1,337,969	1,498,122
Other Special Instruction					308,093	243,156	262,136	316,271	435,886	525,674
School Sponsored Instruction	344,871	498,163	346,763	389,934	183,446	95,504	100,441	96,527	102,139	98,666
Support Services:										
Tuition	972,370	1,077,021	1,231,982	1,406,754	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177
Student and Instruction Related Services	1,678,734	1,489,310	1,709,018	1,492,569	1,901,714	2,096,459	2,132,099	2,257,237	2,189,814	2,646,243
General and Business Administrative Services	722,588	729,776	428,158	318,309	420,369	367,817	367,086	316,846	676,612	400,331
School Administrative Services	499,638	531,396	572,760	449,951	485,698	486,133	547,773	589,898	555,609	626,806
Central Services			370,924	434,562	336,961	389,248	390,537	380,309	362,321	395,826
Plant Operations and Maintenance	1,109,231	1,249,971	1,282,142	1,217,462	1,187,798	1,131,700	1,228,244	1,186,067	1,308,297	1,299,364
Pupil Transportation	317,667	327,225	253,100	269,183	264,350	170,611	126,037	140,527	194,548	161,220
Capital Outlay				(210,764)	5,975	234,352	483,421	413,629		
Interest on Long-term Debt	405,575	396,228	327,724	334,464	321,492	307,244	287,000	287,850	263,700	242,675
Unallocated Depreciation				2,720	2,720					
Total Governmental Activities Expenses	<u>11,337,533</u>	<u>11,916,422</u>	<u>12,461,276</u>	<u>12,254,635</u>	<u>13,024,981</u>	<u>13,002,900</u>	<u>13,135,527</u>	<u>13,716,177</u>	<u>14,101,600</u>	<u>14,882,781</u>
Business-type Activities:										
Food Service	174,224	177,855	188,296	203,998	194,622	205,651	209,849	205,042	217,783	205,140
Total Business-type Activities Expense	<u>174,224</u>	<u>177,855</u>	<u>188,296</u>	<u>203,998</u>	<u>194,622</u>	<u>205,651</u>	<u>209,849</u>	<u>205,042</u>	<u>217,783</u>	<u>205,140</u>
Total District-wide Expenses	<u>11,511,757</u>	<u>12,094,277</u>	<u>12,649,573</u>	<u>12,458,633</u>	<u>13,219,603</u>	<u>13,208,551</u>	<u>13,345,376</u>	<u>13,921,219</u>	<u>14,319,383</u>	<u>15,087,921</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)			\$ 63,679			\$ 53,239	\$ 56,380	\$ 43,852	\$ 37,976	\$ 34,468
Operating Grants and Contributions	\$ 1,362,862	\$ 513,743	1,419,462	\$ 1,267,203	\$ 1,326,216	1,120,423	1,458,692	1,898,241	1,617,511	2,842,634
Total Governmental Activities Program Revenues	1,362,862	513,743	1,483,141	1,267,203	1,326,216	1,173,662	1,515,072	1,942,093	1,655,487	2,877,102
Business-type Activities:										
Charges for Services										
Food Service	183,662	183,799	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955
Total Business-type Activities Program Revenues	183,662	183,799	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955
Total District-wide Program Revenues	1,546,524	697,542	1,669,924	1,451,279	1,515,770	1,358,015	1,716,189	2,158,256	1,874,423	3,069,057
Net (Expense)/Revenue										
Governmental Activities	(9,974,670)	(11,402,679)	(10,978,135)	(10,987,432)	(11,698,765)	(11,829,238)	(11,620,455)	(11,774,084)	(12,446,113)	(12,005,679)
Business-type Activities	9,437	5,944	(1,514)	(19,922)	(5,068)	(21,298)	(8,732)	11,121	1,153	(13,185)
Total District-wide Net Expense	(9,965,233)	(11,396,735)	(10,979,649)	(11,007,354)	(11,703,833)	(11,850,536)	(11,629,187)	(11,762,963)	(12,444,960)	(12,018,864)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	9,245,476	9,893,854	10,218,940	10,627,698	10,908,449	11,344,786	11,534,796	11,765,492	12,000,804	12,000,802
Property taxes, Levied for Debt Service	203,375	649,950	638,388	604,143	600,085	632,865	617,874	627,675	638,875	644,076
Federal and State Aid Not Restricted	460,504	1,317,978	382,913	254,710	49,243	80,653				
Tuition (Other Than Special Schools)	31,951	56,662								

