

**BOROUGH OF DEMAREST**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2013**

# BOROUGH OF DEMAREST

## TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<b><u>PART I</u></b>		
	Independent Auditor's Report	1-3
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	5
A-2	Statement of Revenues – Regulatory Basis – Current Fund	6-7
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	8-12
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	13-14
B-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis – Assessment Trust Fund	15
B-2	Statement of Revenues – Regulatory Basis – Open Space Trust Fund	15
B-2A	Statement of Expenditures – Regulatory Basis – Open Space Trust Fund	15
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	16
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis	17
D	Comparative Balance Sheets – Regulatory Basis - General Fixed Assets Account Group	18
	Notes to Financial Statements	19-42
<b><u>Current Fund</u></b>		
A-4	Statement of Current Cash and Investments	43
A-5	Statement of Petty Cash Funds	44
A-6	Statement of Grants Receivable	44
A-7	Statement of Due To State of New Jersey for Senior Citizens' and Veterans' Deductions	44
A-8	Statement of Taxes Receivable and Analysis of Property Tax Levy	45
A-9	Statement of Property Acquired for Taxes (At Assessed Valuation)	46
A-10	Statement of Revenue Accounts Receivable	46
A-11	Statement of Miscellaneous Reserves and Deposits	46
A-12	Statement of 2012 Appropriation Reserves	47-48
A-13	Statement of Encumbrances Payable	49
A-14	Statement of Tax Overpayments	49
A-15	Statement of Prepaid Taxes	49
A-16	Statement of County Taxes Payable	50
A-17	Statement of Regional High School Taxes Payable	50
A-18	Statement of Local School District Taxes Payable	50
A-19	Statement of Appropriated Reserves for Federal and State Grants	51
A-20	Statement of Unappropriated Reserves for Federal and State Grants	51
A-21	Statement of Health Fees Payable	52
A-22	Statement of Accounts Payable	52
A-23	Statement of Deferred Charges	52
A-24	Statement of Due to LOSAP Trust Fund	53
A-25	Statement of Accrued Salaries and Wages Payable	53

# BOROUGH OF DEMAREST

## TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
	<b><u>Trust Funds</u></b>	
B-3	Statement of Trust Cash	54
B-4	Statement of Assessment Cash and Investment	55
B-5	Statement of Assessments Receivable	55
B-6	Statement of Due To State of New Jersey - Animal Control Fees	56
B-7	Statement of Reserve for Animal Control Expenditures	56
B-8	Statement of Miscellaneous Reserves – Other Trust Fund	56
B-9	Statement of Escrow Deposits – Other Trust Fund	57
B-10	Statement of Reserve for Unemployment Insurance Claims – Unemployment Insurance Trust Fund	57
B-11	Statement of Due to State Unemployment Insurance Trust Fund	57
B-12	Statement of Due to Current – Unemployment Insurance Trust Fund	58
B-13	Statement of Due to Current Fund – Assessment Trust Fund	58
B-14	Statement of Due from Current Fund – Other Trust Fund	58
B-15	Statement of Interfunds Payable – Other Trust Fund - Payroll	58
B-16	Statement of Reserve for Assessments – Assessment Trust Fund	59
B-17	Statement of Payroll Deductions Payable – Other Trust Fund	59
B-18	Statement of Reserve for Open Space Expenditures – Open Space Preservation Trust Fund	59
B-19	Statement of Due from Current Fund – Open Space Preservation Trust Fund	60
B-20	Statement of Reserve for Affordable Housing Fees	60
B-21	Statement of Reserve for Community Development	60
	<b><u>General Capital Fund</u></b>	
C-2	Statement of General Capital Cash	61
C-3	Analysis of General Capital Cash	62
C-4	Statement of Due To/(From) Current Fund	63
C-5	Statement of Deferred Charges to Future Taxation - Funded	63
C-6	Statement of Deferred Charges to Future Taxation - Unfunded	64
C-7	Statement of Accounts Receivable	65
C-8	Statement of Improvement Authorizations	66
C-9	Statement of Encumbrances Payable	67
C-10	Statement of Reserve for Payment of Bonds	67
C-11	Statement of General Serial Bonds	68
C-12	Statement of Green Acres Loans Payable	69
C-13	Statement of Capital Improvement Fund	69
C-14	Statement of Prospective Assessment to be Raised by Taxation	69
C-15	Statement of Bond Anticipation Notes	70
C-16	Statement of Bonds and Notes Authorized But Not Issued	71

