

**BOROUGH OF DEMAREST
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF DEMAREST SCHOOL DISTRICT

Demarest, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2017

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

Independent Auditors' Report	8
Required Supplementary Information	11
Management's Discussion and Analysis (Unaudited)	12

Basic Financial Statements (Sections A. and B.)

A. District-Wide Financial Statements	21
A-1 Statement of Net Position.....	22
A-2 Statement of Activities	23
B. Fund Financial Statements	25
B-1 Balance Sheet – Governmental Funds	26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	27
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
B-4 Statement of Net Position– Proprietary Funds	30
B-5 Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds.....	31
B-6 Statement of Cash Flows – Proprietary Funds	32
B-7 Statement of Fiduciary Net Position– Fiduciary Fund	33
B-8 Statement of Changes in Fiduciary Net Position– Fiduciary Fund	34

Notes to the Basic Financial Statements

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited).....	66
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	66
L-2 Schedule of District Contributions – Public Employees Retirement System.....	67
L-3 Schedule of the State's Proportionate Share of the Net Pension Liability Associated with The District – Teachers' Pension and Annuity Fund	68
L-4 Schedule of District Contributions – Teachers' Pension and Annuity Fund.....	69
Notes to Required Supplementary Information.....	70

C. Budgetary Comparison Schedules

C-1 Budgetary Comparison Schedule – General Fund (Unaudited).....	73
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Unaudited).....	83
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information (Unaudited)	84

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable).....	85
E. Special Revenue Fund.....	86
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	87
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable).....	
F. Capital Projects Fund (Not Applicable).....	88
G. Proprietary Funds.....	89
Enterprise Fund:	
G-1 Statement of Net Position.....	90
G-2 Statement of Revenue, Expenses and Changes in Net Position.....	91
G-3 Statement of Cash Flows.....	92
H. Fiduciary Funds.....	93
H-1 Combining Statement of Net Position.....	94
H-2 Statement of Changes in Net Position.....	95
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	96
H-4 Student Activity Agency Fund Statement of Activity.....	97
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	98
I. Long-Term Debt.....	99
I-1 Schedule of Serial Bonds.....	100
I-2 Schedule of Obligations Under Capital Leases.....	101
I-3 Budgetary Comparison Schedule - Debt Service Fund.....	102

STATISTICAL SECTION (Unaudited)

J. Statistical Schedules.....	103
J-1 Net Position by Component.....	104
J-2 Changes in Net Position.....	105
J-3 Fund Balances - Governmental Funds.....	108
J-4 Changes in Fund Balance – Governmental Funds.....	109
J-5 General Fund Other Local Revenue by Source.....	111
J-6 Assessed Value and Actual Value of Taxable Property.....	112
J-7 Direct and Overlapping Property Tax Rates.....	113
J-8 Principal Property Tax Payers.....	114

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

STATISTICAL SECTION (UNAUDITED) (Cont'd)

J-9	Property Tax Levies and Collections	115
J-10	Ratios of Outstanding Debt by Type	116
J-11	Ratios of Net General Bonded Debt Outstanding	117
J-12	Ratios of Overlapping Governmental Activities Debt	118
J-13	Legal Debt Margin Information	119
J-14	Demographic and Economic Statistics.....	120
J-15	Principal Employers (not available).....	121
J-16	Full-Time Equivalent District Employees by Function/Program.....	122
J-17	Operating Statistics	123
J-18	School Building Information.....	124
J-19	Schedule of Required Maintenance for School Facilities	125
J-20	Insurance Schedule.....	126

SINGLE AUDIT SECTION..... 128

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	129
K-2	Report on Compliance for Each Major State Program: Report on Internal Control Over Compliance	131
K-3	Schedule of Expenditures of Federal Awards	133
K-4	Schedule of Expenditures of State Awards	134
K-5	Notes to the Schedules of Expenditures of Federal and State Awards.....	135
K-6	Schedule of Findings and Questioned Costs	137
K-7	Summary Schedule of Prior Audit Findings	139

INTRODUCTORY SECTION

DEMAREST BOARD OF EDUCATION

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

October 4, 2017

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, 2017 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 New Jersey's OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws 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 2016/2017 fiscal year with an enrollment of 671 students, which is 6 students more than 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
October 4, 2017

3) **MAJOR INITIATIVES:** A Pre-K program was started at County Road School and a Pre-K playground was installed. It is planned to expand this program in the 2017/2018 school year. A STEM program was initiated at Luther Lee Emerson School. 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. A new driveway was installed at Luther Lee Emerson School. During drop off and pick up times vehicles now enter on Columbus Road and exit via this new driveway on to Belmar Road. Luther Lee Emerson School had a section of its roof replaced. A new playground was installed at County Road School through the efforts and generosity of the PTO. New windows were installed in County Road School.

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, 2017.

Honorable President and Board Members
of the Board of Education
Demarest Board of Education
Page 3
October 4, 2017

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.

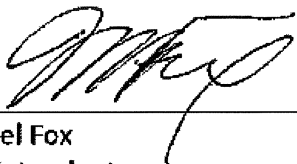
8) RISK MANAGEMENT: The District carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due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

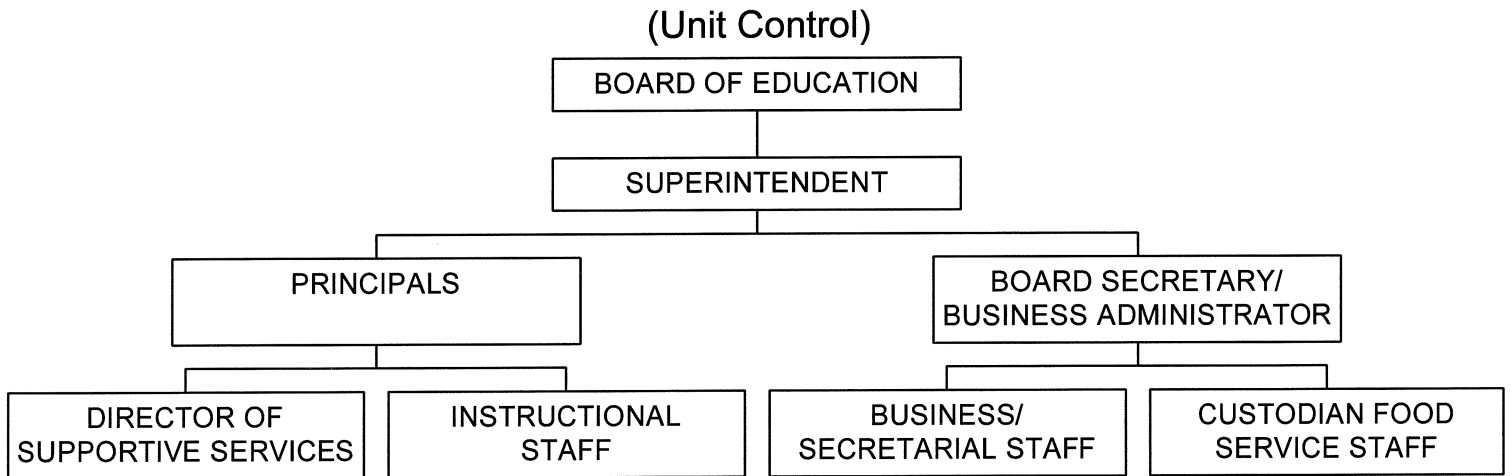


Thomas J. Perez
Business Administrator/Board Secretary

DEMAREST PUBLIC SCHOOL DISTRICT

ORGANIZATIONAL CHART

2016/2017



Administrative Offices

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

DEMAREST BOARD OF EDUCATION

ROSTER OF OFFICIALS

2016/2017

MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2017
Kristie Woods	Vice President	2018
Theodore Alevrontas	Member	2018
Erica Cantatore	Member	2017
Christen Governale	Member	2019
Ammu Kirtane	Member	2019
Sheila Verna	Member	2019

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

2016/2017

ARCHITECT

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

ATTORNEYS

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

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

AUDIT FIRM

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

BOND COUNCIL

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

And

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

OFFICIAL DEPOSITORY

Capital One Bank
33 Nathaniel Place
Englewood, NJ 07631
T 201.750.2639

FINANCIAL SECTION

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, 2017, 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.

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 District as of June 30, 2017, 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-4 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
Page 3


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 October 4, 2017 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.

October 4, 2017
Mount Arlington, New Jersey


NISIVOCCIA LLP


Francis Jones
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, 2017. 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 \$662,863 or 11.69%.
- Overall revenue was \$18,620,982.
- Overall expenses were \$17,958,119.

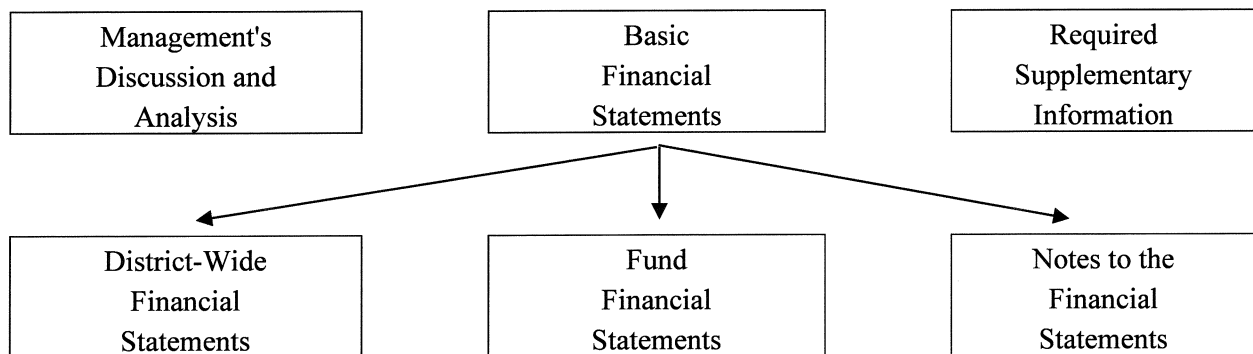
Overview of the Financial Statements

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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 \$6,335,124 on June 30, 2017, which is \$662,863, or 11.69%, 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
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Current and Other Assets	\$ 4,127,596	\$ 4,314,049	\$ 9,938	\$ 8,707	\$ 4,137,534	\$ 4,322,756	-4.28%
Capital Assets, Net	11,716,439	11,093,103	2,731	3,385	11,719,170	11,096,488	5.61%
Total Assets	15,844,035	15,407,152	12,669	12,092	15,856,704	15,419,244	2.84%
Deferred Outflows of Resources	1,568,338	770,234			1,568,338	770,234	103.62%
Long-Term Liabilities	9,767,648	9,472,041			9,767,648	9,472,041	3.12%
Other Liabilities	341,366	158,284			341,366	158,284	115.67%
Total Liabilities	10,109,014	9,630,325			10,109,014	9,630,325	4.97%
Deferred Inflows of Resources	980,904	886,892			980,904	886,892	10.60%
Net Position:							
Net Investment in Capital Assets	6,689,955	5,695,664	2,731	3,385	6,692,686	5,699,049	17.44%
Restricted	3,741,727	3,693,356			3,741,727	3,693,356	1.31%
Unrestricted/(Deficit)	(4,109,227)	(3,728,851)	9,938	8,707	(4,099,289)	(3,720,144)	-10.19%
Total Net Position	\$ 6,322,455	\$ 5,660,169	\$ 12,669	\$ 12,092	\$ 6,335,124	\$ 5,672,261	11.69%