BOROUGH OF DEMAREST SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2011	2013	2014	2015
Governmental Activities (Cont'd):										
Investment Earnings	\$ 33,036	\$ 80,319	\$ 500	\$ 300	\$ 26,343	\$ 530	\$ 21	\$ 21	\$ 549	\$ 12,949
Miscellaneous Income	146,295	95,582	208,829	114,412	185,325	194,058	152,219	336,796	257,971	177,902
Cancellation of Accounts Payable					1,541					
Increase in Long Term Debt due to Refinancing		(231,000)								
Transfers			(1,052)	(16,221)	(1,229)	(1,203)	(3,249)	(458)	(1,929)	(4,848)
<b>Total Governmental Activities</b>	<b>10,120,636</b>	<b>11,863,345</b>	<b>11,448,517</b>	<b>11,585,042</b>	<b>11,769,757</b>	<b>12,251,689</b>	<b>12,301,661</b>	<b>12,729,526</b>	<b>12,896,270</b>	<b>12,830,881</b>
Business-type Activities:										
Investment Earnings			1,056	348	203	199	114	87	169	33
Special Item - Reappraisal of Capital Assets				(1,724)						
Transfers			1,052	16,221	1,229	1,203		458	1,929	4,848
<b>Total Business-type Activities</b>			<b>2,108</b>	<b>14,845</b>	<b>1,432</b>	<b>1,402</b>	<b>114</b>	<b>545</b>	<b>2,098</b>	<b>4,881</b>
<b>Total District-wide General Revenues</b>	<b>10,120,636</b>	<b>11,863,345</b>	<b>11,450,625</b>	<b>11,599,887</b>	<b>11,771,189</b>	<b>12,253,091</b>	<b>12,301,775</b>	<b>12,730,071</b>	<b>12,898,368</b>	<b>12,835,762</b>
Change in Net Position										
Governmental Activities	145,965	460,666	470,382	597,610	70,992	422,451	681,206	955,442	450,157	825,202
Business-type Activities	9,437	5,944	595	(5,077)	(3,636)	(19,896)	(8,618)	11,666	3,251	(8,304)
<b>Total District-wide Change in Net Position</b>	<b>\$ 155,402</b>	<b>\$ 466,610</b>	<b>\$ 470,977</b>	<b>\$ 592,533</b>	<b>\$ 67,356</b>	<b>\$ 402,555</b>	<b>\$ 672,588</b>	<b>\$ 967,108</b>	<b>\$ 453,408</b>	<b>\$ 816,898</b>

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FUND BALANCES -GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund :										
Reserved	\$ 482,953	\$ 1,005,358	\$ 1,378,203	\$ 1,792,178	\$ 1,776,645					
Unreserved	404,096	487,196	516,344	537,377	525,141					
Restricted						\$ 1,754,379	\$ 2,791,822	\$ 3,578,742	\$ 3,249,765	\$ 3,600,910
Assigned						341,243	28,323	20,580	302,943	503,767
Unassigned						435,315	422,311	526,070	439,081	229,383
<b>Total General Fund</b>	<b>\$ 887,049</b>	<b>\$ 1,492,554</b>	<b>\$ 1,894,548</b>	<b>\$ 2,329,555</b>	<b>\$ 2,301,786</b>	<b>\$ 2,530,937</b>	<b>\$ 3,242,456</b>	<b>\$ 4,125,392</b>	<b>\$ 3,991,789</b>	<b>\$ 4,334,060</b>
All Other Governmental Funds										
Reserved	142,934		5,000							
Unreserved, Reported in:										
Capital Projects Fund	43,902	113,938	89,373	1,547	1,547					
Debt Service Fund			21,583	21,584	1					
Restricted						1				1
Committed						2,341				
<b>Total All Other Governmental Funds</b>	<b>186,836</b>	<b>113,938</b>	<b>115,956</b>	<b>23,131</b>	<b>1,548</b>	<b>2,342</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>1</b>
<b>Total Fund Balances</b>	<b>\$ 1,073,884</b>	<b>\$ 1,606,492</b>	<b>\$ 2,010,504</b>	<b>\$ 2,352,686</b>	<b>\$ 2,303,334</b>	<b>\$ 2,533,279</b>	<b>\$ 3,242,456</b>	<b>\$ 4,125,392</b>	<b>\$ 3,991,789</b>	<b>\$ 4,334,061</b>