**BOROUGH OF DEMAREST**

**TABLE OF CONTENTS  
(Continued)**

<u>Exhibits</u>		<u>Page</u>
	<b><u>Part II</u></b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report	72-73
Schedule 1	Schedule of Expenditures of Federal Awards	74
Schedule 2	Schedule of Expenditures of State Financial Assistance	75-76
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	77-78
	Schedule of Findings and Responses	79-80
	Schedule of Prior Year Audit Findings	81
	<b><u>Part III</u></b>	
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund	82
	Comparative Schedule of Tax Rate Information	83
	Comparison of Tax Levies and Collection Currently	83
	Delinquent Taxes	84
	Property Acquired by Tax Title Lien Liquidation	84
	Comparative Schedule of Fund Balance	84
	Officials in Office and Surety Bonds	85
	General Comments	86-88
	Recommendations	89

**BOROUGH OF DEMAREST**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Demarest, as of December 31, 2013 and 2012, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

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

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

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

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

In our opinion, because of the significance of the requirement that the Borough of Demarest prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Demarest as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

### ***Basis for Modified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 32 percent and 25 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

### ***Modified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Modified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Demarest as of December 31, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2013 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

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

The Borough has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

*Other Information*

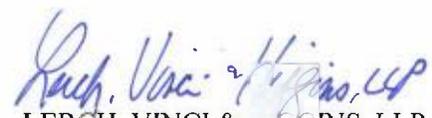
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Demarest as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Demarest.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014 on our consideration of the Borough of Demarest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Demarest's internal control over financial reporting and compliance.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
June 30, 2014

