

**BOROUGH OF DEMAREST  
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual  
Financial Report**

**of the**

**BOROUGH OF DEMAREST SCHOOL DISTRICT**

**Demarest, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

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

BOROUGH OF DEMAREST SCHOOL DISTRICT  
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INTRODUCTORY SECTION

# DEMAREST BOARD OF EDUCATION

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

September 26, 2016

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, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, and the New Jersey OMB Circular 04-04, "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 and regulations 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 2015/2016 fiscal year with an enrollment of 665 students, which is 16 students below the previous year's enrollment.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Borough of Demarest is a small community located in Northeast Bergen County of approximately 4,900 citizens. The economic conditions and population have remained stable in the community. A significant change in population is not anticipated.

Honorable President and Board Members  
of the Board of Education  
Demarest Board of Education  
Page 2  
September 26, 2016

**3) MAJOR INITIATIVES:** The District continues to explore various ways to share services with other districts and the Borough of Demarest to reduce expenditures. Various improvements were made throughout the district. In the Middle School a STEM Lab was created in a section of the Media Center and a 1 to 1 initiative for all middle school students began. All students in grades 5 – 8 were given a MacBook Air for school use. A new LLD class was opened in County Road School. SmartBoards were replaced in all three schools. It is anticipated that the SmartBoard replacement program will continue into the 2016-2017 school year. Additionally, a security card swipe entry system was installed at all three schools. The parking lot was repaved and new lighting was installed at County Road School. A partial roof replacement was completed at Luther Lee Emerson School and well as updates to the kitchen.

**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 judgements 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, 2016.



Honorable President and Board Members  
 of the Board of Education  
 Demarest Board of Education  
 Page 3  
 September 26, 2016

**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, where the funds are secured in accordance with the act.

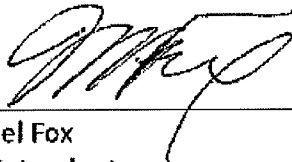
**8) RISK MANAGEMENT:** The District carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially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

**9) OTHER INFORMATION:**

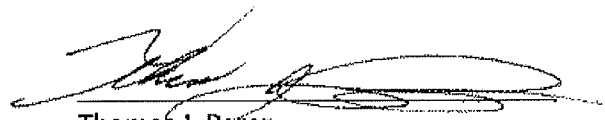
*A) Independent Audit* – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the related Uniform Guidance and New Jersey's OMB Circular 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 *Government 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,



Michael Fox  
 Superintendent

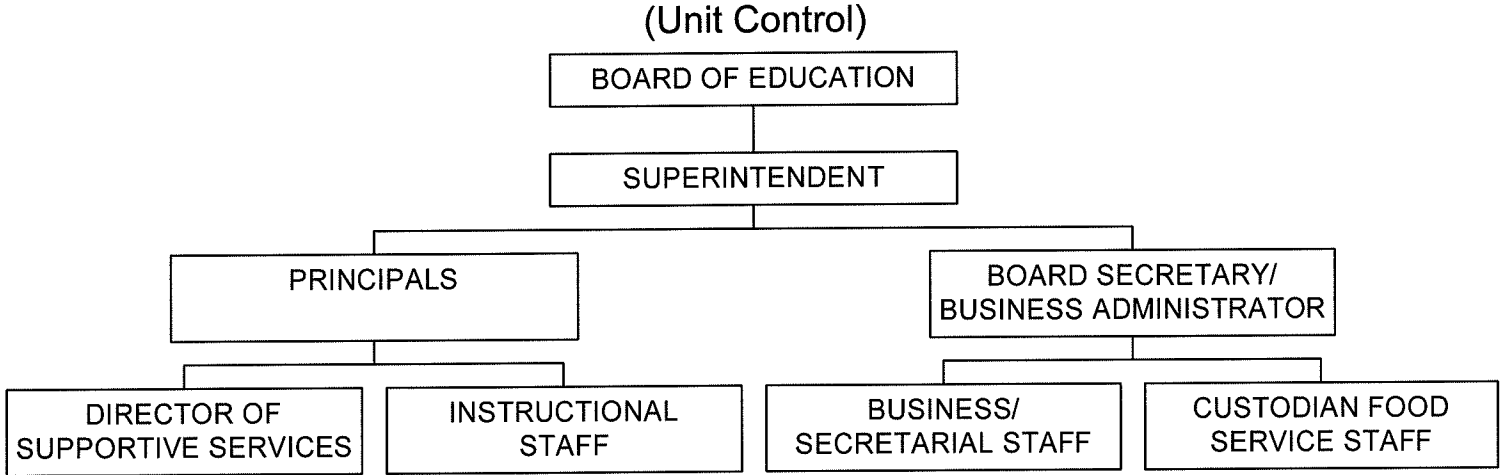


Thomas J. Perez  
 Business Administrator/Board Secretary

# DEMAREST PUBLIC SCHOOL DISTRICT

## ORGANIZATIONAL CHART

2015/2016



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

# DEMAREST BOARD OF EDUCATION

## ROSTER OF OFFICIALS

2015/2016

### MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2017
Kristie Woods	Vice President	2018
Theodore Alevrontas	Member	2018
Erica Cantatore	Member	2017
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

# DEMAREST BOARD OF EDUCATION

## CONSULTANTS AND ADVISORS

2015/2016

### ARCHITECT

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

### ATTORNEYS

Cleary, Giacobbe, Alfieri & Jacobs  
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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 Woodbridge 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

**Administrative Offices**  
**568 Piermont Road, Demarest, NJ - Tel 201.768.6060 Fax 201.767.9122**

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, 2016, 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, 2016, 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.

### ***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 pension schedules in exhibits L-1 through L-3 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-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, and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements

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 Honorable President and Members  
of the Board of Education  
Borough of Demarest School District  
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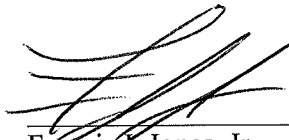
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 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.

September 26, 2016  
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, 2016. 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 \$734,469 or 14.87%.
- Overall revenue was \$17,049,486.
- Overall expenses were \$16,315,017.

**Overview of the Financial Statements**

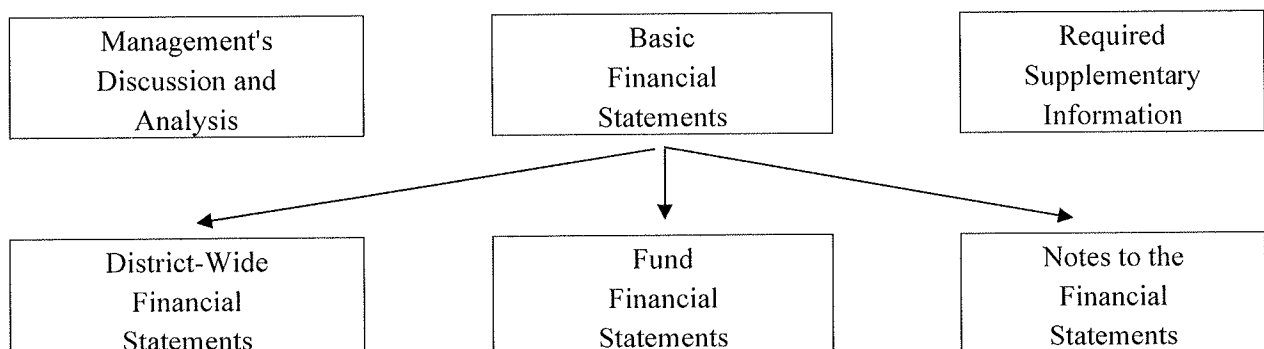
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

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

*Net Position.* The District's *combined* net position was \$5,672,261 on June 30, 2016, which is \$734,469, or 14.87%, 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
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Current and Other Assets	\$ 4,314,049	\$ 4,335,671	\$ 8,707	\$ 1,383	\$ 4,322,756	\$ 4,337,054	-0.33%
Capital Assets, Net	11,093,103	10,762,011	3,385	4,039	11,096,488	10,766,050	3.07%
Total Assets	15,407,152	15,097,682	12,092	5,422	15,419,244	15,103,104	2.09%
Deferred Outflows of Resources	770,234	455,414			770,234	455,414	69.13%
Long-Term Debt	9,472,041	10,280,113			9,472,041	10,280,113	-7.86%
Other Liabilities	158,284	91,038			158,284	91,038	73.87%
Total Liabilities	9,630,325	10,371,151			9,630,325	10,371,151	-7.14%
Deferred Inflows of Resources	886,892	249,577			886,892	249,577	255.36%
Net Position:							
Net Investment in Capital Assets	5,695,664	4,889,512	3,385	4,039	5,699,049	4,893,551	16.46%
Restricted	3,693,356	3,600,911			3,693,356	3,600,911	2.57%
Unrestricted/(Deficit)	(3,728,851)	(3,558,053)	8,707	1,383	(3,720,144)	(3,556,670)	-4.60%
Total Net Position	\$ 5,660,169	\$ 4,932,370	\$ 12,092	\$ 5,422	\$ 5,672,261	\$ 4,937,792	14.87%

*Changes in Net Position.* The District's *combined* net position increased \$734,469. Net position from governmental activities increased \$727,799 while net position from business-type activities increased \$6,670. Net investment in capital assets increased \$805,498 due to reductions in long-term debt related to capital assets of \$475,060, and \$662,385 of capital asset additions, offset by current year depreciation of \$331,947. Restricted net position increased \$92,445 due entirely to an increase of \$92,445 in Excess Surplus. Unrestricted net position decreased by \$163,474 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
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Revenue:							
Program Revenue:							
Charges for Services	\$ 37,587	\$ 34,468	\$ 202,795	\$ 191,988	\$ 240,382	\$ 226,456	6.15%
Operating Grants/Contributions	3,704,309	2,842,634			3,704,309	2,842,634	30.31%
General Revenue:							
Property Taxes	12,894,293	12,644,878			12,894,293	12,644,878	1.97%
Other	210,502	190,851			210,502	190,851	10.30%
Total Revenue	<u>16,846,691</u>	<u>15,712,831</u>	<u>202,795</u>	<u>191,988</u>	<u>17,049,486</u>	<u>15,904,819</u>	7.20%
Expenses:							
Instruction	9,240,308	8,208,139			9,240,308	8,208,139	12.57%
Pupil and Instruction Services	3,726,773	3,548,420			3,726,773	3,548,420	5.03%
Administrative and Business	1,450,199	1,422,963			1,450,199	1,422,963	1.91%
Maintenance and Operations	1,270,339	1,299,364			1,270,339	1,299,364	-2.23%
Transportation	161,759	161,220			161,759	161,220	0.33%
Other	267,316	242,675	198,323	205,140	465,639	447,815	3.98%
Total Expenses	<u>16,116,694</u>	<u>14,882,781</u>	<u>198,323</u>	<u>205,140</u>	<u>16,315,017</u>	<u>15,087,921</u>	8.13%
Transfers	<u>(2,198)</u>	<u>(4,848)</u>	<u>2,198</u>	<u>4,848</u>			
Increase/Decrease in Net Position	<u>\$ 727,799</u>	<u>\$ 825,202</u>	<u>\$ 6,670</u>	<u>\$ (8,304)</u>	<u>\$ 734,469</u>	<u>\$ 816,898</u>	-10.09%