Changes in Net Position. The District's combined net position increased \$662,863. Net position from governmental activities increased \$662,286 while net position from business-type activities increased \$577. Net investment in capital assets increased \$993,637 due to reductions in long-term debt related to capital assets of \$761,022, defeasance of long-term debt related to capital assets of \$4,780,000, and \$954,629 of capital asset additions, offset by current year depreciation of \$331,947, and new long-term debt issued related to capital assets of \$4,945,200. Restricted net position increased \$48,371 due to an increase of \$200,000 in capital reserve, and an increase in Debt Service Reserve of \$34,479, offset by a decrease of \$186,108. Unrestricted net position decreased by \$379,145 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
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Revenue:							
Program Revenue:							
Charges for Services	\$ 135,051	\$ 37,587	\$ 201,958	\$ 202,795	\$ 337,009	\$ 240,382	40.20%
Operating Grants/Contributions	4,823,201	3,704,309			4,823,201	3,704,309	30.21%
General Revenue:							
Property Taxes	13,370,145	12,894,293			13,370,145	12,894,293	3.69%
Other	90,627	210,502			90,627	210,502	-56.95%
Total Revenue	<u>18,419,024</u>	<u>16,846,691</u>	<u>201,958</u>	<u>202,795</u>	<u>18,620,982</u>	<u>17,049,486</u>	9.22%
Expenses:							
Instruction	10,728,019	9,240,308			10,728,019	9,240,308	16.10%
Pupil and Instruction Services	3,650,802	3,726,773			3,650,802	3,726,773	-2.04%
Administrative and Business	1,715,209	1,450,199			1,715,209	1,450,199	18.27%
Maintenance and Operations	1,451,098	1,270,339			1,451,098	1,270,339	14.23%
Transportation	150,580	161,759			150,580	161,759	-6.91%
Other	61,030	267,316	201,381	198,323	262,411	465,639	-43.64%
Total Expenses	<u>17,756,738</u>	<u>16,116,694</u>	<u>201,381</u>	<u>198,323</u>	<u>17,958,119</u>	<u>16,315,017</u>	10.07%
Transfers		(2,198)		2,198			
Increase/Decrease in Net Position	<u>\$ 662,286</u>	<u>\$ 727,799</u>	<u>\$ 577</u>	<u>\$ 6,670</u>	<u>\$ 662,863</u>	<u>\$ 734,469</u>	-9.75%

Revenue Sources. The District's total revenue for the 2016/2017 school year was \$18,620,982. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$13,370,145 of the total, or 71.80 percent. (See Figure A-5). Another \$4,823,201 or 25.90 percent came from state and federal aid for specific programs, \$337,009 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 2017**

	Amount	Percentage
Sources of Income:		
Property Taxes	\$ 13,370,145	71.80%
Operating Grants/Contributions	4,823,201	25.90%
Charges for Services	337,009	1.81%
Other	90,627	0.49%
Total Revenue	<u>\$ 18,620,982</u>	<u>100.00%</u>

The total cost of all programs and services was \$17,958,696. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.91%). (See Figure A-6.) The District's administration and business activities accounted for 9.55% of total costs. Maintenance and operations costs constituted 8.08% 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 2017**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 10,728,019	59.74%
Pupil and Instruction Services	3,650,802	20.33%
Administrative and Business	1,715,209	9.55%
Maintenance and Operations	1,451,098	8.08%
Transportation	150,580	0.84%
Other	262,411	1.46%
	<u>\$ 17,958,119</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. 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.

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>2016/2017</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2015/2016</u>
Instruction	\$ 10,728,019	\$ 9,240,308	\$ 6,681,457	\$ 6,221,097
Pupil and Instruction Services	3,650,802	3,726,773	3,061,842	3,239,133
Administration and Business	1,715,209	1,450,199	1,395,611	1,217,857
Maintenance and Operations	1,451,098	1,270,339	1,451,098	1,270,339
Transportation	150,580	161,759	147,448	159,056
Other	61,030	267,316	61,030	267,316
	<u>\$ 17,756,738</u>	<u>\$ 16,116,694</u>	<u>\$ 12,798,486</u>	<u>\$ 12,374,798</u>

Governmental Activities

- The cost of all governmental activities this year was \$17,756,738.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$4,823,201.
- Most of the District's costs, however, were financed by District taxpayers (\$13,370,145).

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

Business-Type Activities

Net position from the District's business-type activity increased by \$577, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses and transfers by \$577, 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 decreased during the year. 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.

Capital Asset and Long Term Liabilities

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	0.00%
Buildings and Building Improvements	9,910,546	9,378,406			9,910,546	9,378,406	5.67%
Machinery & Equipment	502,323	411,127	\$ 2,731	\$ 3,385	505,054	414,512	21.84%
Total Capital Assets, (Net of Depreciation)	<u>\$ 11,716,439</u>	<u>\$ 11,093,103</u>	<u>\$ 2,731</u>	<u>\$ 3,385</u>	<u>\$ 11,719,170</u>	<u>\$ 11,096,488</u>	5.61%

The increase in capital assets is due to \$954,629 of capital asset additions, offset by current year depreciation of \$331,293 for governmental type activities and \$654 for business type activities.

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

Long-term Liabilities

At year-end, the District had \$4,590,000 in general obligation bonds outstanding. The decrease from the previous year represents bond principal payments of \$485,000, the defeasance of \$4,780,000 of serial bonds, and the reissuance of \$4,635,000 of refunding bonds. Capital leases payable increased due to lease payments of \$276,022, offset by \$310,200 of new capital leases. The District's compensated absences payable increased overall by \$36,400, and there was an increase of \$630,162 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
	2016/2017	2015/2016	
General Obligation Bonds	\$ 4,590,000	\$ 5,220,000	-12.07%
Obligations Under Capital Leases	211,617	177,439	19.26%
Compensated Absences Payable	255,583	219,183	16.61%
Unamortized Bond Premium	311,372		100.00%
Net Pension Liability - PERS	4,485,581	3,855,419	16.34%
	<u>\$ 9,854,153</u>	<u>\$ 9,472,041</u>	4.03%

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Thomas J. Perez, Board Secretary/Business Administrator at 568 Piermont Road, Demarest, NJ 07627.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,606,094	\$ 9,280	\$ 3,615,374
Interfund Receivables	1,647		1,647
Receivables from State Government	318,718		318,718
Inventory		658	658
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,137		1,137
Capital Assets:			
Sites (Land)	1,303,570		1,303,570
Depreciable Buildings and Building Improvements and Machinery and Equipment	10,412,869	2,731	10,415,600
Total Assets	<u>15,844,035</u>	<u>12,669</u>	<u>15,856,704</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	929,173		929,173
Changes in Proportion - Pensions	204,708		204,708
Investment Gains - Pensions	171,039		171,039
Difference between Expected and Actual Experience - Pensions	83,418		83,418
District Contribution Subsequent to Measurement Date	180,000		180,000
Total Deferred Outflows of Resources	<u>1,568,338</u>		<u>1,568,338</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	20,430		20,430
Accounts Payable - Vendors	265,126		265,126
Unearned Revenue	55,810		55,810
Noncurrent Liabilities:			
Due Within One Year	547,811		547,811
Due Beyond One Year	9,219,837		9,219,837
Total Liabilities	<u>10,109,014</u>		<u>10,109,014</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportion - Pensions	980,904		980,904
Total Deferred Inflows of Resources	<u>980,904</u>		<u>980,904</u>
NET POSITION			
Net Investment in Capital Assets	6,689,955	2,731	6,692,686
Restricted for:			
Capital Projects	201,137		201,137
Debt Service	34,480		34,480
Other Purposes	3,506,110		3,506,110
Unrestricted (Deficit)	(4,109,227)	9,938	(4,099,289)
Total Net Position	<u>\$ 6,322,455</u>	<u>\$ 12,669</u>	<u>\$ 6,335,124</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, 2017

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 7,808,370	\$ 2,318,295	\$ 2,318,295	\$ (5,490,075)	\$	\$ (5,490,075)
Special Education	1,972,054	135,051	1,290,570	(546,433)		(546,433)
Other Special Instruction	853,649		302,646	(551,003)		(551,003)
School Sponsored Instruction	93,946			(93,946)		(93,946)
Support Services:						
Tuition	902,318			(902,318)		(902,318)
Student & Instruction Related Services	2,748,484		588,960	(2,159,524)		(2,159,524)
General Administrative Services	583,391		145,696	(437,695)		(437,695)
School Administrative Services	694,230		173,902	(520,328)		(520,328)
Central Services	437,588			(437,588)		(437,588)
Plant Operations and Maintenance	1,451,098			(1,451,098)		(1,451,098)
Pupil Transportation	150,580		3,132	(147,448)		(147,448)
Interest on Long-Term Debt	61,030			(61,030)		(61,030)
Total Governmental Activities	17,756,738	135,051	4,823,201	(12,798,486)		(12,798,486)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 201,381	\$ 201,958			\$ 577	\$ 577
Total Business-Type Activities	201,381	201,958			577	577
Total Primary Government	\$ 17,958,119	\$ 337,009	\$ 4,823,201	\$ (12,798,486)	577	(12,797,909)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				12,711,383		12,711,383
Taxes Levied for Debt Service				658,762		658,762
Investment Earnings						
Miscellaneous Income				90,627		90,627
Total General Revenues				13,460,772		13,460,772
Change in Net Position				662,286	577	662,863
Net Position - Beginning				5,660,169	12,092	5,672,261
Net Position - Ending				\$ 6,322,455	\$ 12,669	\$ 6,335,124

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, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 3,571,604	\$ 10	\$ 34,480	\$ 3,606,094
Interfund Receivable	1,647			1,647
Receivables from State Government	318,718			318,718
Restricted Cash and Cash Equivalents	201,137			201,137
TOTAL ASSETS	\$ 4,093,106	\$ 10	\$ 34,480	\$ 4,127,596
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable - Vendors	\$ 85,126			\$ 85,126
Unearned Revenue	55,800	\$ 10		55,810
Total Liabilities	140,926	10		140,936
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	1,796,885			1,796,885
Excess Surplus - Prior Year - Subsequent Year's Expenditures	1,709,225			1,709,225
Capital Reserve Account	201,137			201,137
Debt Service Fund			\$ 34,480	34,480
Unassigned:				
General Fund	244,933			244,933
Total Fund Balances	3,952,180		34,480	3,986,660
TOTAL LIABILITIES & FUND BALANCES	\$ 4,093,106	\$ 10	\$ 34,480	\$ 4,127,596