**BOROUGH OF DEMAREST**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash and Investments	A-4	\$ 1,954,981	\$ 1,222,981
Cash - Change Funds	A	300	300
Cash - Petty Cash	A-5	200	450
Grants Receivable	A-6	<u>32,139</u>	<u>28,321</u>
		<u>1,987,620</u>	<u>1,252,052</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	360,539	450,175
Property Acquired for Taxes - Assessed Value	A-9	67,444	67,444
Due from Unemployment Trust Fund	B-12	-	10,719
Due from Assessment Trust Fund	B-13	30	360
Revenue Accounts Receivable	A-10	<u>2,474</u>	<u>17,606</u>
		<u>430,487</u>	<u>546,304</u>
Deferred Charges			
Overexpenditure of Appropriation Reserve	A-23	-	49,280
Overexpenditure of Appropriations	A-23	-	1,931
Emergency Appropriation	A-23	<u>-</u>	<u>45,000</u>
		<u>-</u>	<u>96,211</u>
Total Assets		<u>\$ 2,418,107</u>	<u>\$ 1,894,567</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Liabilities			
Appropriation Reserves	A-3,A-12	\$ 409,365	\$ 329,390
Accounts Payable	A-22	81,124	44,975
Accrued Salaries and Wages Payable	A-25	1,228	
Encumbrances Payable	A-13	142,517	116,754
Due to State - Senior Citizens and Veterans	A-7	9,836	9,586
Due to Open Space Trust Fund	B-19	63,165	187
Due to General Capital Fund	C-4	-	47,139
Due to Other Trust Fund	B-14	7,465	1,142
Due to LOSAP Trust Fund	A-24	68,000	66,500
Prepaid Taxes	A-15	330,496	199,617
Miscellaneous Reserves and Deposits	A-11	19,067	19,067
Tax Overpayments	A-14	25,886	6,115
County Taxes Payable	A-16	29,067	19,492
Reserve for Grants			
Appropriated	A-19	94,124	63,601
Unappropriated	A-20	<u>13,021</u>	<u>5,814</u>
		<u>1,294,361</u>	<u>929,379</u>
Reserve for Receivables and Other Assets	A	430,487	546,304
Fund Balance	A-1	<u>693,259</u>	<u>418,884</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,418,107</u>	<u>\$ 1,894,567</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 206,000	\$ 510,000
Miscellaneous Revenue Anticipated	A-2	884,775	907,078
Receipts from Delinquent Taxes	A-2	450,973	236,738
Receipts from Current Taxes	A-2	29,299,721	28,176,908
Non-Budget Revenue	A-2	127,934	163,167
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-12	171,659	47,417
Cancellation of Accounts Payable	A-1		14,688
Cancellation of Due to LOSAP Payable	A-24	10,566	
Tax Overpayments Cancelled	A-1	-	86,998
Prior Year Interfunds Returned	A	11,079	280
		<u>31,162,707</u>	<u>30,143,274</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	2,842,529	3,086,132
Other Expenses	A-3	3,353,786	3,300,250
Capital Improvements	A-3	55,215	-
Municipal Debt Service	A-3	745,914	636,011
Deferred Charges and Statutory Expenditures	A-3	828,282	696,490
County Taxes	A-16	3,184,824	2,965,694
County Share of Added and Omitted Taxes	A-16	29,100	19,525
Local District School Taxes	A-18	12,522,022	12,275,514
Regional High School District Tax	A-17	6,886,515	6,887,056
Municipal Open Space Tax	B-18	63,165	38
Interfund Advance	A	30	360
Prior Year Tax Adjustment	A-14	143,231	-
Refund of Prior Year Revenue	A-4	26,904	19,547
Prior Year Senior Citizen Deductions Disallowed	A-7	815	4,250
		<u>30,682,332</u>	<u>29,890,867</u>
Excess in Revenue		480,375	252,407
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred			
Charges to Budget of Succeeding Year	A	-	46,931
Statutory Excess to Fund Balance		480,375	299,338
Fund Balance, January 1	A	418,884	629,546
		899,259	928,884
Decreased by:			
Utilization as Anticipated Revenue	A-2	206,000	510,000
Fund Balance, December 31	A	<u>\$ 693,259</u>	<u>\$ 418,884</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	<u>Budget</u>	<u>Added by NJS 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<b>FUND BALANCE ANTICIPATED</b>	A-1	\$ 206,000	-	\$ 206,000	-
<b>MISCELLANEOUS REVENUES</b>					
Licenses					
Alcoholic Beverages	A-10	2,000		2,000	\$ -
Fees and Permits	A-10	10,300		18,108	7,808
Fines and Costs					
Municipal Court	A-10	42,700		37,358	(5,342)
Interest and Cost on Taxes	A-2	66,400		72,598	6,198
Energy Receipts Tax	A-10	405,840		405,840	
Uniform Construction Code Fees	A-10	178,700		164,778	(13,922)
Public and Private Revenues Offset With Appropriations					
Alcohol Education and Rehabilitation - Reserve	A-20	270		270	
Body Armor Grant - Reserve	A-20	1,726		1,726	
Clean Communities	A-6	13,100		13,100	
Sewer User Fees-Additional	A-10	30,000		35,250	5,250
Reimbursement-Trash Collection	A-10	22,200		22,500	300
Construction Resales	A-10	6,700		7,055	355
Cable TV Franchise	A-10	66,144		66,165	21
Crossing Guards-NVRHS	A-10	36,000	-	38,027	2,027
Total Miscellaneous Revenues	A-1	882,080	-	884,775	2,695
<b>RECEIPTS FROM DELINQUENT TAXES</b>	A-8	450,000	-	450,973	973
<b>AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET</b>					
Local Tax for Municipal Purposes Including					
Reserve for Uncollected Taxes	A-2,A-8	6,288,460		6,614,807	326,347
Minimum Library Tax	A-2,A-8	457,878	-	457,878	-
Total Amount to be Raised by Taxes for Support of Municipal Budget		6,746,338	-	7,072,685	326,347
Total General Revenues		\$ 8,284,418	\$ -	8,614,433	\$ 330,015
<b>Non-Budget Revenue</b>	A-2			127,934	
				<u>\$ 8,742,367</u>	