*Revenue Sources.* The District's total revenue for the 2015/2016 school year was \$17,049,486. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$12,894,293 of the total, or 75.63 percent. (See Figure A-5). Another \$3,704,309 or 21.73 percent came from state and federal aid for specific programs, \$240,382 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 2016**

	Amount	Percentage
Sources of Income:		
Property Taxes	\$ 12,894,293	75.63%
Operating Grants/Contributions	3,704,309	21.73%
Charges for Services	240,382	1.41%
Other	210,502	1.23%
Total Revenue	<u>\$ 17,049,486</u>	<u>100.00%</u>

The total cost of all programs and services was \$16,315,017. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.47%). (See Figure A-6.) The District's administration and business activities accounted for 8.89% of total costs. Maintenance and operations costs constituted 7.79% 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 2016**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 9,240,308	56.64%
Pupil and Instruction Services	3,726,773	22.84%
Administrative and Business	1,450,199	8.89%
Maintenance and Operations	1,270,339	7.79%
Transportation	161,759	0.99%
Other	465,639	2.85%
	<u>\$ 16,315,017</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**

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2015/2016</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2014/2015</u>
Instruction	\$ 9,240,308	\$ 8,208,139	\$ 6,221,097	\$ 5,936,137
Pupil and Instruction Services	3,726,773	3,548,420	3,239,133	3,133,839
Administration and Business	1,450,199	1,422,963	1,217,857	1,235,576
Maintenance and Operations	1,270,339	1,299,364	1,270,339	1,299,364
Transportation	161,759	161,220	159,056	158,088
Other	267,316	242,675	267,316	242,675
	<u>\$ 16,116,694</u>	<u>\$ 14,882,781</u>	<u>\$ 12,374,798</u>	<u>\$ 12,005,679</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 \$16,116,694.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$3,704,309.
- Most of the District's costs, however, were financed by District taxpayers (\$12,894,293).

***Business-Type Activities***

Net position from the District's business-type activity increased by \$6,670, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses and transfers by \$6,670, accounting for all of the increase 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
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	0.00%
Buildings and Building Improvements	9,378,406	9,213,909			9,378,406	9,213,909	1.79%
Machinery & Equipment	411,127	244,532	\$ 3,385	\$ 4,039	414,512	248,571	66.76%
Total Capital Assets, (Net of Depreciation)	<u>\$11,093,103</u>	<u>\$10,762,011</u>	<u>\$ 3,385</u>	<u>\$ 4,039</u>	<u>\$11,096,488</u>	<u>\$10,766,050</u>	3.07%

The increase in capital assets is due to \$662,385 of capital asset additions, offset by current year depreciation of \$331,293 for governmental type activities and \$654 for business type activities.

**Long-term Debt**

At year-end, the District had \$5,220,000 in general obligation bonds outstanding. The decrease from the previous year represents bond principal payments of \$415,000. Capital leases payable decreased as a result of lease payments of \$137,544, offset by \$77,484 of new capital leases. The District's compensated absences payable decreased overall by \$520 in governmental activities, and there was a net decrease of \$332,492 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
	2015/2016	2014/2015	
General Obligation Bonds	\$ 5,220,000	\$ 5,635,000	-7.36%
Obligations Under Capital Leases	177,439	237,499	-25.29%
Compensated Absences Payable	219,183	219,703	-0.24%
Net Pension Liability - PERS	3,855,419	4,187,911	-7.94%
	<u>\$ 9,472,041</u>	<u>\$ 10,280,113</u>	-7.86%

**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

Exhibit A-1

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,063,208	\$ 7,946	\$ 4,071,154
Interfund Receivables	41		41
Receivables from State Government	249,663		249,663
Inventory		761	761
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	9,789,533	3,385	9,792,918
Total Assets	<u>15,407,152</u>	<u>12,092</u>	<u>15,419,244</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in Assumptions - Pensions	414,041		414,041
Changes in Proportion - Pensions	264,216		264,216
Difference between Expected and Actual Experience - Pensions	91,977		91,977
Total Deferred Outflows of Resources	<u>770,234</u>		<u>770,234</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued Interest Payable	82,036		82,036
Accounts Payable - Vendors	64,428		64,428
Noncurrent Liabilities:			
Due Within One Year	548,175		548,175
Due Beyond One Year	8,923,866		8,923,866
Total Liabilities	<u>9,630,325</u>		<u>9,630,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	61,988		61,988
Changes in Proportion - Pensions	824,904		824,904
Total Deferred Inflows of Resources	<u>886,892</u>		<u>886,892</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,695,664	3,385	5,699,049
Restricted for:			
Capital Projects	1,137		1,137
Debt Service	1		1
Other Purposes	3,692,218		3,692,218
Unrestricted (Deficit)	<u>(3,728,851)</u>	<u>8,707</u>	<u>(3,720,144)</u>
Total Net Position	<u>\$ 5,660,169</u>	<u>\$ 12,092</u>	<u>\$ 5,672,261</u>

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, 2016

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	\$ 6,711,586		\$ 1,664,087	\$ (5,047,499)		\$ (5,047,499)
Special Education	1,776,739	\$ 37,587	1,114,356	(624,796)		(624,796)
Other Special Instruction	662,008		203,181	(458,827)		(458,827)
School Sponsored Instruction	89,975			(89,975)		(89,975)
Support Services:						
Tuition	919,560			(919,560)		(919,560)
Student & Instruction Related Services	2,807,213		487,640	(2,319,573)		(2,319,573)
General Administrative Services	452,223		109,383	(342,840)		(342,840)
School Administrative Services	614,822		122,959	(491,863)		(491,863)
Central Services	383,154			(383,154)		(383,154)
Plant Operations and Maintenance	1,270,339			(1,270,339)		(1,270,339)
Pupil Transportation	161,759		2,703	(159,056)		(159,056)
Interest on Long-Term Debt	231,083			(231,083)		(231,083)
Capital Outlay	36,233			(36,233)		(36,233)
Total Governmental Activities	16,116,694	37,587	3,704,309	(12,374,798)		(12,374,798)

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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
Business-Type Activities:						
Food Service	\$ 198,323	\$ 202,795			\$ 4,472	\$ 4,472
Total Business-Type Activities	198,323	202,795			4,472	4,472
Total Primary Government	\$ 16,315,017	\$ 240,382	\$ 3,704,309	\$ (12,374,798)	4,472	(12,370,326)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				12,240,818		12,240,818
Taxes Levied for Debt Service				653,475		653,475
Miscellaneous Income				210,502		210,502
Transfers				(2,198)	2,198	
Total General Revenues and Transfers				13,102,597	2,198	13,104,795
Change in Net Position				727,799	6,670	734,469
Net Position - Beginning				4,932,370	5,422	4,937,792
Net Position - Ending				\$ 5,660,169	\$ 12,092	\$ 5,672,261

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, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 4,062,187	\$ 1,020	\$ 1	\$ 4,063,208
Interfund Receivable	41			41
Receivables from State Government	249,663			249,663
Restricted Cash and Cash Equivalents	1,137			1,137
<b>TOTAL ASSETS</b>	<b>\$ 4,313,028</b>	<b>\$ 1,020</b>	<b>\$ 1</b>	<b>\$ 4,314,049</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable - Vendors	\$ 64,428			\$ 64,428
Unearned Revenue	10,800	\$ 1,020		11,820
<b>Total Liabilities</b>	<b>75,228</b>	<b>1,020</b>		<b>76,248</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Excess Surplus - Current Year	1,709,225			1,709,225
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,982,993			1,982,993
Capital Reserve Account	1,137			1,137
Debt Service Fund			\$ 1	1
<b>Assigned:</b>				
Year-End Encumbrances	297,151			297,151
<b>Unassigned:</b>				
General Fund	247,294			247,294
<b>Total Fund Balances</b>	<b>4,237,800</b>		<b>1</b>	<b>4,237,801</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 4,313,028</b>	<b>\$ 1,020</b>	<b>\$ 1</b>	<b>\$ 4,314,049</b>

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

Total Fund Balances - Governmental Funds (Above)	\$ 4,237,801
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,618,741 and the accumulated depreciation is \$7,525,638. (See Note 5)	11,093,103
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)	(5,616,622)
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.	(82,036)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(3,855,419)

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>Deferred Outflows:</b>	
Changes in Assumptions - Pensions	414,041
Changes in Proportions - Pensions	264,216
Difference Between Expected and Actual Experience- Pensions	91,977
<b>Deferred Inflows:</b>	
Investment Gains - Pensions	(61,988)
Changes in Proportions - Pensions	(824,904)
<b>Net Position of Governmental Activities</b>	<b>\$ 5,660,169</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 12,240,818		\$ 653,475	\$ 12,894,293
Tuition	37,587			37,587
Miscellaneous	210,502	\$ 180		210,682
Total - Local Sources	12,488,907	180	653,475	13,142,562
State Sources	1,880,013			1,880,013
Federal Sources		166,310		166,310
Total Revenues	14,368,920	166,490	653,475	15,188,885
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular Instruction	3,949,793	180		3,949,973
Special Education Instruction	1,001,945	166,310		1,168,255
Other Special Instruction	347,098			347,098
School Sponsored Instruction	89,975			89,975
Support Services and Undistributed Costs:				
Tuition	919,560			919,560
Student & Instruction Related Services	1,831,626			1,831,626
General Administration Services	340,831			340,831
School Administration Services	381,591			381,591
Central Services	270,676			270,676