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

Total Fund Balances - Governmental Funds (Above)	\$ 3,986,660
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,573,370 and the accumulated depreciation is \$7,856,931. (See Note 5)	11,716,439
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)	(5,057,200)
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.	(20,430)
Bond premiums are not reported as expenditures in the governmental funds in the year of the expenditure.	(311,372)
Bond issuance discounts are reported as revenue in the governmental funds in the year the bonds are sold.	86,505
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(4,485,581)

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:

Deferred Outflows:	
Changes in Assumptions - Pensions	929,173
Changes in Proportions - Pensions	204,708
Difference Between Expected and Actual Experience- Pensions	83,418
Investment Gains - Pensions	171,039
Deferred Inflows:	
Changes in Proportions - Pensions	(980,904)
Net Position of Governmental Activities	\$ 6,322,455

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	\$ 12,711,383		\$ 658,762	\$ 13,370,145
Tuition	135,051			135,051
Miscellaneous	82,289	\$ 2,987	8,338	93,614
Total - Local Sources	12,928,723	2,987	667,100	13,598,810
State Sources	2,108,610			2,108,610
Federal Sources		157,115		157,115
Total Revenues	15,037,333	160,102	667,100	15,864,535
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	4,233,792	4,672		4,238,464
Special Education Instruction	1,065,991	155,430		1,221,421
Other Special Instruction	398,605			398,605
School Sponsored Instruction	93,946			93,946
Support Services and Undistributed Costs:				
Tuition	902,318			902,318
Student & Instruction Related Services	1,647,619			1,647,619
General Administration Services	319,840			319,840
School Administration Services	386,985			386,985
Central Services	299,116			299,116

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:				
Current:				
Support Services and Undistributed Costs:				
Administrative Information Technology	\$ 2,479			\$ 2,479
Plant Operations and Maintenance	1,081,520			1,081,520
Pupil Transportation	147,333			147,333
Allocated and Unallocated Benefits	3,788,780			3,788,780
Capital Outlay	954,629			954,629
Debt Service:				
Principal			\$ 485,000	485,000
Interest and Other Charges			147,621	147,621
Total Expenditures	<u>15,322,953</u>	<u>\$ 160,102</u>	<u>632,621</u>	<u>16,115,676</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(285,620)</u>		<u>34,479</u>	<u>(251,141)</u>
OTHER FINANCING SOURCES/(USES):				
School Refunding Bonds Issued			4,635,000	4,635,000
School Bonds Defeased			(4,780,000)	(4,780,000)
Bond Issuance Costs			(104,852)	(104,852)
Bond Premium			345,969	345,969
Deferred Amount on Refunding			(96,117)	(96,117)
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	(285,620)		34,479	(251,141)
Fund Balance—July 1	4,237,800		1	4,237,801
Fund Balance—June 30	<u>\$ 3,952,180</u>	<u>\$ -0-</u>	<u>\$ 34,480</u>	<u>\$ 3,986,660</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, 2017

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (251,141)

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>954,629</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 (+). 623,336

(36,400)

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. 485,000

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+) 34,597

The governmental funds report the effect the deferred amount on the refunding relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-) (9,612)

Proceeds from debt issued for a refunding less the amount of bonds defeased are not recorded in the governmental funds.

Refunding Bonds Issued	(4,635,000)
Refunding Bond Premium	(345,969)
Deferred Amount on Refunding	96,117
School Bonds Defeased	<u>4,780,000</u>

(104,852)

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 (+). 61,606

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. 276,022

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 (630,162)

Deferred Outflows:

Changes in Assumptions 515,132

Changes in Proportion (59,508)

Difference Between Expected and Actual Experience (8,559)

Deferred Inflows:

Net Difference Between Projected and Actual Investment Earnings on Pension

Plan Investments 233,027

Changes in Proportion (156,000)

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 662,286

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Business-Type Activities Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 9,280
Inventory	658
	9,938
Total Current Assets	9,938
Non-Current Assets:	
Capital Assets	66,655
Less: Accumulated Depreciation	(63,924)
	2,731
Total Non-Current Assets	2,731
Total Assets	12,669
NET POSITION:	
Investment in Capital Assets	2,731
Unrestricted	9,938
	12,669
Total Net Position	\$ 12,669

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 201,958
Total Operating Revenue	<u>201,958</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	103,740
Salaries, Payroll Taxes & Benefits	91,710
Supplies and Materials	5,277
Depreciation Expense	<u>654</u>
Total Operating Expenses	<u>201,381</u>
Operating Income	577
Net Position- Beginning of Year	<u>12,092</u>
Net Position- End of Year	<u><u>\$ 12,669</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, 2017

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 201,958
Payments to Employees	(91,710)
Payments to Vendors	(103,637)
Payments to Suppliers	<u>(5,277)</u>
Net Increase in Cash and Cash Equivalents / Net Cash Provided by Operating Activities	1,334
Cash and Cash Equivalents, July 1	<u>7,946</u>
Cash and Cash Equivalents, June 30	<u>\$ 9,280</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 577
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
Decrease in Inventory	<u>103</u>
Net Cash Provided by Operating Activities	<u>\$ 1,334</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency</u>	<u>Flex Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 118,114	\$ 4,453
Total Assets	<u>118,114</u>	<u>4,453</u>
LIABILITIES:		
Interfund Payable - General Fund	41	
Payroll Deductions and Withholdings	63,975	
Due to Student Groups	<u>54,098</u>	
Total Liabilities	<u>118,114</u>	
NET POSITION:		
Held in Trust for:		
Flex Spending Claims		<u>4,453</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 4,453</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Employee Contributions	\$ 14,204
Total Contributions	<u>14,204</u>
Total Additions	<u>14,204</u>
Deductions:	
Flex Spending Claims	<u>11,070</u>
Total Deductions	<u>11,070</u>
Change in Net Position	3,134
Net Position - Beginning of the Year	<u>1,319</u>
Net Position - End of the Year	<u><u>\$ 4,453</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, 2017

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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, 2017
(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, 2017

(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, 2017

(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, 2017 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	\$ 15,047,227	\$ 160,102
Differences - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	15,663	
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	<u>(25,557)</u>	
Total Revenues as reported on the Statement of Revenues,		
Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 15,037,333</u>	<u>\$ 160,102</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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:

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 15,322,953	\$ 160,102
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 15,322,953	\$ 160,102

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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, 2017.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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:

	Estimated Useful Life
Buildings and Building Improvements	50 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 governmental 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, 2017.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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 \$3,952,180 General Fund fund balance at June 30, 2017, \$201,137 is restricted in the capital reserve account; \$1,796,885 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$1,709,225 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; and \$244,933 is unassigned which is \$25,557 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2018.

Debt Service Fund: The Debt Service Fund has \$34,480 of restricted fund balance at June 30, 2017.

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 \$25,557, 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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Q. Deficit in Net Position:

The District has a deficit in unrestricted net position of \$4,109,227 in its governmental activities, which is primarily due to deferred outflows, inflows and liabilities related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

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, 2017 for changes in assumptions in pensions, changes in proportion in pensions, investment gains in pensions, the difference between expected and actual experience in pensions, and the District contribution subsequent to the measurement date. The District had a deferred inflow of resources at June 30, 2017 for 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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

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, 2017.

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 no assigned resources at June 30, 2017.

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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.

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 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 as detailed below.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which New Jersey school districts are permitted to invest their funds.

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Deposits: (Cont'd)

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;
- (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 Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments: (Cont'd)

As of June 30, 2017, 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	\$ 3,734,807	\$ 201,137	\$ 3,935,944

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$3,935,944 and the bank balance was \$4,072,819.

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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,137
Increased by:	
Board Resolution	200,000
Ending Balance, June 30, 2017	\$ 201,137

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 exceeds the balance in the capital reserve account as of June 30, 2017.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Total Capital Assets not Being Depreciated	<u>1,303,570</u>			<u>1,303,570</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	15,311,257	\$ 814,773		16,126,030
Machinery and Equipment	<u>2,003,914</u>	<u>139,856</u>		<u>2,143,770</u>
Total Capital Assets Being Depreciated	<u>17,315,171</u>	<u>954,629</u>		<u>18,269,800</u>
Governmental Activities Capital Assets	<u>18,618,741</u>	<u>954,629</u>		<u>19,573,370</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,932,851)	(282,633)		(6,215,484)
Machinery and Equipment	<u>(1,592,787)</u>	<u>(48,660)</u>		<u>(1,641,447)</u>
Total Accumulated Depreciation	<u>(7,525,638)</u>	<u>(331,293)</u>		<u>(7,856,931)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$11,093,103</u>	<u>\$ 623,336</u>	<u>\$ -0-</u>	<u>\$11,716,439</u>
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 66,655			\$ 66,655
Less: Accumulated Depreciation	<u>(63,270)</u>	<u>\$ (654)</u>		<u>(63,924)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,385</u>	<u>\$ (654)</u>	<u>\$ -0-</u>	<u>\$ 2,731</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, 2017
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance June 30, 2016	Accrued	Retired	Defeased	Balance June 30, 2017
Serial Bonds Payable	\$ 5,220,000	\$ 4,635,000	\$ 485,000	\$ 4,780,000	\$ 4,590,000
Capital Leases Payable	177,439	310,200	276,022		211,617
Unamortized Bond Premium		345,969	34,597		311,372
Compensated Absences Payable	219,183	41,885	5,485		255,583
Net Pension Liability - PERS	3,855,419	630,162			4,485,581
	<u>\$ 9,472,041</u>	<u>\$ 5,963,216</u>	<u>\$ 801,104</u>	<u>\$ 4,780,000</u>	<u>\$ 9,854,153</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, 2017 as follows:

Purpose	Issue Date	Final Maturity Date	Interest Rates	Amount
Series 2016 Refunding School Bonds	12/20/16	02/15/26	3.00-5.00%	<u>\$ 4,590,000</u>

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

Fiscal Year	Bonds		Total
	Principal	Interest	
2018	\$ 430,000	\$ 177,400	\$ 607,400
2019	445,000	164,500	609,500
2020	470,000	146,700	616,700
2021	490,000	127,900	617,900
2022	515,000	108,300	623,300
2023-2026	2,240,000	220,400	2,460,400
	<u>\$ 4,590,000</u>	<u>\$ 945,200</u>	<u>\$ 5,535,200</u>

On December 20, 2016, the District issued refunding school bonds of \$4,635,000 with interest rates ranging from 3.00% to 5.00% to advance refund \$4,780,000 school bonds with an interest rate of 5.00%. The bonds mature on February 15, 2018 through 2026. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the School will experience a net present value savings of \$260,152.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$34,597 and is separated from the long-term liability balance of \$276,775.