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT  
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Tax Levy	\$ 9,854,426	\$ 10,543,804	\$ 10,857,328	\$ 11,231,841	\$ 11,508,534	\$ 11,977,651	\$ 12,152,670	\$ 12,393,167	\$ 12,639,679	\$ 12,644,878
Tuition Charges	31,951	56,662	63,679			53,239	56,380	43,852	37,976	34,468
Interest Earnings	33,036	80,319	500	300	26,343	530	21	21	549	12,949
Miscellaneous	146,295	95,582	208,829	114,411	185,325	194,058	152,219	336,796	257,971	177,902
State Sources	1,264,023	1,598,228	1,626,783	1,370,979	1,223,766	918,580	1,246,946	1,718,857	1,464,504	1,548,510
Federal Sources	153,768	233,493	175,592	150,934	151,693	282,496	211,746	179,384	153,007	164,133
<b>Total Revenues</b>	<b>11,483,498</b>	<b>12,608,088</b>	<b>12,932,711</b>	<b>12,868,465</b>	<b>13,095,661</b>	<b>13,426,554</b>	<b>13,819,982</b>	<b>14,672,077</b>	<b>14,553,686</b>	<b>14,582,840</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	3,094,987	3,268,940	3,546,841	3,579,847	3,689,781	3,755,849	3,661,605	3,767,426	3,738,734	3,722,770
Special Education Instruction	675,319	646,925	634,634	756,074	776,460	1,025,240	926,891	897,820	996,396	964,764
Other Special Instruction				190,056	214,638	146,974	168,498	210,726	277,735	292,671
School Sponsored Instruction	257,237	400,698	254,628	144,464	146,595	95,504	100,441	96,527	102,139	98,666
<b>Support Services:</b>										
Tuition	972,370	1,077,021	1,231,982	1,406,754	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177
Student and Instruction Related Services	1,320,884	1,094,631	1,267,228	1,270,908	1,496,488	1,536,530	1,522,623	1,568,976	1,525,295	1,676,849
General and Business Administrative Services	566,725	556,746	349,505	324,758	331,976	342,840	302,920	319,861	299,864	355,131
School Administrative Services	372,739	390,236	412,374	371,971	369,820	351,578	387,423	402,478	394,911	360,164
Central Services			293,447	309,878	285,882	279,239	290,435	266,467	261,962	276,171
Plant Operations and Maintenance	925,232	1,047,209	1,072,485	1,055,670	1,055,513	968,713	1,042,887	989,126	1,098,574	995,433
Pupil Transportation	311,458	320,711	247,952	264,035	260,824	164,007	114,637	128,646	183,221	147,932
Allocated and Unallocated Benefits	2,130,423	2,374,717	2,427,600	2,049,535	2,336,781	2,530,528	2,624,662	3,069,203	3,135,114	3,289,332
Capital Outlay	24,656	247,697	172,165	181,969	372,746	358,333	483,421	413,629	1,204,062	509,585
<b>Debt Service:</b>										
Principal	200,000	250,000	270,000	265,000	295,000	320,000	320,000	345,000	370,000	390,000
Interest and Other Charges	408,950	399,950	346,805	339,142	326,668	312,865	297,875	282,675	268,875	254,075
<b>Total Expenditures</b>	<b>11,260,979</b>	<b>12,075,481</b>	<b>12,527,647</b>	<b>12,510,061</b>	<b>13,393,896</b>	<b>13,240,107</b>	<b>13,107,556</b>	<b>13,788,683</b>	<b>15,090,004</b>	<b>14,235,720</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Excess/(Deficit) of Revenues Over Expenditures	\$ 222,519	\$ 532,608	\$ 405,064	\$ 358,404	\$ (298,235)	\$ 186,447	\$ 712,426	\$ 883,394	\$ (536,318)	\$ 347,120
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)					248,571	44,701			404,644	
Accounts Payable Cancelled					1,541					
Transfers In	4,890	144,809		773						
Transfers Out	(4,890)	(144,809)	(1,052)	(16,994)	(1,229)	(1,203)	(3,249)	(458)	(1,929)	(4,848)
Total Other Financing Sources (Uses)			(1,052)	(16,221)	248,883	43,498	(3,249)	(458)	402,715	(4,848)
Net Change in Fund Balances	<u>\$ 222,519</u>	<u>\$ 532,608</u>	<u>\$ 404,012</u>	<u>\$ 342,183</u>	<u>\$ (49,352)</u>	<u>\$ 229,945</u>	<u>\$ 709,177</u>	<u>\$ 882,936</u>	<u>\$ (133,603)</u>	<u>\$ 342,272</u>
Debt Service as a Percentage of Noncapital Expenditures	5.42%	5.50%	4.99%	4.90%	4.77%	4.91%	4.89%	4.69%	4.60%	4.69%