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:				
Current:				
Support Services and Undistributed Costs:				
Administrative Information Technology	\$ 1,600			\$ 1,600
Plant Operations and Maintenance	1,040,890			1,040,890
Pupil Transportation	153,450			153,450
Allocated and Unallocated Benefits	3,435,329			3,435,329
Capital Outlay	776,102			776,102
Debt Service:				
Principal			\$ 415,000	415,000
Interest and Other Charges			238,475	238,475
Total Expenditures	<u>14,540,466</u>	<u>\$ 166,490</u>	<u>653,475</u>	<u>15,360,431</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(171,546)</u>			<u>(171,546)</u>
OTHER FINANCING SOURCES/(USES):				
Capital Leases (Non-Budgeted)	77,484			77,484
Transfers Out	(2,198)			(2,198)
Total Other Financing Sources/(Uses)	<u>75,286</u>			<u>75,286</u>
Net Change in Fund Balances	(96,260)			(96,260)
Fund Balance—July 1	4,334,060		1	4,334,061
Fund Balance—June 30	<u>\$ 4,237,800</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 4,237,801</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, 2016

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (96,260)
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>662,385</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 (+).		331,092
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.		520
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 (+).		415,000
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.		7,392
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		137,544
Deferred Outflows:		
Changes in Assumptions		332,492
Changes in Proportion		282,350
Difference Between Expected and Actual		(59,508)
Deferred Inflows:		91,977
Net Difference Between Projected and Actual Investment Earnings on Pension		
Plan Investments		187,588
Changes in Proportion		<u>(824,904)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 727,799</u>

Exhibit B-4

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Business-Type Activities Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 7,946
Inventory	761
	8,707
Total Current Assets	8,707
Non-Current Assets:	
Capital Assets	66,655
Less: Accumulated Depreciation	(63,270)
	3,385
Total Non-Current Assets	3,385
Total Assets	12,092
<b>NET POSITION:</b>	
Net Investment in Capital Assets	3,385
Unrestricted	8,707
	12,092
Total Net Position	\$ 12,092

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

Exhibit B-5

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Business-Type  
 Activities  
Enterprise Funds

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 204,993
Total Operating Revenue	<u>204,993</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	99,773
Salaries, Payroll Taxes & Benefits	96,952
Supplies and Materials	744
Depreciation Expense	654
Miscellaneous Expenses	200
Total Operating Expenses	<u>198,323</u>
Operating Income	6,670
Net Position- Beginning of Year	<u>5,422</u>
Net Position- End of Year	<u><u>\$ 12,092</u></u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 204,993
Payments to Employees	(96,952)
Payments to Vendors	(99,372)
Payments to Suppliers	(944)
	7,725
Net Increase in Cash and Cash Equivalents / Net Cash Provided by Operating Activities	7,725
Cash and Cash Equivalents, July 1	221
Cash and Cash Equivalents, June 30	\$ 7,946
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 6,670
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
Decrease in Inventory	401
	401
Net Cash Provided by Operating Activities	\$ 7,725

Exhibit B-7

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Agency</u>	<u>Flex Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 102,376	\$ 1,319
Total Assets	<u>102,376</u>	<u>1,319</u>
LIABILITIES:		
Interfund Payable - General Fund	41	
Payroll Deductions and Withholdings	57,712	
Due to Student Groups	<u>44,623</u>	
Total Liabilities	<u>102,376</u>	
NET POSITION:		
Held in Trust for:		
Flex Spending Claims		<u>1,319</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 1,319</u>

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



Exhibit B-8

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Employee Contributions	\$ 10,004
Total Contributions	<u>10,004</u>
Total Additions	<u>10,004</u>
Deductions:	
Flex Spending Claims	<u>11,990</u>
Total Deductions	<u>11,990</u>
Change in Net Position	(1,986)
Net Position - Beginning of the Year	<u>3,305</u>
Net Position - End of the Year	<u><u>\$ 1,319</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, 2016

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, 2016  
(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, 2016  
(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.

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

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, 2016 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	\$ 14,360,834	\$ 166,490
Differences - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	23,749	
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	<u>(15,663)</u>	
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 14,368,920</u>	<u>\$ 166,490</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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:	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 14,540,466</u>	<u>\$ 166,490</u>
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 14,540,466</u></u>	<u><u>\$ 166,490</u></u>

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.

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

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, 2016.

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, 2016  
(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, 2016.

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, 2016  
(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 \$4,237,800 General Fund fund balance at June 30, 2016, \$297,151 is assigned for encumbrances; \$1,137 is restricted in the capital reserve account; \$1,709,225 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$1,982,993 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; and \$247,294 is unassigned which is \$15,663 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2017.

Debt Service Fund: The Debt Service Fund has \$1 of restricted fund balance at June 30, 2016.

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 \$15,663, 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 \$3,728,851 in its governmental activities, which is due to General Fund unassigned fund balance of \$247,294, \$297,151 of General Fund fund balance assigned for encumbrances, \$414,041 of changes in pension assumptions, \$264,216 for changes in proportion in pensions, and \$91,977 for the net difference between expected and actual experience in pensions; net of compensated absences payable of \$219,183, accrued interest on long-term liabilities of \$82,036, net investment gains in pensions of \$61,988, changes in proportion in pensions of \$824,904, and net pension liability of \$3,855,419. 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, 2016  
(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 deferred outflows of resources at June 30, 2016 for changes in assumptions in pensions, changes in proportion in pensions, and the difference between expected and actual experience in pensions. The District had deferred inflows of resources at June 30, 2016 for investment gains in pensions and changes in proportion 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, debt service, 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, 2016.

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 in the General Fund at June 30, 2016.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(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, 2016  
(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, 2016  
(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, 2016, 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	\$ 4,174,849	\$ 1,137	\$ 4,175,986

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$4,174,849 and the bank balance was \$4,392,727.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ <u>1,137</u>
Ending Balance, June 30, 2016	\$ <u><u>1,137</u></u>

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 exceeds the balance in the capital reserve account as of June 30, 2016.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Total Capital Assets not Being Depreciated	<u>1,303,570</u>			<u>1,303,570</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	14,864,127	\$ 447,130		15,311,257
Machinery and Equipment	<u>1,788,659</u>	<u>215,255</u>		<u>2,003,914</u>
Total Capital Assets Being Depreciated	<u>16,652,786</u>	<u>662,385</u>		<u>17,315,171</u>
Governmental Activities Capital Assets	<u>17,956,356</u>	<u>662,385</u>		<u>18,618,741</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,650,218)	(282,633)		(5,932,851)
Machinery and Equipment	<u>(1,544,127)</u>	<u>(48,660)</u>		<u>(1,592,787)</u>
Total Accumulated Depreciation	<u>(7,194,345)</u>	<u>(331,293)</u>		<u>(7,525,638)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,762,011</u>	<u>\$ 331,092</u>	<u>\$ -0-</u>	<u>\$ 11,093,103</u>
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 66,655			\$ 66,655
Less: Accumulated Depreciation	<u>(62,616)</u>	<u>\$ (654)</u>		<u>(63,270)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,039</u>	<u>\$ (654)</u>	<u>\$ -0-</u>	<u>\$ 3,385</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>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
Serial Bonds Payable	\$ 5,635,000		\$ 415,000	\$ 5,220,000
Capital Leases Payable	237,499	\$ 77,484	137,544	177,439
Compensated Absences Payable	219,703	6,940	7,460	219,183
Net Pension Liability - PERS	4,187,911		332,492	3,855,419
	<u>\$ 10,280,113</u>	<u>\$ 84,424</u>	<u>\$ 892,496</u>	<u>\$ 9,472,041</u>

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, 2016 as follows:

<u>Issue</u> <u>Date</u>	<u>Serial Bonds</u> <u>Final</u> <u>Maturity Date</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
02/21/07	02/15/26	4.00-5.00%	<u>\$ 5,220,000</u>

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

<u>Fiscal</u> <u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	510,000	135,400	645,400
2022-2026	2,875,000	353,000	3,228,000
	<u>\$ 5,220,000</u>	<u>\$ 1,233,689</u>	<u>\$ 6,453,689</u>



BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

A. Bonds Payable: (Cont'd)

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, 2016, the District has no bonds authorized but not issued.

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, 2016.

Fiscal Year	Amount
2017	\$ 126,889
2018	17,220
2019	17,220
2020	17,220
2021	7,175
	185,724
Less: Amount Representing Interest	(8,285)
Present Value of Net Minimum Lease Payments	\$ 177,439

The current portion of capital leases payable is \$116,395 and the long term portion is \$61,044.

D. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$219,183 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, 2016, no liability existed for compensated absences in the Food Service Fund.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

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, 2016 is \$-0- and the long-term portion is \$3,855,419. 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.

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).

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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 \$147,658 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. 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.

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

At June 30, 2016, the District reported a liability of \$3,855,419 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.017%, which was a decrease of 0.005% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$137,655. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 82,529	
Changes in Assumptions - 2015	5.72	331,512	
Changes in Proportion - 2014	6.44		\$ 824,904
Changes in Proportion - 2015	5.72	264,216	
Difference Between Expected and Actual Experience - 2015	5.72	91,977	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5.0		143,725
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5.0	81,737	
		<u>\$ 851,971</u>	<u>\$ 968,629</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 (Cont'd)

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
2016	\$ 80,836
2017	80,836
2018	80,836
2019	128,744
2020	72,779
	\$ 444,030

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.00%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 actuarially determined contributions. Based on those assumptions, the 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 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.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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, 2015 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:

	<u>Fiscal Year Ended June 30, 2015</u>		
	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>(3.90%)</u>	<u>(4.90%)</u>	<u>(5.90%)</u>
District's proportionate share of the Net Pension Liability	\$ 4,791,814	\$ 3,855,419	\$ 3,070,352

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).

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:

<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

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. 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 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 2015, 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 2016, the State of New Jersey contributed \$421,909 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$2,079,895.

The employee contribution rate was 7.06% effective July 1, 2015. 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.

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$34,063,696. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.054%, which was an increase of 0.005% from its proportion measured as of June 30, 2014.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		34,063,696
Total	\$	34,063,696

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$2,079,895 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5.0		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5.0		(770,568,242)
		\$ 7,521,378,257	\$ 554,399,005

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	2,196,835,040
	\$ 6,966,979,252



BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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:

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 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 State's proportionate share of the net pension liability associated with the District as of June 30, 2015 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:

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total Net Pension Liability	\$ 40,483,430	\$ 34,063,696	\$ 28,532,712

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$502,376, \$462,557 and \$342,809 for 2016, 2015, and 2014, respectively.