**BOROUGH OF DEMAREST  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Reference

**ANALYSIS OF REALIZED REVENUES**

Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 29,299,721
Allocated to		
School, County and Open Space Taxes	A-16,A-17,A-18,B-18	<u>22,685,626</u>
		6,614,095
 Add: Appropriation for Reserve for Uncollected Taxes	 A-3	 <u>458,590</u>
 Balance for Supporting Municipal Budget Appropriations	 A-2	 <u>\$ 7,072,685</u>
 Interest and Costs on Taxes		
Revenue Accounts Receivable	A-10	\$ 72,568
Due from Assessment Trust Fund	B-13	<u>30</u>
	A-2	<u>\$ 72,598</u>

**ANALYSIS OF NON-BUDGET REVENUE**

Senior/Veteran Admin Fee		\$ 584
Miscellaneous		15,107
Pilot Fee		3,000
FEMA Reimbursement		102,232
BJIF Dividend		<u>7,011</u>
	A-2,A-4	<u>\$ 127,934</u>

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Administrative and Executive					
Salaries and Wages	\$ 32,300	\$ 32,300	\$ 30,476	\$ 1,824	
Mayor and Council					
Salaries and Wages	5,500	5,500	4,000	1,500	
Other Expenses	3,500	3,500	816	2,684	
Municipal Clerk					
Salaries and Wages	54,314	54,314	54,064	250	
Other Expenses	29,250	29,250	28,913	337	
Elections					
Other Expenses	7,000	7,000	3,988	3,012	
Financial Administration					
Salaries and Wages	32,500	30,800	30,795	5	
Other Expenses	44,150	44,150	31,523	12,627	
Audit Services					
Other Expenses	33,900	33,900	-	33,900	
Revenue Administration					
Salaries and Wages	72,500	74,200	74,049	151	
Other Expenses	2,310	2,310	735	1,575	
Assessment of Taxes					
Salaries and Wages	18,421	18,421	18,421		
Other Expenses	1,050	1,550	1,293	257	
Legal Services and Costs					
Other Expenses	85,000	85,000	77,086	7,914	
Engineering Services and Costs					
Other Expenses	30,540	27,640	16,627	11,013	
Historical Sites					
Other Expenses	1,500	1,500	-	1,500	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	850	850	417	433	
Other Expenses	2,100	2,100	1,637	463	
Zoning Board of Adjustment					
Salaries and Wages	850	850	328	522	
Other Expenses	2,800	2,800	1,446	1,354	
Insurance					
Other Insurance					
Liability	83,200	83,200	83,200		
Worker's Compensation	112,170	112,170	104,062	8,108	
Health Benefits	578,500	580,400	508,726	71,674	
<b>PUBLIC SAFETY</b>					
Fire Department					
Other Expenses	43,275	43,275	41,673	1,602	
Fire Hydrant Services	99,000	99,000	90,150	8,850	
Municipal Prosecutor					
Salaries and Wages	6,752	6,752	6,002	750	
Police Department					
Salaries and Wages	1,939,593	1,924,593	1,895,292	29,301	
Other Expenses	143,000	143,000	126,781	16,219	
Contribution to First Aid Organization	28,950	28,950	28,950	-	
Office of Emergency Management					
Other Expenses	6,000	6,000	2,295	3,705	