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
GENERAL FUND- OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2006	\$ 211,009	\$ 31,951	\$ 33,036		\$ 146,022
2007	224,073	56,662	71,829		95,582
2008	273,008	63,679	500		208,829
2009	114,263		300		113,963
2010	211,668		26,343	\$ 143,020	42,305
2011	247,033	53,239	25,420	110,000	58,374
2012	208,620	56,380	4,058	110,000	38,182
2013	380,669	43,852	21	110,000	226,796
2014	296,496	37,976	549	110,000	147,971
2015	225,319	34,468	12,949	110,000	67,902

Source: Borough of Demarest School District Financial Records.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2005	\$ 23,938,600	\$ 1,050,060,500	\$ 37,275,600	\$ 1,350,000	\$ 1,112,624,700	\$ 397,963	\$ 1,113,022,663	\$ 1,092,747,520	\$ 0.853
2006	26,174,900	1,060,899,600	37,029,400	1,350,000	1,125,453,900	611,154	1,126,065,054	1,355,968,554	0.903
2007	25,416,600	1,078,919,200	37,029,400	1,350,000	1,142,715,200	589,577	1,143,304,777	1,378,125,458	0.936
2008	21,534,400	1,113,563,000	37,029,400	1,350,000	1,173,476,800	637,147	1,174,113,947	1,420,610,278	0.939
2009	15,953,300	1,141,824,700	37,029,400	1,350,000	1,196,157,400	852,876	1,197,010,276	1,459,346,350	0.952
2010	24,674,000	1,155,919,300	36,920,200	1,350,000	1,218,863,500	761,402	1,219,624,902	1,475,586,410	0.960
2011	19,407,900	1,175,319,700	36,920,200	1,350,000	1,232,997,800	589,741	1,233,587,541	1,411,968,299	0.978
2012	18,514,400	1,183,373,100	36,920,200	1,350,000	1,240,157,700	565,731	1,240,723,431	1,356,214,790	0.989
2013	15,219,900	1,199,148,900	36,920,200	1,350,000	1,252,639,000	91,530	1,252,730,530	1,408,987,212	1.000
2014	14,578,200	1,213,910,800	36,920,200	1,350,000	1,266,759,200	88,910	1,266,848,110	1,425,536,144	1.000

**Note:** Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

**a** Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

**b** Tax rates are per \$100

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
2005	\$ 0.800	\$ 0.053	\$ 0.853	\$ 0.433	\$ 0.478	\$ 0.196	\$ 1.960
2006	0.846	0.057	0.903	0.433	0.466	0.198	2.000
2007	0.882	0.054	0.936	0.427	0.480	0.217	2.060
2008	0.889	0.050	0.939	0.425	0.513	0.225	2.102
2009	0.902	0.050	0.952	0.435	0.545	0.244	2.176
2010	0.909	0.051	0.960	0.462	0.561	0.237	2.220
2011	0.928	0.050	0.978	0.478	0.579	0.237	2.272
2012	0.939	0.050	0.989	0.511	0.555	0.240	2.295
2013	0.950	0.050	1.000	0.543	0.550	0.255	2.348
2014	0.949	0.051	1.000	0.551	0.546	0.263	2.360

**Note:** NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

**a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

**b** Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

	<u>2015</u>		<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Alpine Country Club	\$ 32,323,800	2.58%		
Taxpayer #1	4,345,000	0.35%		
Taxpayer #2	4,220,100	0.34%	NOT AVAILABLE	
Taxpayer #3	3,768,400	0.30%		
Taxpayer #4	3,598,200	0.29%		
Taxpayer #5	3,532,000	0.28%		
Taxpayer #6	3,330,600	0.27%		
Taxpayer #7	3,107,800	0.25%		
Taxpayer #8	3,080,000	0.25%		
Taxpayer #9	3,000,000	0.24%		
Total	<u>\$ 64,305,900</u>	<u>5.13%</u>		