NOTE 9. RISK MANAGEMENT

The District maintains insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are covered through Horizon Blue Cross/Blue Shield of New Jersey.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

The District is a member of the Northeast Bergen County School Board Insurance Group (the "Group"). This public entity risk management group provides general liability, property and automobile coverage and workers' compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial information for the Group as of June 30, 2016 was not available as of the date of the audit report. Selected, summarized financial information for the Group as of June 30, 2015 is as follows:

	Northeast Bergen County School Board Insurance Group
Total Assets	\$ 26,269,669
Net Position	\$ 17,569,132
Total Revenue	\$ 12,986,319
Total Expenses	\$ 10,548,941
Change in Net Position	\$ 2,437,378
Member Dividends	\$ 1,400,000

Financial statements for the Group are available at the Group's Executive Director's Office.

Burton Agency  
44 Bergen Street  
P.O. Box 270  
Westwood, NJ 07675  
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BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 41	
Fiduciary Funds -		
Payroll Agency Fund		41
	\$ 41	\$ 41

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 in the previous year 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. 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, 2016  
(Continued)

NOTE 14. CONTINGENT LIABILITIES

Grant 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, 2016, there were encumbrances in the General Fund of \$297,151.

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

L-1

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 THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0203628612%	0.0223680527%	0.0171748910%
District's proportionate share of the net pension liability	\$ 3,891,747	\$ 4,187,911	\$ 3,855,419
District's covered employee payroll	\$ 1,085,204	\$ 1,019,081	\$ 979,710
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	358.62%	410.95%	393.53%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

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 THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 165,131	\$ 155,922	\$ 147,658
Contributions in relation to the contractually required contribution	<u>(165,131)</u>	<u>(155,922)</u>	<u>(147,658)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,085,204	\$ 1,019,081	\$ 979,710
Contributions as a percentage of covered employee payroll	15.22%	15.30%	15.07%

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 THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable to the District	0.0530543147%	0.0494226942%	0.0538946123%
State's proportionate share of the net pension liability attributable to the District	\$ 26,813,233	\$ 26,414,822	\$ 26,414,822
District's covered employee payroll	\$ 5,513,739	\$ 5,373,803	\$ 5,418,786
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	486.30%	491.55%	487.47%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

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, 2016  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,240,818		\$ 12,240,818	\$ 12,240,818	
Other Local Governmental Units - Restricted	327,709		327,709		\$ (327,709)
Tuition:					
From Other Individuals	31,000		31,000	37,587	6,587
Miscellaneous	123,000		123,000	210,502	87,502
Total - Local Sources	<u>12,722,527</u>		<u>12,722,527</u>	<u>12,488,907</u>	<u>(233,620)</u>
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		\$ 227,883	227,883	227,883	
Nonpublic School Transportation Costs		2,703	2,703	2,703	
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				421,909	421,909
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				502,376	502,376
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				393,021	393,021
Total State Sources	<u>324,035</u>	<u>230,586</u>	<u>554,621</u>	<u>1,871,927</u>	<u>1,317,306</u>
TOTAL REVENUES	<u>13,046,562</u>	<u>230,586</u>	<u>13,277,148</u>	<u>14,360,834</u>	<u>1,083,686</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 267,130		\$ 267,130	\$ 262,499	\$ 4,631
Grades 1-5 - Salaries of Teachers	1,872,006	\$ (72,500)	1,799,506	1,735,013	64,493
Grades 6-8 - Salaries of Teachers	1,370,870	(31,000)	1,339,870	1,281,824	58,046
Regular Programs - Home Instruction:					
Salaries of Teachers	8,000		8,000	1,485	6,515
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	24,710		24,710	17,981	6,729
Purchased Professional - Educational Services		525	525	525	
Purchased Technical Services	129,806	(7,925)	121,881	115,134	6,747
Other Purchased Services (400-500 series)	185,830	250	186,080	182,084	3,996
General Supplies	428,901	(10,000)	418,901	343,727	75,174
Textbooks	9,198		9,198	6,850	2,348
Other Objects	21,660	(13,894)	7,766	2,671	5,095
Total Regular Programs - Instruction	4,318,111	(134,544)	4,183,567	3,949,793	233,774
Special Education - Instruction:					
Learning and/or Language Disabilities					
Salaries of Teachers	55,000	(8,000)	47,000	46,570	430
Other Salaries for Instruction	42,000	(41,850)	150		150
General Supplies	5,000	5,700	10,700	10,568	132
Textbooks	2,000	1,330	3,330	607	2,723
Total Learning and/or Language Disabilities	104,000	(42,820)	61,180	57,745	3,435
Multiple Disabilities:					
General Supplies		2,885	2,885	2,862	23
Total Multiple Disabilities		2,885	2,885	2,862	23
Visual Impairments					
Other Salaries for Instruction		1,125	1,125	1,110	15
General Supplies	228	250	478	291	187
Total Visual Impairments	228	1,375	1,603	1,401	202
Resource Room/Resource Center:					
Salaries of Teachers	832,719	(60,900)	771,819	769,237	2,582
Other Salaries for Instruction		171,200	171,200	159,989	11,211
Other Purchased Services (400-500 series)		200	200	39	161
General Supplies	14,668	(2,750)	11,918	10,014	1,904
Textbooks	1,149		1,149	658	491
Total Resource Room/Resource Center	848,536	107,750	956,286	939,937	16,349
Total Special Education Instruction	952,764	69,190	1,021,954	1,001,945	20,009

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 221,927	\$ 28,400	\$ 250,327	\$ 235,357	\$ 14,970
Other Purchased Services		100	100		100
General Supplies	8,158	(1,315)	6,843	4,373	2,470
Textbooks	220		220	214	6
<b>Total Basic Skills/Remedial - Instruction</b>	<b>230,305</b>	<b>27,185</b>	<b>257,490</b>	<b>239,944</b>	<b>17,546</b>
Bilingual Education - Instruction:					
Salaries of Teachers	60,125		60,125	59,125	1,000
Other Purchased Services (400-500 Series)	225		225	87	138
General Supplies	5,827		5,827	3,601	2,226
Other Objects	110		110	98	12
<b>Total Bilingual Education - Instruction</b>	<b>66,287</b>		<b>66,287</b>	<b>62,911</b>	<b>3,376</b>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	97,178	(19,550)	77,628	72,587	5,041
Purchased Services (300-500 series)	10,600	(9,100)	1,500		1,500
Supplies and Materials	3,650	(1,000)	2,650	1,115	1,535
Other Objects	700		700	75	625
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>112,128</b>	<b>(29,650)</b>	<b>82,478</b>	<b>73,777</b>	<b>8,701</b>
School-Sponsored Athletics - Instruction:					
Salaries		12,850	12,850	12,484	366
Purchased Services (300-500 series)		4,616	4,616	2,983	1,633
Supplies and Materials		984	984	731	253
<b>Total School-Sponsored Athletics - Instruction</b>		<b>18,450</b>	<b>18,450</b>	<b>16,198</b>	<b>2,252</b>
Community Services Programs / Operations:					
Salaries	36,961		36,961	35,708	1,253
Purchased Services (300-500 series)	22,000		22,000	8,535	13,465
<b>Total Community Services Programs / Operations</b>	<b>58,961</b>		<b>58,961</b>	<b>44,243</b>	<b>14,718</b>
<b>Total Instruction</b>	<b>5,738,556</b>	<b>(49,369)</b>	<b>5,689,187</b>	<b>5,388,811</b>	<b>300,376</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 985,399	\$ 161,398	\$ 1,146,797	\$ 808,464	\$ 338,333
Tuition - Other	99,110		99,110	59,096	40,014
Tuition to Private Schools for the Disabled - Within the State	52,000		52,000	52,000	
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	36,000	(36,000)			
Total Undistributed Expenditures - Instruction	<u>1,172,509</u>	<u>125,398</u>	<u>1,297,907</u>	<u>919,560</u>	<u>378,347</u>
Attendance and Social Work:					
Salaries	34,698	3,100	37,798	37,272	526
Total Attendance and Social Work	<u>34,698</u>	<u>3,100</u>	<u>37,798</u>	<u>37,272</u>	<u>526</u>
Health Services:					
Salaries	151,573	19,010	170,583	150,916	19,667
Purchased Professional and Technical Services	4,190		4,190	3,779	411
Other Purchased Services (400-500 series)	300		300	101	199
Supplies and Materials	4,915	701	5,616	5,615	1
Total Health Services	<u>160,978</u>	<u>19,711</u>	<u>180,689</u>	<u>160,411</u>	<u>20,278</u>
Speech, OT, PT & Related Services:					
Salaries	182,623		182,623	182,623	
Purchased Professional - Educational Services	90,000	115,135	205,135	186,891	18,244
Supplies and Materials	4,238		4,238	4,120	118
Other Objects	470		470	170	300
Total Speech, OT, PT & Related Services	<u>277,331</u>	<u>115,135</u>	<u>392,466</u>	<u>373,804</u>	<u>18,662</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	441,192	(154,405)	286,787	265,049	21,738
Purchased Professional - Educational Services	14,000	87,570	101,570	101,562	8
Supplies and Materials	2,000		2,000		2,000
Total Other Support Services - Students - Extraordinary Services	<u>457,192</u>	<u>(66,835)</u>	<u>390,357</u>	<u>366,611</u>	<u>23,746</u>



BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Guidance:					
Salaries of Other Professional Staff	\$ 128,196		\$ 128,196	\$ 128,196	
Salaries of Secretarial and Clerical Assistants	25,971	\$ (500)	25,471	24,816	\$ 655
Purchased Professional - Educational Services	16,000	(11,850)	4,150	4,100	50
Other Purchased Professional and Technical Services		12,500	12,500	11,161	1,339
Other Purchased Services (400-500 series)	5,625	(1,710)	3,915	99	3,816
Supplies and Materials	2,534	1,560	4,094	4,058	36
Other Objects	600		600	600	
<b>Total Guidance</b>	<b>178,926</b>		<b>178,926</b>	<b>173,030</b>	<b>5,896</b>
Child Study Teams:					
Salaries of Other Professional Staff	283,561	6,500	290,061	290,053	8
Salaries of Secretarial and Clerical Assistants	64,705		64,705	64,701	4
Other Salaries	6,000	(4,000)	2,000	1,489	511
Purchased Professional - Educational Services	37,719	54,750	92,469	92,292	177
Other Purchased Professional and Technical Services		3,750	3,750	2,975	775
Other Purchased Services (400-500 series)	3,000	(1,000)	2,000	347	1,653
Supplies and Materials	5,728	(162)	5,566	2,259	3,307
Other Objects	400	162	562	562	
<b>Total Child Study Teams</b>	<b>401,113</b>	<b>60,000</b>	<b>461,113</b>	<b>454,678</b>	<b>6,435</b>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	86,390	(992)	85,398	84,252	1,146
Purchased Professional - Educational Services	33,639		33,639	27,762	5,877
Other Purchased Professional and Technical Services		3,500	3,500	2,025	1,475
Other Purchased Services (400-500 series)		500	500		500
Supplies and Materials		100	100	65	35
Other Objects		3,500	3,500	3,333	167
<b>Total Improvement of Instructional Services</b>	<b>120,029</b>	<b>6,608</b>	<b>126,637</b>	<b>117,437</b>	<b>9,200</b>
Educational Media Services/School Library:					
Salaries	109,333		109,333	100,753	8,580
Purchased Professional and Technical Services	14,094		14,094	3,870	10,224
Other Purchased Services (400-500 series)	125		125	22	103
Supplies and Materials	22,807	(716)	22,091	8,408	13,683
Other Objects	100	15	115	65	50
<b>Total Educational Media Services/School Library</b>	<b>146,459</b>	<b>(701)</b>	<b>145,758</b>	<b>113,118</b>	<b>32,640</b>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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	\$ 625	\$ 1,375
Purchased Professional - Educational Services	26,400	\$ 6,852	33,252	33,242	10
Other Purchased Services (400-500 series)	2,000		2,000	1,398	602
Supplies and Materials	2,250	(450)	1,800		1,800
Total Instructional Staff Training Services	<u>32,650</u>	<u>6,402</u>	<u>39,052</u>	<u>35,265</u>	<u>3,787</u>
Support Services - General Administration:					
Salaries	252,636	(34,990)	217,646	216,836	810
Legal Services	32,000	24,894	56,894	29,232	27,662
Audit Fees	12,000		12,000	10,000	2,000
Architectural / Engineering Services	16,000	50,000	66,000	25,944	40,056
Other Purchased Professional Services	15,000		15,000	7,000	8,000
Communications/Telephone	33,800		33,800	31,986	1,814
BOE Other Purchased Services	6,600	1,000	7,600	5,365	2,235
Miscellaneous Purchased Services (400-500 series)	8,000	(820)	7,180	1,984	5,196
General Supplies	7,500		7,500	4,304	3,196
BOE In-House Training / Meeting Supplies	500		500	22	478
Miscellaneous Expenditures		1,820	1,820	1,783	37
BOE Membership Dues and Fees	15,000	(2,000)	13,000	6,375	6,625
Total Support Services - General Administration	<u>399,036</u>	<u>39,904</u>	<u>438,940</u>	<u>340,831</u>	<u>98,109</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	261,220	(17,468)	243,752	243,747	5
Salaries of Secretarial and Clerical Assistants	104,245	860	105,105	101,572	3,533
Purchased Professional and Technical Services	250		250		250
Other Purchased Services (400-500 series)	5,000		5,000	1,359	3,641
Supplies and Materials	31,500	12,429	43,929	10,744	33,185
Other Objects		24,184	24,184	24,169	15
Total Support Services - School Administration	<u>402,215</u>	<u>20,005</u>	<u>422,220</u>	<u>381,591</u>	<u>40,629</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 205,656	\$ 34,948	\$ 240,604	\$ 240,414	\$ 190
Purchased Technical Services	600		600		600
Miscellaneous Purchased Services (400-500 series)	24,900	(350)	24,550	24,003	547
Supplies and Materials	3,800	(556)	3,244	2,912	332
Miscellaneous Expenditures		3,348	3,348	3,347	1
Total Central Services	<u>234,956</u>	<u>37,390</u>	<u>272,346</u>	<u>270,676</u>	<u>1,670</u>
Administrative Information Technology:					
Purchased Technical Services		1,600	1,600	1,600	
Total Administrative Information Technology		<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	
Required Maintenance of School Facilities:					
Salaries	14,997	68,450	83,447	81,014	2,433
Cleaning, Repair and Maintenance Services	130,400	(9,000)	121,400	75,418	45,982
General Supplies	47,600	(29,100)	18,500	12,165	6,335
Other Objects		39,650	39,650	9,899	29,751
Total Required Maintenance of School Facilities	<u>192,997</u>	<u>70,000</u>	<u>262,997</u>	<u>178,496</u>	<u>84,501</u>
Custodial Services:					
Salaries	482,552	(33,862)	448,690	411,725	36,965
Purchased Professional and Technical Services	10,000	(2,740)	7,260	6,691	569
Cleaning, Repair and Maintenance Services		4,990	4,990	3,782	1,208
Other Purchased Property Services	18,000	17,670	35,670	35,665	5
Insurance	102,080	3,745	105,825	102,377	3,448
General Supplies	91,066	(26,340)	64,726	59,381	5,345
Energy (Electricity)	122,000	15,000	137,000	126,665	10,335
Energy (Natural Gas)	137,000	(38,500)	98,500	56,766	41,734
Energy (Gasoline)	8,000		8,000	3,195	4,805
Other Objects	41,300	(7,538)	33,762	30,339	3,423
Total Custodial Services	<u>1,011,998</u>	<u>(67,575)</u>	<u>944,423</u>	<u>836,586</u>	<u>107,837</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services		\$ 400	\$ 400	\$ 365	\$ 35
General Supplies		11,160	11,160	10,832	328
Total Care and Upkeep of Grounds		11,560	11,560	11,197	363
Security:					
Purchased Professional and Technical Services	\$ 10,000	4,615	14,615	14,611	4
Total Security	10,000	4,615	14,615	14,611	4
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Special	19,335		19,335	12,085	7,250
Other Than Between Home and School - Regular		5,000	5,000	2,100	2,900
Other Purchased Professional and Technical Services	1,000		1,000	582	418
Cleaning, Repair and Maintenance Services	5,000		5,000	1,219	3,781
Lease Purchase Payments - School Buses	9,700		9,700	9,691	9
Contracted Services:					
Between Home and School - Vendors	168,000	7,000	175,000	117,428	57,572
Aid in Lieu of Payments - Nonpublic Students	22,000	(9,297)	12,703	9,980	2,723
General Supplies	1,000		1,000	365	635
Total Student Transportation Services	226,035	2,703	228,738	153,450	75,288
Unallocated Employee Benefits:					
Social Security Contributions	142,878	2,300	145,178	143,573	1,605
Other Retirement Contributions - PERS	201,091	(34,435)	166,656	147,658	18,998
Other Retirement Contributions - ERIP	15,000	7,200	22,200	21,723	477
Unemployment Compensation	34,400		34,400	29,284	5,116
Workmen's Compensation	102,360	211	102,571	102,571	

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Employee Benefits:					
Health Benefits	\$ 2,071,310	\$ (66,450)	\$ 2,004,860	\$ 1,621,625	\$ 383,235
Tuition Reimbursement	10,000	10	10,010	10,000	10
Other Employee Benefits	63,500	(21,896)	41,604	41,589	15
Total Unallocated Employee Benefits	<u>2,640,539</u>	<u>(113,060)</u>	<u>2,527,479</u>	<u>2,118,023</u>	<u>409,456</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				421,909	(421,909)
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				502,376	(502,376)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				393,021	(393,021)
Total On-Behalf Contributions				<u>1,317,306</u>	<u>(1,317,306)</u>
Total Personal Services - Employee Benefits	<u>2,640,539</u>	<u>(113,060)</u>	<u>2,527,479</u>	<u>3,435,329</u>	<u>(907,850)</u>
Total Undistributed Expenses	<u>8,099,661</u>	<u>275,960</u>	<u>8,375,621</u>	<u>8,375,553</u>	<u>68</u>
TOTAL GENERAL CURRENT EXPENSE	<u>13,838,217</u>	<u>226,591</u>	<u>14,064,808</u>	<u>13,764,364</u>	<u>300,444</u>
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures:					
Instructional Equipment:	\$ 168,848	3,995	172,843	143,862	28,981
Custodial Services	16,530		16,530	16,530	
Total Equipment	<u>185,378</u>	<u>3,995</u>	<u>189,373</u>	<u>160,392</u>	<u>28,981</u>
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	91,547		91,547	62,273	29,274
Construction Services	1,018,235		1,018,235	470,571	547,664
Assessment for Debt Service on SDA Funding	5,382		5,382	5,382	
Total Facilities Acquisition and Construction Services	<u>1,115,164</u>		<u>1,115,164</u>	<u>538,226</u>	<u>576,938</u>
Assets Acquired Under Capital Leases (non-budgeted):					
Copier Lease				77,484	(77,484)
Total Assets Acquired Under Capital Leases (non-budgeted)				<u>77,484</u>	<u>(77,484)</u>
TOTAL CAPITAL OUTLAY	<u>1,300,542</u>	<u>3,995</u>	<u>1,304,537</u>	<u>776,102</u>	<u>528,435</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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	\$ 15,138,759	\$ 230,586	\$ 15,369,345	\$ 14,540,466	\$ 828,879
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,092,197)		(2,092,197)	(179,632)	1,912,565
Other Financing Uses:					
Operating Transfer Out:					
Transfer to Food Service Fund	(28,250)		(28,250)	(2,198)	26,052
Assets Acquired Under Capital Leases (Non-budgeted)				77,484	77,484
Total Other Financing Uses	(28,250)		(28,250)	75,286	103,536
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(2,120,447)		(2,120,447)	(104,346)	2,016,101
Fund Balance, July 1	4,357,809		4,357,809	4,357,809	
Fund Balance, June 30	<u>\$ 2,237,362</u>	<u>\$ -0-</u>	<u>\$ 2,237,362</u>	<u>\$ 4,253,463</u>	<u>\$ 2,016,101</u>
<u>Recapitulation of Fund Balance at June 30, 2016:</u>					
Restricted:					
Excess Surplus				\$ 1,709,225	
Excess Surplus - For Subsequent Year's Expenditures				1,982,993	
Capital Reserve				1,137	
Assigned:					
Year-End Encumbrances				297,151	
Unassigned				<u>262,957</u>	
Total Fund Balance (Budgetary/GAAP)				4,253,463	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(15,663)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,237,800</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 1,200	\$ 1,200	\$ 180	\$ (1,020)
Federal Sources	\$ 139,694	26,616	166,310	166,310	
Total Revenues	<u>139,694</u>	<u>27,816</u>	<u>167,510</u>	<u>166,490</u>	<u>(1,020)</u>
EXPENDITURES:					
Instruction:					
Tuition	105,194	57,598	162,792	162,792	
General Supplies	5,500	(982)	4,518	3,518	1,000
Total Instruction	<u>110,694</u>	<u>56,616</u>	<u>167,310</u>	<u>166,310</u>	<u>1,000</u>
Support Services:					
Purchased Professional and Technical Services	29,000	(28,800)	200	180	20
Total Support Services	<u>29,000</u>	<u>(28,800)</u>	<u>200</u>	<u>180</u>	<u>20</u>
Total Expenditures	<u>139,694</u>	<u>27,816</u>	<u>167,510</u>	<u>166,490</u>	<u>1,020</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, 2016  
(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	\$ 14,360,834	\$ 166,490
Difference - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	23,749	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(15,663)	
	<u>\$ 14,368,920</u>	<u>\$ 166,490</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 14,368,920</u>	<u>\$ 166,490</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,540,466	\$ 166,490
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,540,466</u>	<u>\$ 166,490</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, 2016 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, 2016