**BOROUGH OF DEMAREST  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS" (Cont'd)</b>					
<b>PUBLIC WORKS FUNCTIONS</b>					
Solid Waste Collection					
Sanitation-Contractual	\$ 497,000	\$ 497,000	\$ 478,527	\$ 18,473	
Public Buildings and Grounds					
Other Expenses	31,300	38,300	36,566	1,734	
Streets and Roads Maintenance					
Salaries and Wages	532,689	532,689	531,758	931	
Other Expenses	28,650	31,650	29,724	1,926	
Shade Tree Commission					
Other Expenses	22,500	22,500	22,500	-	
Recycling					
Salaries and Wages	750	750	750	-	
Borough Mechanic					
Salaries and Wages	33,000	34,500	33,407	1,093	
Other Expenses	67,350	65,050	60,981	4,069	
Fire Prevention					
Salaries and Wages	6,353	6,753	6,659	94	
Other Expenses	500	500	325	175	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Board of Health					
Salaries and Wages	1,500	1,500	639	861	
Other Expenses	24,547	24,547	18,873	5,674	
Environmental Comm. (NJSA 40:56D-1 et seq.)					
Other Expenses	2,750	2,750	1,026	1,724	
Occupational Safety and Health Act (P.L. 1983, C. 516)	9,845	10,845	10,473	372	
Parks and Playgrounds					
Other Expenses	3,800	3,800	1,933	1,867	
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	2,500	2,500	1,533	967	
Municipal Court					
Salaries and Wages	25,500	24,500	19,734	4,766	
Other Expenses	5,575	6,575	5,485	1,090	
<b>UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)</b>					
Construction Code Official					
Salaries and Wages	64,587	64,287	60,192	4,095	
Other Expenses	1,100	1,100	815	285	

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS" (Cont'd)</b>					
<b>UNIFORM CONSTRUCTION CODE</b>					
<b>APPROPRIATIONS OFFSET BY</b>					
<b>DEDICATED REVENUES (N.J.A.C. 5:23-4-17) (Continued)</b>					
Sub-Code Officials					
Plumbing Sub-Code Officials					
Salaries and Wages	\$ 6,000	\$ 6,300	\$ 6,035	\$ 265	
Fire Protection Sub-Code Official					
Salaries and Wages	6,570	6,170	6,164	6	
Electrical Sub-Code Official					
Salaries and Wages	15,000	15,000	15,000		
<b>UNCLASSIFIED:</b>					
Gasoline	73,500	73,500	58,309	15,191	
Telephone Services	55,600	62,600	60,161	2,439	
Electricity	65,000	36,000	33,050	2,950	
Water	6,000	6,000	3,181	2,819	
Gas (Natural or Propane)	22,500	23,500	20,815	2,685	
Telecommunication Costs	1,000	1,000		1,000	
Street Lighting	72,000	101,000	98,924	2,076	
Sewerage Processing and Disposal					
Salaries and Wages	1,500	1,500	1,500	-	
Other Expenses	500	500	-	500	-
Total Operations Within "CAPS"	5,187,741	5,190,441	4,888,784	301,657	-
Contingent	5,000	5,000	4,165	835	-
Total Operations Including Contingent - Within "CAPS"	5,192,741	5,195,441	4,892,949	302,492	-
Detail:					
Salaries and Wages	2,857,029	2,842,529	2,795,682	46,847	-
Other Expenses (Including Contingent)	2,335,712	2,352,912	2,097,267	255,645	-
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</b>					
<b>DEFERRED CHARGES</b>					
Overexpenditure of Appropriation Reserves	49,280	49,280	49,280		
Overexpenditure of Appropriations	1,931	1,931	1,931		
<b>STATUTORY CHARGES</b>					
Social Security System (O.A.S.I.)	140,282	136,782	121,012	15,770	
Police and Fireman's Retirement System of NJ	455,344	455,344	455,344		
Public Employees Retirement System	134,379	134,379	134,378	1	-
Interest on Delinquent 2012 Appropriation					
Police and Fireman's Retirement System of NJ	4,228	4,228	4,228		
Public Employees Retirement System	1,338	1,338	1,338	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	786,782	783,282	767,511	15,771	-
Total General Appropriations for Municipal Purposes Within "CAPS"	5,979,523	5,978,723	5,660,460	318,263	-