C. Bonds Authorized But Not Issued:

As of June 30, 2017, the District has no bonds authorized but not issued.

D. 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 District has entered into capital leases totaling \$310,200 of which \$276,022 has been liquidated as of June 30, 2017. 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, 2017.

Fiscal Year	Amount
2018	\$ 95,047
2019	95,047
2020	18,409
2021	7,670
	216,173
Less: Amount Representing Interest	(4,556)
Present Value of Net Minimum Lease Payments	\$ 211,617

The current portion of capital leases payable is \$85,847 and the long term portion is \$125,770.

E. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$255,583 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, 2017, 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, 2017
(Continued)

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

F. 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, 2017 is \$-0- and the long-term portion is \$4,485,581. 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/annrprts.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:

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

Service retirement benefits of 1/55th 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 1/60th 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 with 25 or more years of service credit before age 62 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, 2017
(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. 43:15A 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 \$135,182 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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, 2017, the District reported a liability of \$4,485,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.015%, which was a decrease of 0.002% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$240,610. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 56,385	
	2015	5.72	230,400	
	2016	5.57	642,388	
			<u>929,173</u>	
Changes in Proportion	2014	6.44	204,708	
	2015	5.72		\$ 650,137
	2016	5.57		330,767
			<u>204,708</u>	<u>980,904</u>
Difference Between Expected and Actual Experience	2015	5.72	63,924	
	2016	5.57	19,494	
			<u>83,418</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(84,493)	
	2015	5.00	54,058	
	2016	5.00	201,474	
			<u>171,039</u>	
Contribution Subsequent to Measurement Date	2016	1.00	180,000	
			<u>\$ 1,568,338</u>	<u>\$ 980,904</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 266,484
2017	266,484
2018	308,730
2019	259,379
2020	82,554
	<u>\$ 1,183,630</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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 method 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, 2016 are summarized in the following table:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (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>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 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:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 (Cont'd)

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 5,496,556	\$ 4,485,581	\$ 3,650,933

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/annrprts.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:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th 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 1/60th 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 2016, 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 2017, the State of New Jersey contributed \$560,233 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,114,722.

The employee contribution rate was 7.20% effective July 1, 2016. Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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, 2017, the State's proportionate share of the net pension liability associated with the District was \$41,454,409. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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 0.053%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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		41,454,409
Total	\$	<u>41,454,409</u>

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$3,114,722 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 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:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	<u>9,522,623,964</u>	
			<u>15,702,750,875</u>	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3	<u>118,421,979</u>	
			<u>277,221,464</u>	<u>134,532,594</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(870,618,286)	
	2015	5.0	577,926,182	
	2016	5.0	<u>1,727,420,767</u>	
			<u>1,434,728,663</u>	
			<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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)

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
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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 method 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 TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% 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 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. 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 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, 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, 2017

(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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 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:

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 49,505,828	\$ 41,454,409	\$ 34,879,386

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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 \$483,714, \$502,376 and \$462,557 for 2017, 2016, and 2015, respectively.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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.

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, 2017 was not available as of the date of the audit report. Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

Total Assets	\$	<u>27,909,834</u>
Net Position	\$	<u>17,959,092</u>
Total Revenue	\$	<u>13,953,880</u>
Total Expenses	\$	<u>11,937,228</u>
Change in Net Position	\$	<u>2,016,652</u>
Member Dividends	\$	<u>1,626,692</u>

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
(201) 664-0310

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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,647	
Fiduciary Funds -		
Payroll Agency Fund		1,647
	\$ 1,647	\$ 1,647

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, 2017
(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, 2017, there were no encumbrances.

Accounts Payable

At June 30, 2017, the District had the following accounts payable:

	<u>General Fund</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Type-Activities</u>
Vendors	\$ 85,126		\$ 85,126
State of New Jersey		\$ 180,000	180,000
	<u>\$ 85,126</u>	<u>\$ 180,000</u>	<u>\$ 265,126</u>

NOTE 15. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2017, the District made transfers to Capital Outlay accounts for architectural and construction services which received approval from the County Superintendent, and also made transfers to the equipment accounts which did not require County Superintendent approval.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	2015	2016	2017
District's proportion of the net pension liability	0.0223680527%	0.0171748910%	0.0151452233%
District's proportionate share of the net pension liability	\$ 4,187,911	\$ 3,855,419	\$ 4,485,581
District's covered employee payroll	\$ 1,019,081	\$ 979,710	\$ 1,037,302
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	410.95%	393.53%	432.43%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 155,922	\$ 147,658	\$ 135,182
Contributions in relation to the contractually required contribution	<u>(155,922)</u>	<u>(147,658)</u>	<u>(135,182)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 984,256	\$ 1,019,081	\$ 979,710
Contributions as a percentage of covered employee payroll	15.84%	14.49%	13.80%

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 STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0494226942%	0.0538946123%	0.0526964833%
State's proportionate share of the net pension liability attributable to the District	\$ 26,414,822	\$ 34,063,696	\$ 41,454,409
District's covered employee payroll	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	491.55%	628.62%	704.80%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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 STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 1,421,365	\$ 2,079,895	\$ 3,114,722
Contributions in relation to the contractually required contribution	(291,374)	(421,909)	(560,233)
Contribution deficiency/(excess)	<u>\$ 1,129,991</u>	<u>\$ 1,657,986</u>	<u>\$ 2,554,489</u>
District's covered employee payroll	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725
Contributions as a percentage of covered employee payroll	5.42%	7.79%	9.52%

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, 2017
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,711,383		\$ 12,711,383	\$ 12,711,383	
Tuition:					
From Other Individuals	212,000		212,000	135,051	\$ (76,949)
Miscellaneous	23,000		23,000	82,289	59,289
Total - Local Sources	12,946,383		12,946,383	12,928,723	(17,660)
State Sources:					
Categorical Special Education Aid	290,307		290,307	290,307	
Categorical Security Aid	11,558		11,558	11,558	
Categorical Transportation Aid	9,872		9,872	9,872	
PARCC Readiness Aid	6,960		6,960	6,960	
Per Pupil Growth Aid	6,960		6,960	6,960	
Professional Learning Community Aid	6,820		6,820	6,820	
Extraordinary Special Education Costs Aid		\$ 294,650	294,650	294,650	
Non-Public Transportation Aid		3,132	3,132	3,132	
TPAF Pension Contributions (non-budgeted)				560,233	560,233
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				483,714	483,714
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				20,299	20,299
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,621	1,621
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				422,378	422,378
Total State Sources	332,477	297,782	630,259	2,118,504	1,488,245
TOTAL REVENUES	13,278,860	297,782	13,576,642	15,047,227	1,470,585

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 141,420		\$ 141,420	\$ 104,886	\$ 36,534
Kindergarten - Salaries of Teachers	278,154	17,300	295,454	293,728	1,726
Grades 1-5 - Salaries of Teachers	1,829,031	78,200	1,907,231	1,875,745	31,486
Grades 6-8 - Salaries of Teachers	1,397,037	(95,500)	1,301,537	1,243,715	57,822
Regular Programs - Home Instruction:					
Salaries of Teachers	8,000	(3,960)	4,040	75	3,965
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	60,440	20,000	80,440	64,359	16,081
Purchased Professional - Educational Services	20,125		20,125	18,145	1,980
Purchased Technical Services	120,866	10,000	130,866	122,621	8,245
Other Purchased Services (400-500 series)	184,258		184,258	181,778	2,480
General Supplies	410,883	(10,000)	400,883	322,588	78,295
Textbooks	20,500		20,500	2,490	18,010
Other Objects	6,547		6,547	3,662	2,885
Total Regular Programs - Instruction	4,477,261	16,040	4,493,301	4,233,792	259,509
Special Education - Instruction:					
Learning and/or Language Disabilities					
Salaries of Teachers	47,640		47,640	47,640	
Other Salaries for Instruction	13,333		13,333	12,820	513
General Supplies	18,580		18,580	3,069	15,511
Total Learning and/or Language Disabilities	79,553		79,553	63,529	16,024
Home Instruction:					
Salaries of Teachers		3,960	3,960	495	3,465
Total Home Instruction		3,960	3,960	495	3,465
Resource Room/Resource Center:					
Salaries of Teachers	874,884	(60,039)	814,845	778,469	36,376
Other Salaries for Instruction	187,293	57,000	244,293	215,015	29,278
Other Purchased Services (400-500 series)	450		450	38	412
General Supplies	10,705		10,705	8,445	2,260
Total Resource Room/Resource Center	1,073,332	(3,039)	1,070,293	1,001,967	68,326
Total Special Education Instruction	1,152,885	921	1,153,806	1,065,991	87,815

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 252,512	\$ 55,100	\$ 307,612	\$ 274,959	\$ 32,653
Other Purchased Services	50	(50)	50	42	8
General Supplies	9,889		9,839	7,601	2,238
Textbooks	216		216	216	
Total Basic Skills/Remedial - Instruction	<u>262,617</u>	<u>55,100</u>	<u>317,717</u>	<u>282,818</u>	<u>34,899</u>
Bilingual Education - Instruction:					
Salaries of Teachers	61,545	4,939	66,484	66,483	1
Purchased Professional Services - Educational		545	545	545	
Other Purchased Services (400-500 Series)	225		225	90	135
General Supplies	6,127	(545)	5,582	3,933	1,649
Other Objects	130		130	98	32
Total Bilingual Education - Instruction	<u>68,027</u>	<u>4,939</u>	<u>72,966</u>	<u>71,149</u>	<u>1,817</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	77,979		77,979	77,793	186
Purchased Services (300-500 series)	1,500		1,500		1,500
Supplies and Materials	3,000		3,000	215	2,785
Total School-Sponsored Cocurricular Activities - Instruction	<u>82,479</u>		<u>82,479</u>	<u>78,008</u>	<u>4,471</u>
School-Sponsored Athletics - Instruction:					
Salaries	12,734		12,734	12,734	
Purchased Services (300-500 series)	5,000	(750)	4,250	2,595	1,655
Supplies and Materials	1,100		1,100	349	751
Other Objects		750	750	260	490
Total School-Sponsored Athletics - Instruction	<u>18,834</u>		<u>18,834</u>	<u>15,938</u>	<u>2,896</u>
Community Services Programs / Operations:					
Salaries	36,638	252	36,890	35,674	1,216
Purchased Services (300-500 series)	22,000	(252)	21,748	8,964	12,784
Total Community Services Programs / Operations	<u>58,638</u>		<u>58,638</u>	<u>44,638</u>	<u>14,000</u>
Total Instruction	6,120,741	77,000	6,197,741	5,792,334	405,407