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 9,448,851	\$ 9,448,851	100.00%	- 0 -
2007	10,543,804	10,543,804	100.00%	- 0 -
2008	10,857,328	10,857,328	100.00%	- 0 -
2009	11,231,841	11,231,841	100.00%	- 0 -
2010	11,508,534	11,508,534	100.00%	- 0 -
2011	11,977,651	11,977,651	100.00%	- 0 -
2012	12,152,670	12,152,670	100.00%	- 0 -
2013	12,393,167	12,393,167	100.00%	- 0 -
2014	12,639,679	12,639,679	100.00%	- 0 -
2015	12,644,878	12,644,878	100.00%	- 0 -

**a** -School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Demarest Borough School District records including the Certificate and Report of School Taxes (A4F form)

Exhibit J-10

BOROUGH OF DEMAREST SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2006	\$ 8,429,000		\$ 2,025,000	\$ 10,454,000	3.34%	\$ 2,124
2007	8,229,000		2,025,000	10,254,000	3.00%	2,052
2008	7,940,000	\$ 108,638	2,025,000	10,073,638	2.89%	1,989
2009	7,675,000	55,879	2,025,000	9,755,879	3.00%	1,911
2010	7,380,000	248,571	2,025,000	9,653,571	3.02%	1,874
2011	7,060,000	212,958	2,025,000	9,297,958	2.82%	1,903
2012	6,740,000	191,514	1,262,583	8,194,097	2.36%	1,668
2013	6,395,000	82,464		6,477,464	1.87%	1,304
2014	6,025,000	364,277		6,389,277	1.85%	1,292
2015	5,635,000	237,499		5,872,499	1.70%	1,187

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

**a** See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Borough of Demarest School District Financial Reports

## Exhibit J-11

BOROUGH OF DEMAREST SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2006	\$ 8,429,000	\$ 8,429,000	0.76%	\$ 1,712
2007	8,229,000	8,229,000	0.73%	1,646
2008	7,940,000	7,940,000	0.69%	1,568
2009	7,675,000	7,675,000	0.65%	1,504
2010	7,380,000	7,380,000	0.62%	1,432
2011	7,060,000	7,060,000	0.58%	1,445
2012	6,740,000	6,740,000	0.55%	1,372
2013	6,395,000	6,395,000	0.52%	1,287
2014	6,025,000	6,025,000	0.48%	1,218
2015	5,635,000	5,635,000	0.44%	1,139

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

**a** See Exhibit J- 6 for property tax data. These ratios is calculated using valuation data for the previous calendar year.

**a** See Exhibit J-14 for population data. These ratios is calculated using population estimate for the previous calendar year.

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2014  
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 6,704,682	100.00%	\$ 6,704,682
Northern Valley Regional High School	14,310,000	15.00%	2,146,500
Bergen County General Obligation Debt	933,422,641	0.88%	<u>8,198,513</u>
Subtotal, Overlapping Debt			17,049,695
Demarest Borough School District Direct Debt			<u>6,477,464</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,527,159</u></u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Demarest Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Bergen County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized valuation basis	
2012	\$ 1,373,070,970
2013	1,408,884,265
2014	1,489,954,364
	\$ 4,271,909,599
Average equalized valuation of taxable property	\$ 1,423,969,866
Debt limit @ (3 % of average equalization value) <sup>a</sup>	\$ 42,719,096
Total Net Debt Applicable to Limit	5,635,000
Legal debt margin	\$ 37,084,096

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	\$ 32,455,762	\$ 36,185,544	\$ 39,243,153	\$ 41,679,182	\$ 42,585,059
Total net debt applicable to limit	8,229,000	8,210,000	7,940,000	7,675,000	7,380,000
Legal debt margin	\$ 24,226,762	\$ 14,641,022	\$ 31,303,153	\$ 34,004,182	\$ 35,205,059
Total net debt applicable to the limit as a percentage of debt limit	25.35%	37.42%	20.23%	18.41%	17.33%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	\$ 42,710,003	\$ 41,880,743	\$ 41,145,890	\$ 41,290,521	\$ 42,719,096
Total net debt applicable to limit	7,060,000	6,740,000	6,395,000	6,025,000	5,635,000
Legal debt margin	\$ 35,650,003	\$ 35,140,743	\$ 34,750,890	\$ 35,265,521	\$ 37,084,096
Total net debt applicable to the limit as a percentage of debt limit	16.53%	16.09%	15.54%	14.59%	13.19%

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

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

## Exhibit J-14

BOROUGH OF DEMAREST SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	4,998	\$ 313,444,572	\$ 62,714	3.70%
2007	5,065	341,350,610	67,394	3.60%
2008	5,104	348,230,608	68,227	4.70%
2009	5,152	325,596,096	63,198	8.40%
2010	4,887	320,030,082	65,486	8.60%
2011	4,912	330,282,880	67,240	8.50%
2012	4,967	347,287,673	69,919	8.60%
2013	4,947	343,791,765	69,495	5.80%
2014	4,973	345,598,635	69,495 *	4.00%
2015	4,973 **	345,598,635 **	69,495 *	N/A

\* - Latest Bergen County per capita personal income available (2013) was used for calculation purposes.