	IDEA Part B		No Child Left Behind	STEM	Totals
	Basic	Preschool	Title III	Grant	
REVENUE:					
Local Sources				\$ 180	\$ 180
Federal Sources	\$ 151,922	\$ 10,870	\$ 3,518		166,310
Total Revenue	151,922	10,870	3,518	180	166,490
EXPENDITURES:					
Instruction:					
Tuition	151,922	10,870			162,792
General Supplies			3,518		3,518
Total Instruction	151,922	10,870	3,518		166,310
Support Services:					
Purchased Professional and Technical Services				180	180
Total Support Services				180	180
Total Expenditures	\$ 151,922	\$ 10,870	\$ 3,518	\$ 180	\$ 166,490

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, 2016

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 7,946	
Inventory	761	

Total Current Assets		8,707
----------------------	--	-------

## Non-Current Assets:

Capital Assets	66,655	
Less: Accumulated Depreciation	(63,270)	

Total Non-Current Assets		3,385
--------------------------	--	-------

Total Assets		12,092
--------------	--	--------

## NET POSITION:

Net Investment in Capital Assets	3,385	
Unrestricted	8,707	

Total Net Position		\$ 12,092
--------------------	--	-----------

Exhibit G-2

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, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 204,993
Total Operating Revenue	<u>204,993</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	99,773
Salaries, Payroll Taxes & Benefits	96,952
Supplies and Materials	744
Depreciation Expense	654
Miscellaneous Expenditures	200
Total Operating Expenses	<u>198,323</u>
Operating Income	<u>6,670</u>
Net Position- Beginning of Year	<u>5,422</u>
Net Position- End of Year	<u><u>\$ 12,092</u></u>

Exhibit G-3

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 204,993
Payments to Employees	(96,952)
Payments to Vendors	(99,372)
Payments to Suppliers	(944)
	<hr/>
Net Increase in Cash and Cash Equivalents	7,725
Cash and Cash Equivalents, July 1	221
	<hr/>
Cash and Cash Equivalents, June 30	<u>\$ 7,946</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 6,670
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
Increase in Inventory	401
	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 7,725</u>



FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	Agency		Flexible Spending Trust	
	Student Activity	Payroll		Total
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 44,623	\$ 57,753	\$ 102,376	\$ 1,319
Total Assets	44,623	57,753	102,376	1,319
<b>LIABILITIES:</b>				
Interfund Payable - General Fund		41	41	
Payroll Deductions and Withholdings Due to Student Groups	44,623	57,712	57,712	44,623
Total Liabilities	44,623	57,753	102,376	
<b>NET POSITION:</b>				
Held in Trust for: Flex Spending Claims				1,319
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 1,319

Exhibit H-2

BOROUGH OF DEMAREST SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Flexible Spending Trust</u>
<b>ADDITIONS:</b>	
Contributions - Employee	<u>\$ 10,004</u>
Total Contributions	<u>10,004</u>
Total Additions	<u>10,004</u>
 <b>DEDUCTIONS:</b>	
Flex Spending Claims	<u>11,990</u>
Total Deductions	<u>11,990</u>
Change in Net Position	(1,986)
Net Position - Beginning of the Year	<u>3,305</u>
Net Position - End of the Year	<u><u>\$ 1,319</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	<u>\$ 40,064</u>	<u>\$ 72,384</u>	<u>\$ 67,825</u>	<u>\$ 44,623</u>
Total Assets	<u><u>\$ 40,064</u></u>	<u><u>\$ 72,384</u></u>	<u><u>\$ 67,825</u></u>	<u><u>\$ 44,623</u></u>
 <b>LIABILITIES:</b>				
Due to Student Groups	<u>\$ 40,064</u>	<u>\$ 72,384</u>	<u>\$ 67,825</u>	<u>\$ 44,623</u>
Total Liabilities	<u><u>\$ 40,064</u></u>	<u><u>\$ 72,384</u></u>	<u><u>\$ 67,825</u></u>	<u><u>\$ 44,623</u></u>

Exhibit H-4

BOROUGH OF DEMAREST SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Student Activities	\$ 40,064	\$ 72,384	\$ 67,825	\$ 44,623
Total All Schools	<u>\$ 40,064</u>	<u>\$ 72,384</u>	<u>\$ 67,825</u>	<u>\$ 44,623</u>

Exhibit H-5

BOROUGH OF DEMAREST SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 55,186	\$ 8,210,249	\$ 8,207,682	\$ 57,753
Total Assets	<u>\$ 55,186</u>	<u>\$ 8,210,249</u>	<u>\$ 8,207,682</u>	<u>\$ 57,753</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund	\$ 41			\$ 41
Payroll Deductions and Withholdings	<u>55,145</u>	<u>\$ 8,210,249</u>	<u>\$ 8,207,682</u>	<u>57,712</u>
Total Liabilities	<u>\$ 55,186</u>	<u>\$ 8,210,249</u>	<u>\$ 8,207,682</u>	<u>\$ 57,753</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, 2015	Matured	Balance June 30, 2016
			Date	Amount				
Refunding School Bonds	2/21/2007	\$ 7,135,000	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%			
						\$ 5,635,000	\$ 415,000	\$ 5,220,000
						<u>\$ 5,635,000</u>	<u>\$ 415,000</u>	<u>\$ 5,220,000</u>



BOROUGH OF DEMAREST SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Purpose	Original Issue	Maturities of Capital Lease Obligations June 30, 2016		Interest Rate	Balance July 1, 2015	Issued	Matured	Balance June 30, 2016
		Date	Amount					
Computer Technology	\$ 404,644	8/15/16	\$ 103,604	1.37%	\$ 205,812		\$ 102,208	\$ 103,604
School Bus	44,701			2.75%	9,432		9,432	
Copiers - 2011	80,780	6/20/17	4,571	2.75%	22,255		17,684	4,571
Copiers - 2016	77,484	11/20/16	14,571	4.23%		\$ 77,484	8,220	
		11/20/17	15,199	4.23%				
		11/20/18	15,855	4.23%				
		11/20/19	16,538	4.23%				
		11/20/20	7,101	4.23%				
					\$ 237,499	\$ 77,484	\$ 137,544	\$ 177,439

Exhibit I-3

BOROUGH OF DEMAREST SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 653,475		\$ 653,475	\$ 653,475	
Total Revenues	<u>653,475</u>		<u>653,475</u>	<u>653,475</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest and Other Charges	238,475		238,475	238,475	
Redemption of Principal	415,000		415,000	415,000	
Total Regular Debt Service	<u>653,475</u>		<u>653,475</u>	<u>653,475</u>	
Total Expenditures	<u>653,475</u>		<u>653,475</u>	<u>653,475</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1	<u>1</u>	\$ -0-	<u>1</u>	<u>1</u>	\$ -0-
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</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**