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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	\$ 878,263	\$ 53,000	\$ 931,263	\$ 817,986	\$ 113,277
Tuition to Private Schools for the Disabled - Within the State	188,838		188,838	84,332	104,506
Total Undistributed Expenditures - Instruction	1,067,101	53,000	1,120,101	902,318	217,783
Attendance and Social Work:					
Salaries	32,412	523	32,935	32,625	310
Total Attendance and Social Work	32,412	523	32,935	32,625	310
Health Services:					
Salaries	176,858	19,799	196,657	189,773	6,884
Purchased Professional and Technical Services	4,690	(523)	4,167	3,595	572
Other Purchased Services (400-500 series)	300		300	300	0
Supplies and Materials	4,526		4,526	3,914	612
Total Health Services	186,374	19,276	205,650	197,282	8,368
Speech, OT, PT & Related Services:					
Salaries	280,201	(19,800)	260,401	242,575	17,826
Purchased Professional - Educational Services	197,000	(2,000)	195,000	107,112	87,888
Supplies and Materials	3,959	2,000	5,959	5,353	606
Other Objects	335		335	250	85
Total Speech, OT, PT & Related Services	481,495	(19,800)	461,695	355,290	106,405
Other Support Services - Students - Extraordinary Services:					
Salaries	250,520	(77,000)	173,520	106,364	67,156
Purchased Professional - Educational Services	100,000		100,000	85,680	14,320
Total Other Support Services - Students - Extraordinary Services	350,520	(77,000)	273,520	192,044	81,476

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Guidance:					
Salaries of Other Professional Staff	\$ 131,811	\$ 75	\$ 131,886	\$ 131,885	\$ 1
Salaries of Secretarial and Clerical Assistants	25,307	56	25,363	24,398	965
Purchased Professional - Educational Services	3,500	(56)	3,444	3,000	444
Other Purchased Professional and Technical Services	12,500		12,500	10,681	1,819
Other Purchased Services (400-500 series)	250		250	203	47
Supplies and Materials	1,770		1,770	1,218	552
Other Objects	631	(75)	556	169	387
Total Guidance	175,769		175,769	171,554	4,215
Child Study Teams:					
Salaries of Other Professional Staff	308,323	(800)	307,523	302,708	4,815
Salaries of Secretarial and Clerical Assistants	67,422		67,422	67,422	
Other Salaries		800	800	790	10
Purchased Professional - Educational Services	95,000		95,000	83,681	11,319
Other Purchased Professional and Technical Services	3,000		3,000	2,750	250
Other Purchased Services (400-500 series)	3,500	140	3,640	2,605	1,035
Supplies and Materials	17,500	(140)	17,360	3,838	13,522
Other Objects	1,500		1,500	487	1,013
Total Child Study Teams	496,245		496,245	464,281	31,964
Improvement of Instructional Services:					
Salaries of Other Professional Staff	90,000	6,900	96,900	70,591	26,309
Purchased Professional - Educational Services	35,000	(6,900)	28,100	27,762	338
Other Purchased Professional and Technical Services	3,500		3,500	2,025	1,475
Other Purchased Services (400-500 series)	3,000		3,000	742	2,258
Supplies and Materials	1,000		1,000		1,000
Other Objects	1,650		1,650	172	1,478
Total Improvement of Instructional Services	134,150		134,150	101,292	32,858
Educational Media Services/School Library:					
Salaries	100,899	840	101,739	101,738	1
Purchased Professional and Technical Services	16,400		16,400	2,600	13,800
Other Purchased Services (400-500 series)	125		125	38	87
Supplies and Materials	8,535	(840)	7,695	6,563	1,132
Other Objects	65		65	65	
Total Educational Media Services/School Library	126,024		126,024	111,004	15,020

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 3,000		\$ 3,000	\$ 525	\$ 2,475
Purchased Professional - Educational Services	37,500		37,500	19,527	17,973
Other Purchased Services (400-500 series)	2,000	\$ 51	2,051	2,051	
Supplies and Materials	1,150	(51)	1,099	144	955
Total Instructional Staff Training Services	43,650		43,650	22,247	21,403
Support Services - General Administration:					
Salaries	221,468		221,468	218,997	2,471
Legal Services	36,000	(2,000)	34,000	15,454	18,546
Audit Fees	15,000		15,000	12,500	2,500
Architectural / Engineering Services	32,656		32,656	19,567	13,089
Other Purchased Professional Services	15,000		15,000	11,923	3,077
Communications/Telephone	38,500		38,500	20,122	18,378
BOE Other Purchased Services	5,000		5,000	4,044	956
Miscellaneous Purchased Services (400-500 series)	15,000		15,000	4,251	10,749
General Supplies	8,500	(50)	8,450	4,934	3,516
BOE In-House Training / Meeting Supplies		50	50	41	9
Miscellaneous Expenditures	4,000		4,000	1,634	2,366
BOE Membership Dues and Fees	10,000		10,000	6,373	3,627
Total Support Services - General Administration	401,124	(2,000)	399,124	319,840	79,284
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	253,800	7,610	261,410	261,394	16
Salaries of Secretarial and Clerical Assistants	104,981		104,981	97,594	7,387
Unused Vacation Payment to Terminated/Retired Staff		7,100	7,100	7,093	7
Other Purchased Services (400-500 series)	6,000		6,000	1,850	4,150
Supplies and Materials	41,678	(18,610)	23,068	16,601	6,467
Other Objects	3,000		3,000	2,453	547
Total Support Services - School Administration	409,459	(3,900)	405,559	386,985	18,574

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 257,900	\$	\$ 257,900	\$ 248,584	\$ 9,316
Purchased Technical Services		230	230	230	
Purchased Professional Services	2,800	2,800	2,800	2,795	5
Miscellaneous Purchased Services (400-500 series)	(2,800)	(2,800)	50,950	43,059	7,891
Supplies and Materials	5,000	(609)	4,391	3,208	1,183
Miscellaneous Expenditures	1,500		1,500	1,240	260
Total Central Services	318,150	(379)	317,771	299,116	18,655
Administrative Information Technology:					
Salaries	50,000	(31,100)	18,900		18,900
Purchased Technical Services	1,000	1,479	2,479	2,479	
Total Administrative Information Technology	51,000	(29,621)	21,379	2,479	18,900
Required Maintenance of School Facilities:					
Salaries	110,100	(1,500)	108,600	104,320	4,280
Cleaning, Repair and Maintenance Services	61,300	37,000	98,300	96,486	1,814
General Supplies	25,000	(1,290)	23,710	16,754	6,956
Other Objects	1,000	2,790	3,790	3,176	614
Total Required Maintenance of School Facilities	197,400	37,000	234,400	220,736	13,664
Custodial Services:					
Salaries	414,169	(19,200)	394,969	361,267	33,702
Cleaning, Repair and Maintenance Services		3,900	3,900	3,885	15
Other Purchased Property Services	67,220	(31,970)	35,250	35,160	90
Insurance	130,000	(17,430)	112,570	104,350	8,220
Miscellaneous Purchased Services		400	400	400	
General Supplies	87,500	(720)	86,780	30,969	55,811
Energy (Electricity)	151,000		151,000	127,059	23,941
Energy (Natural Gas)	110,000	(10,000)	100,000	71,495	28,505
Energy (Gasoline)	8,000		8,000	3,698	4,302
Other Objects	2,094	32,220	34,314	27,628	6,686
Total Custodial Services	969,983	(42,800)	927,183	765,911	161,272

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 51,574	\$ 200	\$ 51,774	\$ 51,762	\$ 12
Cleaning, Repair, and Maintenance Services		6,825	6,825	6,815	10
General Supplies	10,500	(6,825)	3,675	3,466	209
Miscellaneous Purchased Services		7,320	7,320	7,320	
Total Care and Upkeep of Grounds	62,074	7,520	69,594	69,363	231
Security:					
Cleaning, Repair, and Maintenance Services	10,000	14,430	24,430	23,986	444
Purchased Professional and Technical Services	21,750	(20,150)	1,600	1,524	76
Total Security	31,750	(5,720)	26,030	25,510	520
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	10,483		10,483	10,359	124
Between Home and School - Special	9,984	(9,983)	1	1	
Other Than Between Home and School - Regular	5,000		5,000	2,175	2,825
Other Purchased Professional and Technical Services	1,000		1,000	150	850
Cleaning, Repair and Maintenance Services	5,000		5,000	3,340	1,660
Lease Purchase Payments - School Buses	9,700		9,700	9,700	
Contracted Services:					
Between Home and School - Vendors	54,000		54,000	5,404	48,596
Other Than Between Home and School - Vendors	2,988		2,988	298	2,690
Special Education Students - Joint Agreements	112,500		112,500	111,993	507
Aid in Lieu of Payments - Nonpublic Students	22,000		22,000	13,614	8,386
General Supplies	1,000		1,000	1,000	
Total Student Transportation Services	223,172	500	223,672	147,333	76,339
Unallocated Employee Benefits:					
Social Security Contributions	150,000	1,800	151,800	138,287	13,513
Other Retirement Contributions - PERS	205,000	(20,075)	184,925	135,182	49,743
Other Retirement Contributions - Regular	25,000		25,000	8,440	16,560
Unemployment Compensation	40,000		40,000	30,297	9,703
Workmen's Compensation	125,000		125,000	99,202	25,798

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Employee Benefits:					
Health Benefits	\$ 2,093,812		\$ 2,093,812	\$ 1,866,181	\$ 227,631
Tuition Reimbursement	10,000		10,000	10,000	
Other Employee Benefits	19,000		19,000	12,946	6,054
Total Unallocated Employee Benefits	2,667,812	(18,275)	2,649,537	2,300,535	349,002
On-Behalf Contributions:					
TPAF Pension Contributions (non-budgeted)				560,233	(560,233)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				483,714	(483,714)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				20,299	(20,299)
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,621	(1,621)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				422,378	(422,378)
Total On-Behalf Contributions				1,488,245	(1,488,245)
Total Personal Services - Employee Benefits	2,667,812	(18,275)	2,649,537	3,788,780	(1,139,243)
Total Undistributed Expenses	8,425,664	(81,676)	8,343,988	8,575,990	(232,002)
TOTAL GENERAL CURRENT EXPENSE	14,546,405	(4,676)	14,541,729	14,368,324	173,405
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Preschool	25,000	5,000	30,000	27,794	2,206
Kindergarten	28,000	(5,000)	23,000	22,683	317
Grades 1-5	26,000		26,000	21,731	4,269
Grades 6-8	54,800		54,800	45,868	8,932
Special Programs - Instruction:					
Learning and/or Language Disabilities	5,000		5,000		5,000
School Administration	3,995		3,995	3,995	
Undistributed Expenditures:					
Instructional Equipment:					
Security	12,500		12,500	11,665	835
Required Maintenance for School Facilities		6,475	6,475	6,120	355
Total Equipment	155,295	6,475	161,770	139,856	21,914
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	55,000	(11,896)	43,104	34,600	8,504
Construction Services	495,000	288,951	783,951	780,173	3,778
Assessment for Debt Service on SDA Funding	5,382	(5,382)			
Total Facilities Acquisition and Construction Services	555,382	271,673	827,055	814,773	12,282
TOTAL CAPITAL OUTLAY	710,677	278,148	988,825	954,629	34,196