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
Maintenance of Free Public Library	\$ 457,878	\$ 457,878	\$ 413,084	\$ 44,794	
Length of Service Awards Program (LOSAP)	68,000	68,000	68,000	-	
NJPDES Stormwater Permit					
Street Division - Other Expenses	1,200	2,000	1,292	708	
NJPDES Landfill Discharge	-	-	-	-	
Landfill Division - Other Expenses	200	200	30	170	
Sewer Charges					
Bergen County Utilities Authority	427,400	427,400	427,366	34	
Borough of Cresskill	20,000	20,000	-	20,000	-
Recycling Tax	10,300	10,300	-	10,300	-
	<u>984,978</u>	<u>985,778</u>	<u>909,772</u>	<u>76,006</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"					
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>					
Alcohol Ed/Rehab Fund	270	270		270	
Police Body Armor	1,726	1,726		1,726	
Clean Communities	13,100	13,100	-	13,100	-
	<u>15,096</u>	<u>15,096</u>	<u>-</u>	<u>15,096</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
Total Operations Excluded from "CAPS"	<u>1,000,074</u>	<u>1,000,874</u>	<u>909,772</u>	<u>91,102</u>	<u>-</u>
Detail:					
Other Expenses (Including Contingent)	<u>1,000,074</u>	<u>1,000,874</u>	<u>909,772</u>	<u>91,102</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	<u>55,215</u>	<u>55,215</u>	<u>55,215</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>55,215</u>	<u>55,215</u>	<u>55,215</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	435,000	435,000	435,000		
Payment of Bond Anticipation Notes and Capital Notes	220,102	220,102	220,102		
Interest on Bonds	44,038	44,038	44,037		\$ 1
Interest on Notes	42,672	42,672	42,672		
Green Trust Loan Program					
Estimated Loan Repayments for Principal and Interest	4,204	4,204	4,103	-	101
	<u>746,016</u>	<u>746,016</u>	<u>745,914</u>	<u>-</u>	<u>102</u>
Total Municipal Debt Service Excluded from "CAPS"					

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>	<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"</b>					
Emergency Authorizations	\$ 45,000	\$ 45,000	\$ 45,000	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,846,305</u>	<u>1,847,105</u>	<u>1,755,901</u>	\$ 91,102	\$ 102
Subtotal General Appropriations	7,825,828	7,825,828	7,416,361	409,365	102
Reserve for Uncollected Taxes	<u>458,590</u>	<u>458,590</u>	<u>458,590</u>	-	-
Total General Appropriations	<u>\$ 8,284,418</u>	<u>\$ 8,284,418</u>	<u>\$ 7,874,951</u>	<u>\$ 409,365</u>	<u>\$ 102</u>
	<u>Reference</u>			A	
Budget as Adopted	A-2	<u>\$ 8,284,418</u>			
Cash Disbursed	A-4		\$ 7,109,633		
Encumbrances Payable	A-13		142,517		
Due to LOSAP Trust Fund	A-24		68,000		
Reserve for Uncollected Taxes	A-2		458,590		
Deferred Charges	A-23		<u>96,211</u>		
			<u>\$ 7,874,951</u>		