**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.

**Exhibit**

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 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	\$ 5,695,664
Restricted	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	3,693,356
Unrestricted	350,116	257,378	164,461	302,132	545,997	187,221	290,160	(3,350,705)	(3,558,053)	(3,728,851)
Total governmental activities net position	<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>4,932,370</u>	<u>5,660,169</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	3,385
Unrestricted / (Deficit)	17,441	3,331	1,480	1,192	(8,781)	(7,561)	4,943	9,032	1,383	8,707
Total business-type activities net position/(deficit)	<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>	<u>12,092</u>
<b>District-wide</b>										
Net Investment in Capital Assets	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	5,699,049
Restricted	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	3,693,356
Unrestricted	367,557	260,709	165,941	303,324	537,216	179,660	295,103	(3,341,673)	(3,556,670)	(3,720,144)
Total district net position	<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>\$ 4,937,792</u>	<u>\$ 5,672,261</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction:										
Regular Instruction	\$ 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	\$ 6,711,586
Special Education Instruction	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	1,776,739
Other Special Instruction				308,093	243,156	262,136	316,271	435,886	525,674	662,008
School Sponsored Instruction	498,163	346,763	389,934	183,446	95,504	100,441	96,527	102,139	98,666	89,975
Support Services:										
Tuition	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	919,560
Student and Instruction Related Services	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	2,807,213
General and Business Administrative Services	729,776	428,158	318,309	420,369	367,817	367,086	316,846	676,612	400,331	452,223
School Administrative Services	531,396	572,760	449,951	485,698	486,133	547,773	589,898	555,609	626,806	614,822
Central Services		370,924	434,562	336,961	389,248	390,537	380,309	362,321	395,826	383,154
Plant Operations and Maintenance	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	1,270,339
Pupil Transportation	327,225	253,100	269,183	264,350	170,611	126,037	140,527	194,548	161,220	161,759
Capital Outlay			(210,764)	5,975	234,352	483,421	413,629			36,233
Interest on Long-term Debt	396,228	327,724	334,464	321,492	307,244	287,000	287,850	263,700	242,675	231,083
Unallocated Depreciation			2,720	2,720						
<b>Total Governmental Activities Expenses</b>	<b>11,916,422</b>	<b>12,461,276</b>	<b>12,254,635</b>	<b>13,024,981</b>	<b>13,002,900</b>	<b>13,135,527</b>	<b>13,716,177</b>	<b>14,101,600</b>	<b>14,882,781</b>	<b>16,116,694</b>
Business-type Activities:										
Food Service	177,855	188,296	203,998	194,622	205,651	209,849	205,042	217,783	205,140	198,323
<b>Total Business-type Activities Expense</b>	<b>177,855</b>	<b>188,296</b>	<b>203,998</b>	<b>194,622</b>	<b>205,651</b>	<b>209,849</b>	<b>205,042</b>	<b>217,783</b>	<b>205,140</b>	<b>198,323</b>
<b>Total District-wide Expenses</b>	<b>12,094,277</b>	<b>12,649,573</b>	<b>12,458,633</b>	<b>13,219,603</b>	<b>13,208,551</b>	<b>13,345,376</b>	<b>13,921,219</b>	<b>14,319,383</b>	<b>15,087,921</b>	<b>16,315,017</b>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)		\$ 63,679			\$ 53,239	\$ 56,380	\$ 43,852	\$ 37,976	\$ 34,468	\$ 37,587
Operating Grants and Contributions	\$ 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	3,704,309
Total Governmental Activities Program Revenues	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	3,741,896
Business-type Activities:										
Charges for Services										
Food Service	183,799	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955	202,795
Total Business-type Activities Program Revenues	183,799	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955	202,795
Total District-wide Program Revenues	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	3,944,691
Net (Expense)/Revenue										
Governmental Activities	(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)	(12,374,798)
Business-type Activities	5,944	(1,514)	(19,922)	(5,068)	(21,298)	(8,732)	11,121	1,153	(13,185)	4,472
Total District-wide Net Expense	(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)	(12,370,326)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	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	12,240,818
Property taxes, Levied for Debt Service	649,950	638,388	604,143	600,085	632,865	617,874	627,675	638,875	644,076	653,475
Federal and State Aid Not Restricted	1,317,978	382,913	254,710	49,243	80,653					
Tuition (Other Than Special Schools)	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,									
	2007	2008	2009	2010	2011	2011	2013	2014	2015	2016
Governmental Activities (Cont'd):										
Investment Earnings	\$ 80,319	\$ 500	\$ 300	\$ 26,343	\$ 530	\$ 21	\$ 21	\$ 549	\$ 12,949	
Miscellaneous Income	95,582	208,829	114,412	185,325	194,058	152,219	336,796	257,971	177,902	210,502
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)	(2,198)
<b>Total Governmental Activities</b>	<u>11,863,345</u>	<u>11,448,517</u>	<u>11,585,042</u>	<u>11,769,757</u>	<u>12,251,689</u>	<u>12,301,661</u>	<u>12,729,526</u>	<u>12,896,270</u>	<u>12,830,881</u>	<u>13,102,597</u>
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	2,198
<b>Total Business-type Activities</b>		<u>2,108</u>	<u>14,845</u>	<u>1,432</u>	<u>1,402</u>	<u>114</u>	<u>545</u>	<u>2,098</u>	<u>4,881</u>	<u>2,198</u>
<b>Total District-wide General Revenues</b>	<u>11,863,345</u>	<u>11,450,625</u>	<u>11,599,887</u>	<u>11,771,189</u>	<u>12,253,091</u>	<u>12,301,775</u>	<u>12,730,071</u>	<u>12,898,368</u>	<u>12,835,762</u>	<u>13,104,795</u>
Change in Net Position										
Governmental Activities	460,666	470,382	597,610	70,992	422,451	681,206	955,442	450,157	825,202	727,799
Business-type Activities	5,944	595	(5,077)	(3,636)	(19,896)	(8,618)	11,666	3,251	(8,304)	6,670
<b>Total District-wide Change in Net Position</b>	<u>\$ 466,610</u>	<u>\$ 470,977</u>	<u>\$ 592,533</u>	<u>\$ 67,356</u>	<u>\$ 402,555</u>	<u>\$ 672,588</u>	<u>\$ 967,108</u>	<u>\$ 453,408</u>	<u>\$ 816,898</u>	<u>\$ 734,469</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund :										
Reserved	\$ 1,005,358	\$ 1,378,203	\$ 1,792,178	\$ 1,776,645						
Unreserved	487,196	516,344	537,377	525,141						
Restricted					\$ 1,754,379	\$ 2,791,822	\$ 3,578,742	\$ 3,249,765	\$ 3,600,910	\$ 3,693,355
Assigned					341,243	28,323	20,580	302,943	503,767	297,151
Unassigned					435,315	422,311	526,070	439,081	229,383	247,294
<b>Total General Fund</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>	<b>\$ 4,237,800</b>
All Other Governmental Funds										
Reserved		5,000								
Unreserved, Reported in:										
Capital Projects Fund	113,938	89,373	1,547	1,547						
Debt Service Fund		21,583	21,584	1						
Restricted						1			1	1
Committed					2,341					
<b>Total All Other Governmental Funds</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>1</b>
<b>Total Fund Balances</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>	<b>\$ 4,237,801</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Tax Levy	\$ 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	\$ 12,894,293
Tuition Charges	56,662	63,679			53,239	56,380	43,852	37,976	34,468	37,587
Interest Earnings	80,319	500	300	26,343	530	21	21	549	12,949	
Miscellaneous	95,582	208,829	114,411	185,325	194,058	152,219	336,796	257,971	177,902	210,502
State Sources	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	1,880,013
Federal Sources	233,493	175,592	150,934	151,693	282,496	211,746	179,384	153,007	164,133	166,310
<b>Total Revenues</b>	<u>12,608,088</u>	<u>12,932,711</u>	<u>12,868,465</u>	<u>13,095,661</u>	<u>13,426,554</u>	<u>13,819,982</u>	<u>14,672,077</u>	<u>14,553,686</u>	<u>14,582,840</u>	<u>15,188,705</u>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	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	3,949,793
Special Education Instruction	646,925	634,634	756,074	776,460	1,025,240	926,891	897,820	996,396	964,764	1,168,255
Other Special Instruction			190,056	214,638	146,974	168,498	210,726	277,735	292,671	347,098
School Sponsored Instruction	400,698	254,628	144,464	146,595	95,504	100,441	96,527	102,139	98,666	89,975
<b>Support Services:</b>										
Tuition	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	919,560
Student and Instruction Related Services	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	1,831,626
General and Business Administrative Services	556,746	349,505	324,758	331,976	342,840	302,920	319,861	299,864	355,131	342,431
School Administrative Services	390,236	412,374	371,971	369,820	351,578	387,423	402,478	394,911	360,164	381,591
Central Services		293,447	309,878	285,882	279,239	290,435	266,467	261,962	276,171	270,676
Plant Operations and Maintenance	1,047,209	1,072,485	1,055,670	1,055,513	968,713	1,042,887	989,126	1,098,574	995,433	1,040,890
Pupil Transportation	320,711	247,952	264,035	260,824	164,007	114,637	128,646	183,221	147,932	153,450
Allocated and Unallocated Benefits	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	3,435,329
<b>Capital Outlay</b>	247,697	172,165	181,969	372,746	358,333	483,421	413,629	1,204,062	509,585	776,102
<b>Debt Service:</b>										
Principal	250,000	270,000	265,000	295,000	320,000	320,000	345,000	370,000	390,000	415,000
Interest and Other Charges	399,950	346,805	339,142	326,668	312,865	297,875	282,675	268,875	254,075	238,475
<b>Total Expenditures</b>	<u>12,075,481</u>	<u>12,527,647</u>	<u>12,510,061</u>	<u>13,393,896</u>	<u>13,240,107</u>	<u>13,107,556</u>	<u>13,788,683</u>	<u>15,090,004</u>	<u>14,235,720</u>	<u>15,360,251</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess/(Deficit) of Revenues										
Over Expenditures	\$ 532,608	\$ 405,064	\$ 358,404	\$ (298,235)	\$ 186,447	\$ 712,426	\$ 883,394	\$ (536,318)	\$ 347,120	\$ (171,546)
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)				248,571	44,701			404,644		77,484
Accounts Payable Cancelled				1,541						
Transfers In	144,809		773							
Transfers Out	(144,809)	(1,052)	(16,994)	(1,229)	(1,203)	(3,249)	(458)	(1,929)	(4,848)	(2,198)
Total Other Financing Sources (Uses)		(1,052)	(16,221)	248,883	43,498	(3,249)	(458)	402,715	(4,848)	75,286
Net Change in Fund Balances	<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>	<u>\$ (96,260)</u>
Debt Service as a Percentage of										
Noncapital Expenditures	5.50%	4.99%	4.90%	4.77%	4.91%	4.89%	4.69%	4.60%	4.69%	4.48%

Source: Borough of Demarest School District Financial Reports.

## Exhibit J-5

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>
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
2016	248,089	37,587	11,828	126,575	72,099

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
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
2015	12,778,100	1,225,059,400	36,920,200	1,350,000	1,276,107,700	85,020	1,276,192,720	1,501,723,835	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

Exhibit J-7

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	
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
2015	0.949	0.051	1.000	0.563	0.567	0.282	2.412

**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

Exhibit J-8

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

	<u>2016</u>		<u>2007</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

Exhibit J-9

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	
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 -
2016	12,894,293	12,894,293	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)			
2007	\$ 8,229,000		\$ 2,025,000	\$ 10,254,000	3.00%	\$ 2,024
2008	7,940,000	\$ 108,638	2,025,000	10,073,638	2.89%	1,974
2009	7,675,000	55,879	2,025,000	9,755,879	3.00%	1,894
2010	7,380,000	248,571	2,025,000	9,653,571	3.02%	1,975
2011	7,060,000	212,958	2,025,000	9,297,958	2.82%	1,893
2012	6,740,000	191,514	1,262,583	8,194,097	2.36%	1,650
2013	6,395,000	82,464		6,477,464	1.88%	1,309
2014	6,025,000	364,277		6,389,277	1.75%	1,285
2015	5,635,000	237,499		5,872,499	1.58%	1,163
2016	5,220,000	177,439		5,397,439	1.45%	1,069