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 15,257,082	\$ 273,472	\$ 15,530,554	\$ 15,322,953	\$ 207,601
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,978,222)	24,310	(1,953,912)	(275,726)	1,678,186
Other Financing Uses:					
Transfer Out:					
Transfer to Food Service Fund	30,250	(1,800)	28,450		(28,450)
Total Other Financing Uses	30,250	(1,800)	28,450		(28,450)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,947,972)	22,510	(1,925,462)	(275,726)	1,649,736
Fund Balance, July 1	4,253,463		4,253,463	4,253,463	
Fund Balance, June 30	\$ 2,305,491	\$ 22,510	\$ 2,328,001	\$ 3,977,737	\$ 1,649,736
Recapitulation of Fund Balance at June 30, 2017:					
Restricted:					
Excess Surplus				\$ 1,796,885	
Excess Surplus - For Subsequent Year's Expenditures				1,709,225	
Capital Reserve				201,137	
Unassigned				270,490	
Total Fund Balance (Budgetary/GAAP)				3,977,737	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(25,557)	
Fund Balance per Governmental Funds (GAAP)				\$ 3,952,180	

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 2,987	\$ 2,987	\$ 2,987	
Federal Sources	\$ 140,906	16,209	157,115	157,115	
Total Revenues	140,906	19,196	160,102	160,102	
EXPENDITURES:					
Instruction:					
Tuition	137,916	17,514	155,430	155,430	
General Supplies	2,990	1,662	4,652	4,652	
Total Instruction	140,906	19,176	160,082	160,082	
Support Services:					
Purchased Professional and Technical Services		10	10	10	
Supplies and Materials		10	10	10	
Total Support Services		20	20	20	
Total Expenditures	140,906	19,196	160,102	160,102	
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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	\$ 15,047,227	\$ 160,102
Difference - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	15,663	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(25,557)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 15,037,333	\$ 160,102
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 15,322,953	\$ 160,102
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 15,322,953	\$ 160,102

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, 2017 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, 2017

	IDEA Part B	No Child Left Behind Title III	Local Grants	Totals
	Basic	Preschool		
REVENUE:				
Local Sources			\$ 2,987	\$ 2,987
Federal Sources	\$ 145,057	\$ 10,373		\$ 157,115
Total Revenue	145,057	10,373	2,987	160,102
EXPENDITURES:				
Instruction:				
Tuition	145,057	10,373		155,430
General Supplies			2,967	4,652
Total Instruction	145,057	10,373	2,967	160,082
Support Services:				
Purchased Professional and Technical Services			10	10
Supplies and Materials			10	10
Total Support Services			20	20
Total Expenditures	\$ 145,057	\$ 10,373	\$ 2,987	\$ 160,102

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 9,280
Inventory	658

Total Current Assets	<u>9,938</u>
----------------------	--------------

Non-Current Assets:

Capital Assets	66,655
Less: Accumulated Depreciation	<u>(63,924)</u>

Total Non-Current Assets	<u>2,731</u>
--------------------------	--------------

Total Assets	<u>12,669</u>
--------------	---------------

NET POSITION:

Investment in Capital Assets	2,731
Unrestricted	<u>9,938</u>

Total Net Position	<u><u>\$ 12,669</u></u>
--------------------	-------------------------

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, 2017

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 201,958
	<hr/>
Total Operating Revenue	201,958
	<hr/>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	103,740
Salaries, Payroll Taxes & Benefits	91,710
Supplies and Materials	5,277
Depreciation Expense	654
	<hr/>
Total Operating Expenses	201,381
	<hr/>
Operating Income	577
	<hr/>
Net Position- Beginning of Year	12,092
	<hr/>
Net Position- End of Year	\$ 12,669
	<hr/> <hr/>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 201,958
Payments to Employees	(91,710)
Payments to Vendors	(103,637)
Payments to Suppliers	<u>(5,277)</u>
Net Increase in Cash and Cash Equivalents	1,334
Cash and Cash Equivalents, July 1	<u>7,946</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 9,280</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 577
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	654
Changes in Assets and Liabilities:	
Decrease in Inventory	<u>103</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,334</u></u>

FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency</u>		<u>Flexible Spending Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>		<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 54,098	\$ 63,975	\$ 118,073	\$ 4,453
Total Assets	<u>54,098</u>	<u>63,975</u>	<u>118,073</u>	<u>4,453</u>
LIABILITIES:				
Interfund Payable - General Fund		1,647	1,647	
Payroll Deductions and Withholdings		62,328	62,328	
Due to Student Groups	54,098		54,098	
Total Liabilities	<u>54,098</u>	<u>63,975</u>	<u>118,073</u>	
NET POSITION:				
Held in Trust for: Flex Spending Claims				<u>4,453</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,453</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions - Employee	<u>\$ 14,204</u>
Total Contributions	<u>14,204</u>
Total Additions	<u>14,204</u>
 DEDUCTIONS:	
Flex Spending Claims	<u>11,070</u>
Total Deductions	<u>11,070</u>
Change in Net Position	3,134
Net Position - Beginning of the Year	<u>1,319</u>
Net Position - End of the Year	<u><u>\$ 4,453</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 44,623</u>	<u>\$ 66,250</u>	<u>\$ 56,775</u>	<u>\$ 54,098</u>
Total Assets	<u><u>\$ 44,623</u></u>	<u><u>\$ 66,250</u></u>	<u><u>\$ 56,775</u></u>	<u><u>\$ 54,098</u></u>
LIABILITIES:				
Due to Student Groups	<u>\$ 44,623</u>	<u>\$ 66,250</u>	<u>\$ 56,775</u>	<u>\$ 54,098</u>
Total Liabilities	<u><u>\$ 44,623</u></u>	<u><u>\$ 66,250</u></u>	<u><u>\$ 56,775</u></u>	<u><u>\$ 54,098</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Student Activities	<u>\$ 44,623</u>	<u>\$ 66,250</u>	<u>\$ 56,775</u>	<u>\$ 54,098</u>
Total All Schools	<u><u>\$ 44,623</u></u>	<u><u>\$ 66,250</u></u>	<u><u>\$ 56,775</u></u>	<u><u>\$ 54,098</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 57,753	\$ 8,615,252	\$ 8,609,030	\$ 63,975
Total Assets	<u>\$ 57,753</u>	<u>\$ 8,615,252</u>	<u>\$ 8,609,030</u>	<u>\$ 63,975</u>
LIABILITIES:				
Interfund Payable - General Fund	\$ 41	\$ 1,647	\$ 41	\$ 1,647
Payroll Deductions and Withholdings	<u>57,712</u>	<u>8,613,605</u>	<u>8,608,989</u>	<u>62,328</u>
Total Liabilities	<u>\$ 57,753</u>	<u>\$ 8,615,252</u>	<u>\$ 8,609,030</u>	<u>\$ 63,975</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, 2016	Issued	Matured	Defeased	Balance June 30, 2017
			Date	Amount						
Series 2007 Refunding School Bonds	2/21/2007	\$ 7,135,000				\$ 5,220,000		\$ 440,000	\$ 4,780,000	
Series 2016 Refunding School Bonds	12/20/2016	4,635,000	2/15/18	\$ 430,000	3.00%		\$ 4,635,000	45,000		\$ 4,590,000
			2/15/19	445,000	4.00%					
			2/15/20	470,000	4.00%					
			2/15/21	490,000	4.00%					
			2/15/22	515,000	4.00%					
			2/15/23	530,000	4.00%					
			2/15/24	550,000	4.00%					
			2/15/25	570,000	4.00%					
			2/15/26	390,000	3.00%					
			2/15/26	200,000	5.00%					
						\$ 5,220,000	\$ 4,635,000	\$ 485,000	\$ 4,780,000	\$ 4,590,000

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Purpose	Original Issue	Maturities of				Interest Rate	Balance July 1, 2016	Issued	Matured	Balance June 30, 2017
		Capital Lease Obligations		Amount	Date					
		June 30, 2017	June 30, 2017							
Computer Technology	\$ 404,644	\$ 103,604	8/15/16	\$ 103,604	1.37%	\$ 103,604	\$ 103,604			
Copiers - 2011	80,780	4,571	6/20/17	4,571	2.75%	4,571	4,571			
Copiers - 2016	77,484	15,199	11/20/17	15,199	4.23%	69,264	14,571		54,693	
		15,855	11/20/18	15,855	4.23%					
		16,538	11/20/19	16,538	4.23%					
		7,101	11/20/20	7,101	4.23%					
Copiers 2017	3,646	988	11/20/17	988	4.23%		\$ 3,646		3,646	
		1,052	11/20/18	1,052	4.23%					
		1,119	11/20/19	1,119	4.23%					
		487	11/20/20	487	4.23%					
Apple Computer Lease	306,554	76,639	11/20/17	76,639	0.00%		306,554	153,276	153,278	
		76,639	11/20/18	76,639	0.00%					
						\$ 177,439	\$ 310,200	\$ 276,022	\$ 211,617	

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 658,762		\$ 658,762	\$ 658,762	
Other Miscellaneous	1		1	8,338	\$ 8,337
Total Revenues	658,763		658,763	667,100	8,337
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	218,763	\$ (45,000)	173,763	147,621	26,142
Redemption of Principal	440,000	45,000	485,000	485,000	
Total Regular Debt Service	658,763		658,763	632,621	26,142
Total Expenditures	658,763		658,763	632,621	26,142
Excess/(Deficit) of Revenues Over/(Under) Expenditures				34,479	34,479
Other Financing Sources/(Uses):					
School Refunding Bonds Issued				4,635,000	4,635,000
School Bonds Defeased				(4,780,000)	(4,780,000)
Bond Issuance Costs				(104,852)	(104,852)
Bond Premium				345,969	345,969
Deferred Amount on Refunding				(96,117)	(96,117)
Total Other Financing Sources					
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures				34,479	34,479
Fund Balance, July 1	1	-0-	1	1	-0-
Fund Balance, June 30	\$ 1	\$ -0-	\$ 1	\$ 34,480	\$ 34,479
Restricted:					
Other Purposes				\$ 34,480	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 7,001,327
Restricted	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	3,735,523
Unrestricted/(Deficit)	257,378	164,461	302,132	545,997	187,221	290,160	(3,350,705)	(3,558,053)	(3,728,851)	(4,414,395)
Total governmental activities net position	\$ 13,496,601	\$ 14,094,211	\$ 14,165,203	\$ 5,912,107	\$ 6,593,313	\$ 7,548,755	\$ 4,107,166	\$ 4,932,370	\$ 5,660,169	\$ 6,322,455
Business-type activities										
Investment in Capital Assets	14,705	11,479	8,131	7,208	6,370	5,532	4,694	4,039	3,385	2,731
Unrestricted / (Deficit)	3,331	1,480	1,192	(8,781)	(7,561)	4,943	9,032	1,383	8,707	9,938
Total business-type activities net position/(deficit)	\$ 18,036	\$ 12,959	\$ 9,323	\$ (1,573)	\$ (1,191)	\$ 10,475	\$ 13,726	\$ 5,422	\$ 12,092	\$ 12,669
District-wide										
Net Investment in Capital Assets	\$ 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	\$ 7,004,058
Restricted	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	3,735,523
Unrestricted/(Deficit)	260,709	165,941	303,324	537,216	179,660	295,103	(3,341,673)	(3,556,670)	(3,720,144)	(4,404,457)
Total district net position	\$ 13,514,637	\$ 14,107,170	\$ 14,174,526	\$ 5,910,534	\$ 6,592,122	\$ 7,539,230	\$ 4,120,892	\$ 4,937,792	\$ 5,672,261	\$ 6,335,124