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
<b>ASSESSMENT TRUST FUND</b>			
Cash	B-3,B-4	\$ 11,039	\$ 11,049
Assessments Receivable	B-5	<u>-</u>	<u>320</u>
		<u>11,039</u>	<u>11,369</u>
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	<u>9,391</u>	<u>7,465</u>
		<u>9,391</u>	<u>7,465</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	1,083,243	1,250,186
Due from Current Fund	B-14	<u>7,465</u>	<u>1,142</u>
		<u>1,090,708</u>	<u>1,251,328</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-3	12,662	463
Due from Other Trust Fund	B-15	<u>3,345</u>	<u>22,321</u>
		<u>16,007</u>	<u>22,784</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Cash	B-3	237,086	236,663
Due from Current Fund	B-19	<u>63,165</u>	<u>187</u>
		<u>300,251</u>	<u>236,850</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>			
Investments	B	612,105	435,152
Due from Current Fund	A-3, A-24	<u>68,000</u>	<u>66,500</u>
		<u>680,105</u>	<u>501,652</u>
Total Assets		<u>\$ 2,107,501</u>	<u>\$ 2,031,448</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ASSESSMENT TRUST FUND</b>			
Due to Current Fund	B-13	\$ 30	\$ 360
Reserve for Assessments Receivable	B-16	-	320
Fund Balance	B-1	<u>11,009</u>	<u>10,689</u>
		<u>11,039</u>	<u>11,369</u>
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-6	2	12
Reserve for Animal Control Expenditures	B-7	<u>9,389</u>	<u>7,453</u>
		<u>9,391</u>	<u>7,465</u>
<b>OTHER TRUST FUND</b>			
Miscellaneous Reserves	B-8	139,319	81,811
Escrow Deposits	B-9	596,563	564,311
Due to Unemployment Insurance Trust Fund - Payroll	B-15	3,345	22,321
Payroll Deductions Payable	B-17	21,884	84,318
Affordable Housing Fees	B-20	327,043	496,013
Reserve for Community Development	B-21	<u>2,554</u>	<u>2,554</u>
		<u>1,090,708</u>	<u>1,251,328</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Reserve for Unemployment Compensation Claims	B-10	5,523	11,175
Due to State of New Jersey	B-11	10,484	890
Due to Current Fund	B-12	<u>-</u>	<u>10,719</u>
		<u>16,007</u>	<u>22,784</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Reserve for Open Space Expenditures	B-18	<u>300,251</u>	<u>236,850</u>
		<u>300,251</u>	<u>236,850</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>			
Reserve for Length of Service Awards Program	B	<u>680,105</u>	<u>501,652</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,107,501</u>	<u>\$ 2,031,448</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - ASSESSMENT TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1 (Deficit)	B	\$ 10,689	\$ 2,496
Increased by:			
Collection of Unpledged Assessments	B-4	<u>320</u>	<u>8,193</u>
Balance, December 31		<u>\$ 11,009</u>	<u>\$ 10,689</u>

EXHIBIT B-2

**STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-18	<u>62,637</u>	\$ 63,165	\$ 528
		<u>\$ 62,637</u>	63,165	<u>\$ 528</u>
Non-Budget				
Interest Earned	B-18		<u>236</u>	
			<u>\$ 63,401</u>	

EXHIBIT B-2A

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Reserve for Future Use	<u>\$ 62,637</u>	<u>\$ -</u>	<u>\$ 62,637</u>

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash and Investments	C-2,C-3	\$ 826,319	\$ 843,999
Accounts Receivable	C-7	659,176	622,797
Due from Current Fund	C-4	-	47,139
Prospective Assessment to be Raised by Taxation	C-14	9,000	9,000
Deferred Charges to Future Taxation			
Funded	C-5	933,803	1,372,574
Unfunded	C-6	<u>6,466,810</u>	<u>6,561,423</u>
 Total Assets		 <u>\$ 8,895,108</u>	 <u>\$ 9,456,932</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Improvement Authorization			
Funded	C-8	\$ 215,331	\$ 243,255
Unfunded	C-8	1,423,149	1,609,361
Encumbrances Payable	C-9	270,334	199,155
Serial Bonds Payable	C-11	920,000	1,355,000
Green Acres Loan Payable	C-12	13,803	17,574
Bond Anticipation Notes Payable	C-15	5,469,000	5,536,500
Reserve for Payment of Bonds	C-10	10,849	10,849
Reserve for Grants Receivable	C-7	466,736	430,357
Reserve for Prospective Assessment to be Raised by Taxation	C-14	9,000	9,000
Capital Improvement Fund	C-13	51,025	-
Fund Balance	C-1	<u>45,881</u>	<u>45,881</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 8,895,108</u>	 <u>\$ 9,456,932</u>

There were bonds and notes authorized but not issued of \$1,051,921 and \$1,044,056 on December 31, 2013 and 2012, respectively. (Exhibit C-16).