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		
2007	\$ 8,229,000	\$ 8,229,000	0.73%	\$ 1,625
2008	7,940,000	7,940,000	0.69%	1,556
2009	7,675,000	7,675,000	0.65%	1,490
2010	7,380,000	7,380,000	0.62%	1,510
2011	7,060,000	7,060,000	0.58%	1,437
2012	6,740,000	6,740,000	0.55%	1,357
2013	6,395,000	6,395,000	0.52%	1,293
2014	6,025,000	6,025,000	0.48%	1,212
2015	5,635,000	5,635,000	0.44%	1,116
2016	5,220,000	5,220,000	0.41%	1,034

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

Exhibit J-12

BOROUGH OF DEMAREST SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2015  
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	\$ 7,231,242	100.00%	\$ 7,231,242
Northern Valley Regional High School	12,755,000	15.00%	1,913,250
Bergen County General Obligation Debt	963,604,537	0.88%	<u>8,463,609</u>
Subtotal, Overlapping Debt			17,608,101
Demarest Borough School District Direct Debt			<u>5,397,439</u>
Total Direct and Overlapping Debt			<u>\$ 23,005,540</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 2016

Equalized valuation basis	
2013	\$ 1,408,884,265
2014	1,489,954,364
2015	1,497,603,216
	<u>\$ 4,396,441,845</u>
Average equalized valuation of taxable property	<u>\$ 1,465,480,615</u>
Debt limit @ (3 % of average equalization value) <sup>a</sup>	\$ 43,964,418
Total Net Debt Applicable to Limit	<u>5,397,439</u>
Legal debt margin	<u>\$ 38,566,979</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 36,185,544	\$ 39,243,153	\$ 41,679,182	\$ 42,585,059	\$ 42,710,003
Total net debt applicable to limit	<u>8,210,000</u>	<u>7,940,000</u>	<u>7,675,000</u>	<u>7,380,000</u>	<u>7,060,000</u>
Legal debt margin	<u>\$ 27,975,544</u>	<u>\$ 31,303,153</u>	<u>\$ 34,004,182</u>	<u>\$ 35,205,059</u>	<u>\$ 35,650,003</u>
Total net debt applicable to the limit as a percentage of debt limit	22.69%	37.42%	18.41%	17.33%	16.53%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 41,880,743	\$ 41,145,890	\$ 41,290,521	\$ 42,719,096	\$ 43,964,418
Total net debt applicable to limit	<u>6,740,000</u>	<u>6,395,000</u>	<u>6,025,000</u>	<u>5,635,000</u>	<u>5,397,439</u>
Legal debt margin	<u>\$ 35,140,743</u>	<u>\$ 34,750,890</u>	<u>\$ 35,265,521</u>	<u>\$ 37,084,096</u>	<u>\$ 38,566,979</u>
Total net debt applicable to the limit as a percentage of debt limit	16.09%	15.54%	14.59%	13.19%	12.28%

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

a Limit set by NJSA 18A:24-19 for a K through 8 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

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
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	365,694,528	73,536	4.00%
2015	5,050	371,356,800	73,536 *	3.40%
2016	5,050 **	371,356,800 **	73,536 *	N/A

\* - Latest Bergen County per capita personal income available (2014) was used for calculation purposes.

\*\* - Latest Demarest Borough population available (2015) 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>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>2016</u>
Instruction:										
Regular	48	49	51	51	57	57	59	60	50	50
Special education	21	21	21	21	13	13	13	14	17	25
Support Services:										
Student and instruction related services	14	15	16	16	24	24	24	25	30	31
School administrative services	2	2	2	2	2	2	2	2	6	6
General and business administrative services	11	11	11	11	12	12	12	12	6	6
Plant operations and maintenance	14	14	14	13	11	11	11	11	11	11
Food Service	1	1	1	1	1	1	1	1	6	4
Total	<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>	<u>133</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				
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	13,247,067	19,684	3.63%	74	1:9.8	1:9.3	681.9	656.6	1.6%	96.29%
2015	681.0	13,082,060	19,210	1.13%	67	1:11.3	1:8.6	676.9	652.4	0.9%	96.38%
2016	665.0	13,930,674	20,948	6.43%	75	1:10.0	1:14	674.4	651.2	-1.1%	96.56%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	132	136	127	127	120	125	148	141	138	118
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	230	216	200	202	225	225	231	232	227	229
<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	345	313	329	329	325	305	292	309	316	318

Number of Schools at June 30, 2016

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 #)	Gross Building Area (SF)	Fiscal Year				
			2007	2008	2009	2010	2011
County Road School	N/A	22,645	\$ 72,478	\$ 68,673	\$ 36,361	\$ 46,158	\$ 33,390
Luther Lee Emerson	SP#201893	44,381	130,434	68,666	67,066	76,179	49,880
Demarest Middle	SP#201892	71,919	89,233	63,127	52,480	45,098	68,399
District Total		138,945	\$ 292,145	\$ 200,466	\$ 155,907	\$ 167,435	\$ 151,669

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	Gross Building Area (SF)	Fiscal Year				
			2012	2013	2014	2015	2016
County Road School	N/A	22,645	\$ 38,244	\$ 27,796	\$ 31,570	\$ 38,782	\$ 29,091
Luther Lee Emerson	SP#201893	44,381	65,380	54,476	61,872	51,079	57,014
Demarest Middle	SP#201892	71,919	131,610	88,278	100,263	67,578	92,391
District Total		138,945	\$ 235,234	\$ 170,550	\$ 193,705	\$ 157,439	\$ 178,496

\*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, 2016  
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	
Cameras & Other Equip/ Athletic Equipment (Under Misc Property)		250,000	
Musical Instruments		250,000	5,000
But no more than \$25,000 for band uniforms			
Valuable Papers		5,000,000	
Electronic Data Process Equip		5,000,000	
Accounts Receivable		100,000	
Boiler & Machinery	Great American		
Property Damage (Blanket)	Insurance Co.	Property Limit	5,000
General Liability	Great American		
General Aggregate	Insurance Co.	2,000,000	1,000
Each Occurrence		1,000,000	1,000
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, 2016  
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		4,000,000	\$ 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	1,000,000	
Educators Legal Deductible			15,000
Employment Practices Deductible			20,000
Individual Bonds	Selective Insurance Co.		
Business Administrator/ Bd Secy		300,000	
Treasurer of School Monies		300,000	
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	15,000
Group Aggregate		6,000,000	

Source: District records

SINGLE AUDIT SECTION



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 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
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 Lawrence Business Park  
 11 Lawrence Road  
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Report on Internal Control over Financial Reporting and on Compliance  
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
 Government Auditing Standards

Independent 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2016.

**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

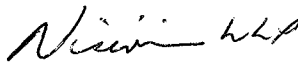
### Compliance and Other Matters


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.

September 26, 2016  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP

  
\_\_\_\_\_  
Francis L. Jones, Jr.  
Certified Public Accountant  
Licensed Public School Accountant #1154



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance

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 *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, 2016. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 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, 2016.



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 the Uniform Guidance and NJOMB 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.

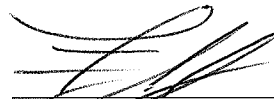
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

September 26, 2016  
Mount Arlington, New Jersey

  
NISIVOC CIA LLP



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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, 2016

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, 2015		Cash Received	Budgetary Expenditures	Balance at June 30, 2016		Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Budgetary Unearned Revenue			Budgetary Accounts Receivable	Budgetary Unearned Revenue	
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-3090-16	7/1/15-6/30/16	\$ 3,518			\$ 3,518	\$ (3,518)			
IDEA Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-3090-16	7/1/15-6/30/16	151,922			151,922	(151,922)			
I.D.E.A. Part B, Basic	84.027	IDEA-3090-15	7/1/14-6/30/15	148,793	\$ (50,336)		50,336				
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-16	7/1/15-6/30/16	10,870			10,870	(10,870)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-15	7/1/14-6/30/15	10,438							
Total IDEA Special Education Cluster					(50,336)		216,646	(166,310)			
Total Special Revenue Fund					(50,336)		216,646	(166,310)			
Total Federal Awards					\$ (50,336)	\$ -0-	\$ 216,646	\$ (166,310)	\$ -0-	\$ -0-	\$ -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, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Balance at June 30, 2016		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	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 291,599			\$ 277,503	\$ (291,599)			\$ (14,096)	\$ 291,599	
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	10,062			9,576	(10,062)			(486)	10,062	
Categorical Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	8,454			8,045	(8,454)			(409)	8,454	
PARCC Readiness Aid	16-495-034-5120-089	7/1/15 - 6/30/16	6,960			6,624	(6,960)			(336)	6,960	
Per Pupil Growth Aid	16-495-034-5120-089	7/1/15 - 6/30/16	6,960			6,624	(6,960)			(336)	6,960	
Extraordinary Special Education Costs	16-495-034-5120-044	7/1/15 - 6/30/16	227,883				(227,883)	\$ (227,883)		(227,883)	227,883	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	2,703				(2,703)	(2,703)		(2,703)	2,703	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	393,021			373,944	(393,021)	(19,077)		(19,077)	393,021	
Categorical Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	291,599	\$ (21,372)		21,372					291,599	
Categorical Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	10,062	(737)		737					10,062	
Categorical Transportation Aid	15-495-035-5120-014	7/1/14 - 6/30/15	8,454	(620)		620					8,454	
PARCC Readiness Aid	15-495-034-5120-089	7/1/14 - 6/30/15	6,960	(510)		510					6,960	
Per Pupil Growth Aid	15-495-034-5120-089	7/1/14 - 6/30/15	6,960	(510)		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	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	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	(19,506)		19,506					389,945	
Total General Fund				(118,882)		801,198	(947,642)	(249,663)		(265,326)	1,737,249	
Total New Jersey Department of Education				(118,882)		801,198	(947,642)	(249,663)		(265,326)	1,741,249	
Total State Awards				\$ (118,882)	\$ -0-	\$ 801,198	\$ (947,642)	\$ (249,663)	\$ -0-	\$ (265,326)	\$ 1,741,249	

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, 2016

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, 2016. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 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 District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 these 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 \$8,086 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 \$421,909 and \$502,376, 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		\$ 1,880,013	\$ 1,880,013
Special Revenue Fund	\$ 166,310		166,310
Total Awards	<u>\$ 166,310</u>	<u>\$ 1,880,013</u>	<u>\$ 2,046,323</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 5. 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 6. 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, 2016.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	\$ 393,021	\$ 393,021

- The threshold used for distinguishing between Type A and Type B for state programs was \$750,000.
- The District was determined to be a "low-risk auditee" for state programs.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 15-08.

BOROUGH OF DEMAREST SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year findings.