\*\* - Latest Demarest Borough population available (2014) was used for calculation purposes.

N/A- Not Available

Sources:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income has been estimated based upon the municipal population and per capita personal income presented

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Exhibit J-15

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

NOT AVAILABLE

BOROUGH OF DEMAREST SCHOOL DISTRICT  
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	48	48	49	51	51	57	57	59	60	50
Special education	20	21	21	21	21	13	13	13	14	17
Support Services:										
Student and instruction related services	12	14	15	16	16	24	24	24	25	30
School administrative services	2	2	2	2	2	2	2	2	2	6
General and business administrative services	11	11	11	11	11	12	12	12	12	6
Plant operations and maintenance	14	14	14	14	13	11	11	11	11	11
Food Service	1	1	1	1	1	1	1	1	1	6
Total	<u>108</u>	<u>111</u>	<u>113</u>	<u>116</u>	<u>115</u>	<u>120</u>	<u>120</u>	<u>122</u>	<u>125</u>	<u>126</u>

Source: District Personnel Records

BOROUGH OF DEMAREST SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2006	723.0	\$ 10,627,373	\$ 14,699	8.33%	68	N/A	N/A	721.8	698.0	-0.2%	96.70%
2007	707.0	11,177,834	15,810	7.56%	69	1:13.4	1:10.1	707.0	680.0	-2.1%	96.18%
2008	665.0	11,738,676	17,652	11.65%	70	1:13.0	1:9.2	665.0	641.0	-5.9%	96.39%
2009	656.1	11,723,950	17,869	1.23%	72	1:9.6	1:9.7	656.1	630.7	-1.3%	96.13%
2010	662.2	12,399,482	18,725	4.79%	72	1:9.5	1:9.8	662.2	642.1	0.9%	96.96%
2011	670.0	12,248,909	18,282	-2.36%	70	1:9.6	1:9.5	664.9	633.0	0.4%	95.20%
2012	655.0	12,006,260	18,330	0.26%	70	1:9.4	1:9.4	653.7	625.0	-1.7%	95.61%
2013	671.1	12,747,379	18,995	3.63%	72	1:9.5	1:9.6	671.1	646.6	2.7%	96.35%
2014	673.0	13,082,060	19,438	2.34%	74	1:9.8	1:9.3	681.9	656.6	1.6%	96.29%
2015	681.0	13,082,060	19,210	-1.17%	67	1:11.3	1:8.6	676.9	652.4	-0.7%	96.38%

N/A - Not Available

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other Cost Per Pupil calculations.

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT  
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>										
County Road										
Square Feet (GSF)	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	122.3	132	136	127	127	120	125	148	141	138
Luther Lee Emerson										
Square Feet (GSF)	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381
Capacity (students)	320	320	320	320	320	320	320	320	320	320
Enrollment	237	230	216	200	202	225	225	231	232	227
<u>Middle School</u>										
Demarest										
Square Feet (GSF)	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919
Capacity (students)	441	441	441	441	441	441	441	441	441	441
Enrollment	362.5	345	313	329	329	325	305	292	309	316

Number of Schools at June 30, 2015

    Elementary = 2

    Middle School = 1

Source: District Facilities Office

Note: Enrollment is based on the annual October district count.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
County Road School	N/A	22,645	\$ 21,484	\$ 72,478	\$ 68,673	\$ 36,361	\$ 46,158
Luther Lee Emerson	SP#201893	44,381	42,616	130,434	68,666	67,066	76,179
Demarest Middle	SP#201892	71,919	54,468	89,233	63,127	52,480	45,098
District Total		138,945	\$ 118,568	\$ 292,145	\$ 200,466	\$ 155,907	\$ 167,435