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction:										
Regular Instruction	\$ 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	\$ 7,808,370
Special Education Instruction	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	1,972,054
Other Special Instruction	346,763	389,934	308,093	243,156	262,136	316,271	435,886	525,674	662,008	853,649
School Sponsored Instruction			183,446	95,504	100,441	96,527	102,139	98,666	89,975	93,946
Support Services:										
Tuition	1,231,982	1,406,754	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177	919,560	902,318
Student and Instruction Related Services	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	2,748,484
General and Business Administrative Services	428,158	318,309	420,369	367,817	367,086	316,846	676,612	400,331	452,223	583,391
School Administrative Services	572,760	449,951	485,698	486,133	547,773	589,898	555,609	626,806	614,822	694,230
Central Services	370,924	434,562	336,961	389,248	390,537	380,309	362,321	395,826	383,154	437,588
Plant Operations and Maintenance	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	1,451,098
Pupil Transportation	253,100	269,183	264,350	170,611	126,037	140,527	194,548	161,220	161,759	150,580
Capital Outlay	327,724	(210,764)	5,975	234,352	483,421	413,629			36,233	
Interest on Long-term Debt		334,464	321,492	307,244	287,000	287,850	263,700	242,675	231,083	61,030
Unallocated Depreciation		2,720	2,720							
Total Governmental Activities Expenses	12,461,276	12,254,635	13,024,981	13,002,900	13,135,527	13,716,177	14,101,600	14,882,781	16,116,694	17,756,738
Business-type Activities:										
Food Service	188,296	203,998	194,622	205,651	209,849	205,042	217,783	205,140	198,323	201,381
Total Business-type Activities Expense	188,296	203,998	194,622	205,651	209,849	205,042	217,783	205,140	198,323	201,381
Total District-wide Expenses	12,649,573	12,458,633	13,219,603	13,208,551	13,345,376	13,921,219	14,319,383	15,087,921	16,315,017	17,958,119

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 63,679	\$ 1,267,203	\$ 1,326,216	\$ 53,239	\$ 56,380	\$ 43,852	\$ 37,976	\$ 34,468	\$ 37,587	\$ 135,051
Operating Grants and Contributions	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	4,823,201
Total Governmental Activities Program Revenues	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	4,958,252
Business-type Activities:										
Charges for Services:										
Food Service	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955	202,795	201,958
Total Business-type Activities Program Revenues	186,783	184,076	189,554	184,353	201,117	216,163	218,936	191,955	202,795	201,958
Total District-wide Program Revenues	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	5,160,210
Net (Expense)/Revenue	(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)	(12,798,486)
Governmental Activities	(1,514)	(19,922)	(5,068)	(21,298)	(8,732)	11,121	1,153	(13,185)	4,472	577
Business-type Activities	(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)	(12,797,909)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	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	12,711,383
Property taxes, Levied for Debt Service	638,388	604,143	600,085	632,865	617,874	627,675	638,875	644,076	653,475	658,762
Federal and State Aid Not Restricted	382,913	254,710	49,243	80,653						

BOROUGH OF DEMAREST SCHOOL DISTRICT

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

UNAUDITED
(Accrual Basis of Accounting.)

	Fiscal Year Ending June 30,											
	2008	2009	2010	2011	2011	2011	2011	2013	2014	2015	2016	2017
Governmental Activities (Cont'd):												
Investment Earnings	\$ 500	\$ 300	\$ 26,343	\$ 530	\$ 21	\$ 21	\$ 21	\$ 21	\$ 549	\$ 12,949	\$ 210,502	\$ 8,338
Miscellaneous Income	208,829	114,412	185,325	194,058	152,219	336,796	336,796	257,971	177,902	177,902	210,502	82,289
Cancellation of Accounts Payable			1,541									
Transfers	(1,052)	(16,221)	(1,229)	(1,203)	(3,249)	(458)	(458)	(1,929)	(4,848)	(4,848)	(2,198)	
Total Governmental Activities	11,448,517	11,585,042	11,769,757	12,251,689	12,301,661	12,729,526	12,729,526	12,896,270	13,102,597	12,830,881	13,102,597	13,460,772
Business-type Activities:												
Investment Earnings	1,056	348	203	199	114	87	87	169	33			
Reappraisal of Capital Assets		(1,724)										
Other Transfers	1,052	16,221	1,229	1,203	114	458	458	1,929	4,848	4,848	2,198	
Total Business-type Activities	2,108	14,845	1,432	1,402	114	545	545	2,098	4,881	4,881	2,198	
Total District-wide General Revenues	11,450,625	11,599,887	11,771,189	12,253,091	12,301,775	12,730,071	12,730,071	12,898,368	13,104,795	12,835,762	13,104,795	13,460,772
Change in Net Position												
Governmental Activities	470,382	597,610	70,992	422,451	681,206	955,442	955,442	450,157	825,202	825,202	727,799	662,286
Business-type Activities	595	(5,077)	(3,636)	(19,896)	(8,618)	11,666	11,666	3,251	(8,304)	(8,304)	6,670	577
Total District-wide Change in Net Position	\$ 470,977	\$ 592,533	\$ 67,356	\$ 402,555	\$ 672,588	\$ 967,108	\$ 967,108	\$ 453,408	\$ 816,898	\$ 816,898	\$ 734,469	\$ 662,863

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund :										
Reserved	\$ 1,378,203	\$ 1,792,178	\$ 1,776,645							
Unreserved	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	\$ 3,701,043
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	251,137
Total General Fund	\$ 1,894,548	\$ 2,329,555	\$ 2,301,786	\$ 2,530,937	\$ 3,242,456	\$ 4,125,392	\$ 3,991,789	\$ 4,334,060	\$ 4,237,800	\$ 3,952,180
All Other Governmental Funds										
Reserved	5,000									
Unreserved, Reported in:										
Capital Projects Fund	89,373	1,547	1,547							
Debt Service Fund	21,583	21,584	1							
Restricted				1				1	1	34,480
Committed				2,341						
Total All Other Governmental Funds	115,956	23,131	1,548	2,342	-0-	-0-	-0-	1	1	34,480
Total Fund Balances	\$ 2,010,504	\$ 2,352,686	\$ 2,303,334	\$ 2,533,279	\$ 3,242,456	\$ 4,125,392	\$ 3,991,789	\$ 4,334,061	\$ 4,237,801	\$ 3,986,660

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 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	\$ 13,370,145
Tuition Charges	63,679			53,239	56,380	43,852	37,976	34,468	37,587	135,051
Interest Earnings	500	300	26,343	530	21	21	549	12,949	8,338	8,338
Miscellaneous	208,829	114,411	185,325	194,058	152,219	336,796	257,971	177,902	210,502	85,276
State Sources	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	2,108,610
Federal Sources	175,592	150,934	151,693	282,496	211,746	179,384	153,007	164,133	166,310	157,115
Total Revenues	12,932,711	12,868,465	13,095,661	13,426,554	13,819,982	14,672,077	14,553,686	14,582,840	15,188,705	15,864,535
Expenditures										
Instruction										
Regular Instruction	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	4,238,464
Special Education Instruction	634,634	756,074	776,460	1,025,240	926,891	897,820	996,396	964,764	1,168,255	1,221,421
Other Special Instruction		190,056	214,638	146,974	168,498	210,726	277,735	292,671	347,098	398,605
School Sponsored Instruction	254,628	144,464	146,595	95,504	100,441	96,527	102,139	98,666	89,975	93,946
Support Services:										
Tuition	1,231,982	1,406,754	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177	919,560	902,318
Student and Instruction Related Services	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	1,647,619
General and Business Administrative Services	349,505	324,758	331,976	342,840	302,920	319,861	299,864	355,131	342,431	319,840
School Administrative Services	412,374	371,971	369,820	351,578	387,423	402,478	394,911	360,164	381,591	386,985
Central Services	293,447	309,878	285,882	279,239	290,435	266,467	261,962	276,171	270,676	299,116
Administrative Information Technology										2,479
Plant Operations and Maintenance	1,072,485	1,055,670	1,055,513	968,713	1,042,887	989,126	1,098,574	995,433	1,040,890	1,081,520
Pupil Transportation	247,952	264,035	260,824	164,007	114,637	128,646	183,221	147,932	153,450	147,333
Allocated and Unallocated Benefits	2,427,600	2,049,535	2,356,781	2,550,528	2,624,662	3,069,203	3,135,114	3,289,332	3,435,329	3,788,780
Capital Outlay	172,165	181,969	372,746	358,333	483,421	413,629	1,204,062	509,585	776,102	954,629
Debt Service:										
Principal	270,000	265,000	295,000	320,000	320,000	345,000	370,000	390,000	415,000	485,000
Interest and Other Charges	346,805	339,142	326,668	312,865	297,875	282,675	268,875	254,075	238,475	147,621
Total Expenditures	12,527,647	12,510,061	13,393,896	13,240,107	13,107,556	13,788,683	15,090,004	14,235,720	15,360,251	16,115,676

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess/(Deficit) of Revenues Over Expenditures	\$ 405,064	\$ 358,404	\$ (298,235)	\$ 186,447	\$ 712,426	\$ 883,394	\$ (536,318)	\$ 347,120	\$ (171,546)	\$ (251,141)
Other Financing Sources (Uses)				248,571	44,701		404,644		77,484	
School Refunding Bonds Issued				1,541						4,635,000
School Bonds Defeased										(4,780,000)
Bond Issuance Costs										(104,852)
Bond Premium										345,969
Deferred Amount on Refunding Capital Leases (Non-Budgeted)										(96,117)
Accounts Payable Cancelled										
Transfers In										
Transfers Out	(1,052)	773	(16,994)	(1,229)	(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	\$ 404,012	\$ 342,183	\$ (49,552)	\$ 229,945	\$ 709,177	\$ 882,936	\$ (133,603)	\$ 342,272	\$ (96,260)	\$ (251,141)
Debt Service as a Percentage of Noncapital Expenditures	4.99%	4.90%	4.77%	4.91%	4.89%	4.69%	4.60%	4.69%	4.48%	4.17%

Source: Borough of Demarest School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
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
2017	217,340	135,051	13,843	24,775	43,671

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,	Total Assessed				Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
	Vacant Land	Residential	Commercial	Apartment				
2007	\$ 25,416,600	\$ 1,078,919,200	\$ 37,029,400	\$ 1,350,000	\$ 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	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	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	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	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	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	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	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	85,020	1,276,192,720	1,501,723,835	1.000
2016	12,763,100	1,240,829,500	36,920,200	1,350,000	85,020	1,291,947,820	1,291,947,820	1.000

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

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

b Tax rates are per \$100

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
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
2016	0.951	0.049	1.000	0.567	0.590	0.288	2.445

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

	<u>2017</u>		<u>2008</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%		
Lavie Management Co. LLC	4,232,600	0.34%		
Taxpayer #1	4,220,100	0.34%	NOT AVAILABLE	
Taxpayer #2	4,120,000	0.33%		
Taxpayer #3	4,063,000	0.32%		
Taxpayer #4	3,768,400	0.30%		
Taxpayer #5	3,598,200	0.29%		
Taxpayer #6	3,532,000	0.28%		
Taxpayer #7	3,330,600	0.27%		
Taxpayer #8	3,039,900	0.24%		
Total	<u>\$ 66,228,600</u>	<u>5.29%</u>		

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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 -
2017	13,370,145	13,370,145	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)

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)			
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	1.53%	1,163
2016	5,220,000	177,439		5,397,439	1.42%	1,079
2017	4,590,000	211,617		4,801,617	1.27%	960

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

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		
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%	1,044
2017	4,590,000	4,590,000	0.36%	918

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

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

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

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 7,264,990	100.00%	\$ 7,264,990
Northern Valley Regional High School	22,832,000	16.00%	3,653,120
Bergen County General Obligation Debt	1,205,030,344	0.77%	<u>9,268,880</u>
Subtotal, Overlapping Debt			20,186,990
Demarest Borough School District Direct Debt			<u>4,801,617</u>
Total Direct and Overlapping Debt			<u><u>\$ 24,988,607</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized valuation basis					
2014	\$	1,489,954,364			
2015		1,497,603,216			
2016		1,554,027,186			
	\$	4,541,584,766			
Average equalized valuation of taxable property	\$	1,513,861,589			
Debt limit @ (3 % of average equalization value) ^a	\$	45,415,848			
Total Net Debt Applicable to Limit		4,801,617			
Legal debt margin	\$	40,614,231			

	Fiscal Year									
	2008	2009	2010	2011	2012					
Debt limit	\$	39,243,153	\$	41,679,182	\$	42,585,059	\$	42,710,003	\$	41,880,743
Total net debt applicable to limit		7,940,000		7,675,000		7,380,000		7,060,000		6,740,000
Legal debt margin	\$	31,303,153	\$	34,004,182	\$	35,205,059	\$	35,650,003	\$	35,140,743

Total net debt applicable to the limit as a percentage of debt limit

	Fiscal Year									
	2013	2014	2015	2016	2017					
Total net debt applicable to the limit as a percentage of debt limit	37.42%	18.41%	17.33%	16.53%	16.09%					
Debt limit	\$	41,145,890	\$	41,290,521	\$	42,719,096	\$	43,964,418	\$	45,415,848
Total net debt applicable to limit		6,395,000		6,025,000		5,635,000		5,397,439		4,801,617
Legal debt margin	\$	34,750,890	\$	35,265,521	\$	37,084,096	\$	38,566,979	\$	40,614,231

Total net debt applicable to the limit as a percentage of debt limit

Total net debt applicable to the limit as a percentage of debt limit	15.54%	14.59%	13.19%	12.28%	10.57%
--	--------	--------	--------	--------	--------

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.

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
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	383,037,450	75,849	3.40%
2016	5,000	379,245,000 **	75,849 *	2.90%
2017	5,000 **	379,245,000	75,849 *	N/A

* - Latest Bergen County per capita personal income available (2015) was used for calculation purposes.

** - Latest Demarest Borough population available (2016) 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

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>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>	<u>2017</u>
Instruction:										
Regular	49	51	51	57	57	59	60	50	50	56
Special education	21	21	21	13	13	13	14	17	25	31
Support Services:										
Student and instruction related services	15	16	16	24	24	24	25	30	31	24
School administrative services	2	2	2	2	2	2	2	6	6	5
General and business administrative services	11	11	11	12	12	12	12	6	6	6
Plant operations and maintenance	14	14	13	11	11	11	11	11	11	12
Food Service	1	1	1	1	1	1	1	6	4	4
Total	113	116	115	120	120	122	125	126	133	138

Source: District Personnel Records

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

Fiscal Year	Pupil/Teacher Ratio										
	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Elementary	Middle School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
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%
2017	671.0	14,528,426	21,652	12.71%	70	1:10.5	1:8.6	669.0	643.8	-1.2%	96.23%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<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	136	127	127	120	125	148	141	138	118	123
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	216	200	202	225	225	231	232	227	229	231
<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	313	329	329	325	305	292	309	316	318	311

Number of Schools at June 30, 2017
 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				
			2008	2009	2010	2011	2012
County Road School	N/A	22,645	\$ 68,673	\$ 36,361	\$ 46,158	\$ 33,390	\$ 38,244
Luther Lee Emerson	SP#201893	44,381	68,666	67,066	76,179	49,880	65,380
Demarest Middle	SP#201892	71,919	63,127	52,480	45,098	68,399	131,610
District Total		138,945	\$ 200,466	\$ 155,907	\$ 167,435	\$ 151,669	\$ 235,234

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	Gross Building Area (SF)	Fiscal Year				
			2013	2014	2015	2016	2017
County Road School	N/A	22,645	\$ 27,796	\$ 31,570	\$ 38,782	\$ 29,091	\$ 55,854
Luther Lee Emerson	SP#201893	44,381	54,476	61,872	51,079	57,014	75,316
Demarest Middle	SP#201892	71,919	88,278	100,263	67,578	92,391	89,567
District Total		138,945	\$ 170,550	\$ 193,705	\$ 157,439	\$ 178,496	\$ 220,737

*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, 2017
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, 2017
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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2017.

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.

Compliance and Other Matters

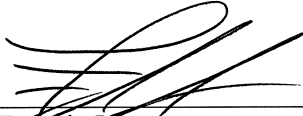
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

October 4, 2017
Mount Arlington, New Jersey


NISIVOCCIA LLP



Francis Jones
Certified Public Accountant
Licensed Public School Accountant #1154

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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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, 2017.

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.

October 4, 2017
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP



Francis Jones
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, 2017

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, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017	
					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-3090-17	7/1/16-6/30/17	\$ 1,685	\$ 1,685		\$ (1,685)			
IDEA Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA-3090-17	7/1/16-6/30/17	145,057		145,057	(145,057)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-17	7/1/16-6/30/17	10,373		10,373	(10,373)			
Total IDEA Special Education Cluster						157,115	(157,115)			
Total Special Revenue Fund						157,115	(157,115)			
Total Federal Awards					\$ -0-	\$ 157,115	\$ (157,115)	\$ -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, 2017**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017		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	\$ (14,096)	\$ 14,096	\$	\$	\$	\$	\$	\$ 291,599	
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	10,062	(486)	486						10,062	
Categorical Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	8,454	(409)	409						8,454	
PARCC Readiness Aid	16-495-034-5120-089	7/1/15 - 6/30/16	6,960	(336)	336						6,960	
Per Pupil Growth Aid	16-495-034-5120-089	7/1/15 - 6/30/16	6,960	(336)	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	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	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	(19,077)	19,077						393,021	
Categorical Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	290,307		267,991	\$	\$ (290,307)	\$	\$ (22,316)		290,307	
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	11,558		10,670		(11,558)		(888)		11,558	
Categorical Transportation Aid	17-495-035-5120-014	7/1/16 - 6/30/17	9,872		9,113		(9,872)		(759)		9,872	
PARCC Readiness Aid	17-495-034-5120-089	7/1/16 - 6/30/17	6,960		6,425		(6,960)		(535)		6,960	
Per Pupil Growth Aid	17-495-034-5120-089	7/1/16 - 6/30/17	6,960		6,425		(6,960)		(535)		6,960	
Professional Learning Community Aid	17-495-034-5120-089	7/1/16 - 6/30/17	6,820		6,296		(6,820)		(524)		6,820	
Extraordinary Special Education Costs	17-495-034-5120-044	7/1/16 - 6/30/17	294,650				(294,650)	\$ (294,650)	(294,650)		294,650	
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16 - 6/30/17	3,132				(3,132)	(3,132)	(3,132)		3,132	
TPAF Pension Contributions (non-budgeted)	17-495-034-5094-001	7/1/16 - 6/30/17	560,233		560,233		(560,233)				560,233	
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)	17-495-034-5094-002	7/1/16 - 6/30/17	483,714		483,714		(483,714)				483,714	
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)	17-495-034-5094-004	7/1/16 - 6/30/17	20,299		20,299		(20,299)				20,299	
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)	17-495-034-5094-004	7/1/16 - 6/30/17	1,621		1,621		(1,621)				1,621	
Reimbursed TPAF Social Security Contributions	17-495-034-5095-002	7/1/16 - 6/30/17	422,378		401,442		(422,378)	(20,936)	(20,936)		422,378	
Total General Fund				(265,326)	2,039,555		(2,118,504)	(318,718)	(318,718)		2,000,279	
Total New Jersey Department of Education				(265,326)	2,039,555		(2,118,504)	(318,718)	(318,718)		2,004,279	
Total State Awards				\$ (265,326)	\$ -0-	\$ 2,039,555	\$ (2,118,504)	\$ (318,718)	\$ -0-	\$ (344,275)	\$ 2,004,279	
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	\$ (560,233)				\$ 560,233					
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	(483,714)				483,714					
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	(20,299)				20,299					
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	(1,621)				1,621					
Subtotal - On-Behalf TPAF Pension System Contributions							1,065,867					
Total State Awards Subject to Single Audit Major Program Determination							\$ (1,052,637)					

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, 2017

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, 2017. 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 not 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 (\$9,894) 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.

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

	Federal	State	Total
General Fund		\$ 2,108,610	\$ 2,108,610
Special Revenue Fund	\$ 157,115		157,115
Total Awards	\$ 157,115	\$ 2,108,610	\$ 2,265,725

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017 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</u>	<u>Grant Period</u>	<u>Award</u>	<u>Budgetary</u>
	<u>Grant Number</u>		<u>Amount</u>	<u>Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	\$ 422,378	\$ 422,378

- 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, 2017
(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 2 CFR 200.516(a) of the Uniform Guidance and NJ OMB 15-08.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

There were no prior year findings.