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
County Road School	N/A	22,645	\$ 33,390	\$ 38,244	\$ 27,796	\$ 31,570	\$ 38,782
Luther Lee Emerson	SP#201893	44,381	49,880	65,380	54,476	61,872	51,079
Demarest Middle	SP#201892	71,919	68,399	131,610	88,278	100,263	67,578
District Total		138,945	\$ 151,669	\$ 235,234	\$ 170,550	\$ 193,705	\$ 157,439

\*School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

N/A - Not Available

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT  
INSURANCE SCHEDULE  
AS OF JUNE 30, 2015  
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property Section	Great American		
Property- Blanket Bldgs & Grounds	Insurance Co.		
School Limit Per Statement of Values		\$ 31,672,272	\$ 5,000
Flood:			
Outside Zones A, V, or B		5,000,000	50,000
Zone A or V		1,000,000	500,000
Earthquake		5,000,000	50,000
Business Income and Extra Expense (Combined)		250,000	5,000
Contractor's Equipment		250,000	1,000
Cameras & Other Equip/ Athletic Equipment (Under Misc Property)		250,000	1,000
Musical Instruments		100,000	5,000
But no more than \$25,000 for band uniforms			
Valuable Papers		5,000,000	1,000
Electronic Data Process Equip		5,000,000	5,000
Accounts Receivable		100,000	1,000
Boiler & Machinery	Great American		
Property Damage (Blanket)	Insurance Co.	Property Limit	5,000
General Liability	Great American		
General Aggregate	Insurance Co.	2,000,000	
Each Occurrence		1,000,000	
Commercial Automobile Liability	Great American		
Combined Single Limit	Insurance Co.	1,000,000	
Comprehensive			1,000
Collision			1,000
Commerical Umbrella	Great American	9,000,000	10,000
	Insurance Co.		
Excess Umbrella	Fireman's Fund		
Note: Shared Limits			
Per Occurrence		50,000,000	
Aggregate		50,000,000	

BOROUGH OF DEMAREST SCHOOL DISTRICT  
INSURANCE SCHEDULE  
AS OF JUNE 30, 2015  
UNAUDITED

<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Workmen's Compensation	Safety National	
Per Occurrence	\$ 1,000,000	
Policy Limit	1,000,000	
Aggregate	1,000,000	
Environmental Legal Liability	ACE Insurance Co.	
Per Occurrence	2,000,000	\$ 15,000
Per Aggregate Group	20,000,000	
Crime	Selective Insurance Co.	
Primary (Per Employee)	100,000	5,000
Blanket Employee Dishonesty- Excess	400,000	
Forgery and Alterations	50,000	1,000
Educator's Legal Liability	Darwin	
Educators Legal Deductible	1,000,000	15,000
Employment Practices Deductible		15,000
Individual Bonds	Selective Insurance Co.	
Business Administrator/ Bd Secy	100,000	
Treasurer of School Monies	200,000	
Accidental Death & Dismemberment	Gerber Life Ins. Co.	
Principal Sum (AD&D)	100,000	
Total Limit Per All Other Accidents	500,000	
Student and Athletic Accident Policy	National Union	
Athletics & Students	1,000,000	
School Volunteers	500,000	
Cyber Liability	XL Insurance Group	
Per Occurrence	2,000,000	
Group Aggregate	6,000,000	

Source: District records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax  
 Lawrence Business Park  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

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 Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Borough of Demarest School District  
 County of Bergen, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Demarest School District, in the County of Bergen (the "District") as of, and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 the 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.

The Honorable President and Members  
of the Board of Education  
Borough of Demarest School District  
Page 2

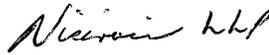
**Compliance and Other Matters**

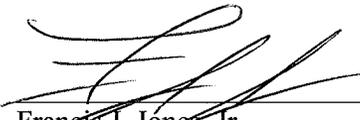
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 14, 2015  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP

  
Francis J. Jones, Jr.  
Certified Public Accountant  
Licensed Public School Accountant #1154



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax  
 Lawrence Business Park  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Borough of Demarest School District  
 County of Bergen, New Jersey

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

We have audited the Borough of Demarest School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2015. The District's major state program is identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the District's major state program 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 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 state program occurred. An audit includes examining, on a test basis, evidence about the District'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 the major state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2015.

The Honorable President and Members  
of the Board of Education  
Borough of Demarest School District  
Page 2

### Report on Internal Control Over Compliance

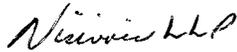
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 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 District's internal control over compliance.

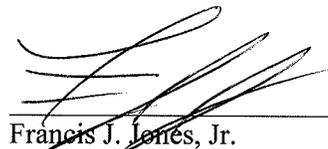
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 14, 2015  
Mount Arlington, New Jersey

  
NISIVOCIA LLP

  
Francis J. Jones, Jr.  
Certified Public Accountant  
Licensed Public School Accountant #1154

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Balance at June 30, 2015	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable
U.S. Department of Education Passed-through State Department of Education:									
Special Revenue Fund:									
No Child Left Behind Consolidated Grant:									
Title III	84.365A	NCLB-3090-14	7/1/13-6/30/14	\$ 3,529		\$ 559		\$ (559)	
	84.365A	NCLB-3090-15	7/1/14-6/30/15	5,118			\$ 5,118	(5,118)	
IDEA Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA-3090-15	7/1/14-6/30/15	148,793			98,457	(148,793)	\$ (50,336)
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-14	7/1/13-6/30/14	10,173	\$ (10,173)		10,173		
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-15	7/1/14-6/30/15	10,438			9,663	(9,663)	
Total IDEA Special Education Cluster					(10,173)	559	123,411	(164,133)	(50,336)
Total Special Revenue Fund					(10,173)	559	123,411	(164,133)	(50,336)
Total Federal Awards					\$ (10,173)	\$ 559	\$ 123,411	\$ (164,133)	\$ (50,336) \$ -0-

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Balance at June 30, 2015		MEMO		
				Budgetary Accounts Receivable	Budgetary Unearned Revenue			GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education:												
General Fund:												
Categorical Special Education Aid	14-495-034-5120-089	7/1/13 - 6/30/14	\$ 291,599	\$ (27,006)		\$ 27,006					\$ 291,599	
Categorical Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	10,062	(932)		932					10,062	
Categorical Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	8,454	(783)		783					8,454	
Extraordinary Special Education Costs	14-100-034-5120-473	7/1/13 - 6/30/14	209,906	(209,906)		209,906					209,906	
Nonpublic Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	3,042	(3,042)		3,042					3,042	
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	397,739	(19,455)		19,455					397,739	
Categorical Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	291,599			270,227	\$ (291,599)			\$ (21,372)	291,599	
Categorical Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	10,062			9,325	(10,062)			(737)	10,062	
Categorical Transportation Aid	15-495-035-5120-014	7/1/14 - 6/30/15	8,454			7,834	(8,454)			(620)	8,454	
PARCC Readiness Aid	15-495-034-5120-089	7/1/14 - 6/30/15	6,960			6,450	(6,960)			(510)	6,960	
Per Pupil Growth Aid	15-495-034-5120-089	7/1/14 - 6/30/15	6,960			6,450	(6,960)			(510)	6,960	
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14 - 6/30/15	72,495				(72,495)	\$ (72,495)		(72,495)	72,495	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	3,132				(3,132)	(3,132)		(3,132)	3,132	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	389,945			370,439	(389,945)	(19,506)		(19,506)	389,945	
Total General Fund				(261,124)		931,849	(789,607)	(95,133)		(118,882)	1,710,409	
Total New Jersey Department of Education				(261,124)		931,849	(789,607)	(95,133)		(118,882)	1,714,409	
Total State Awards				\$ (261,124)	\$ -0-	\$ 931,849	\$ (789,607)	\$ (95,133)	\$ -0-	\$ (118,882)	\$ 1,714,409	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Demarest School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds 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 the modified accrual basis with the exception of the revenue recognition of the last two 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 budget year due to the state deferral and recording of the last two 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,972 for the General Fund and \$ -0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. The schedule of expenditures of state awards does not include the TPAF Pension Contributions and Post Retirement Medical contributions paid by the State on behalf of the District of \$291,374 and \$462,557, respectively.

Awards and financial assistance revenue are reported on the Board's basic financial statements on the GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,548,510	\$ 1,548,510
Special Revenue Fund	\$ 164,133		164,133
Total Awards	<u>\$ 164,133</u>	<u>\$ 1,548,510</u>	<u>\$ 1,712,643</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year-end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's program tested as a major State program for the current fiscal year consisted of the following state award:

	<u>State</u> <u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/2015	\$ 389,945	\$ 389,945

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs under the provisions of section 530 of the Federal Circular.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in section 510(a) of the federal circular and NJ OMB 04-04 and 15-08.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no prior year findings.