**BOROUGH OF DEMAREST**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 45,881	\$ 25,647
Increased by:			
Premium on Sale of Bond Anticipation Notes	C-1	<u>-</u>	<u>20,234</u>
Balance, December 31	C	<u>\$ 45,881</u>	<u>\$ 45,881</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Land	\$ 32,527,400	\$ 32,527,400
Construction In Progress	-	329,671
Buildings and Building Improvements	3,273,312	2,914,319
Machinery and Equipment	<u>4,659,990</u>	<u>4,449,364</u>
	<u>\$ 40,460,702</u>	<u>\$ 40,220,754</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 40,460,702</u>	<u>\$ 40,220,754</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Demarest (the "Borough") was incorporated in 1903 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

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

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

The Borough has the following funds and account group:

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

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

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

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

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

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Open Space Preservation Trust Fund - This fund is used to account for the resources which have accumulated from a dedicated tax to be used for the preservation of open space, recreation and farm land property.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

**Financial Statements – Regulatory Basis**

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

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

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

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

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a tax payer with a delinquency in excess of \$10,000 who fails to pay that delinquency paid to the end of the year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

Fixed Assets purchased after December 31, 1992 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1992 are stated as follows:

Land and Buildings	Assessed Value as of December 31, 1992
Machinery and Equipment	Replacement Cost as of December 31, 1992

No depreciation has been provided for in the financial statements.

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

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

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

**Reclassifications** - Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds (Except Open Space Preservation Trust Fund)  
General Capital Fund

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**A. Budgets and Budgetary Accounting (Continued)**

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012 the Borough Council increased the original budget by \$45,000. The increase was attributable to an emergency resolution for police vehicles and DPW overtime in 2012. The 2013 original budget was not increased. In addition, the governing body approved several budget transfers during 2013 and 2012.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

**A. Deposits**

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$4,135,221 and \$4,947,534 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,291,616 and \$4,947,534, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 4,291,616	\$ 4,947,534

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. However, as of December 31, 2013 and 2012, none of the Borough’s bank balances were exposed to custodial risk.

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2013 and 2012, the Borough had the following investments:

	Reported Amount/Fair Value	
	2013	2012
Investments:		
Lincoln Financial-Length of Service Award Program (Fair Value-Unaudited)	\$ 612,105	\$ 435,152

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2013 and 2012, \$612,105 and \$435,152 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department in the Borough's name	\$ 612,105	\$ 435,152

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**B. Investments (Continued)**

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2013 and 2012, the Borough's investment with Lincoln Financial was rated Baa1 and Baa2, respectively, by Moody's Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough's investments are in Lincoln Financial. These investments are 100% of the Borough's total investments.

The fair value of the above-listed investment was based on quoted market prices.

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

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	<u>\$360,539</u>	<u>\$450,175</u>

In 2013 and 2012, the Borough collected \$450,973 and \$236,738 from delinquent taxes, which represented 100% and 96% of the prior year delinquent taxes receivable balance.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 30	\$ 138,630	\$ 11,079	\$ 114,968
Trust Fund:				
Assessment Trust		30		360
Open Space Preservation Trust Fund	63,165	-	187	22,321
Other Trust Fund	7,465	3,345	1,142	
Unemployment Insurance Trust Fund	3,345	-	22,321	10,719
LOSAP Trust Fund	68,000	-	66,500	
General Capital Fund	-	-	47,139	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 142,005</u>	<u>\$ 142,005</u>	<u>\$ 148,368</u>	<u>\$ 148,368</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenues received by one fund on behalf of another.

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

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

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012 the following deferred charges are reported on the Current Fund balance sheet.

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2012</u>			
Current Fund			
Overexpenditure of Appropriations	\$1,931	\$1,931	
Overexpenditure of Appropriation Reserves	49,280	49,290	
Emergency Authorization	45,000	45,000	

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	Fund Balance December 31, <u>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 661,120	\$ 189,900	\$ 294,352	\$ 206,000
Non-Cash Surplus	<u>32,139</u>	<u>-</u>	<u>124,532</u>	<u>-</u>
	<u>\$ 693,259</u>	<u>\$ 189,900</u>	<u>\$ 418,884</u>	<u>\$ 206,000</u>

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<b><u>2013</u></b>				
Land	\$ 32,527,400			\$ 32,527,400
Construction in Progress	329,671	\$ 29,322	\$ 358,993	-
Buildings and Building Improvements	2,914,319	358,993		3,273,312
Machinery and Equipment	<u>4,449,364</u>	<u>210,626</u>	<u>-</u>	<u>4,659,990</u>
	<u>\$ 40,220,754</u>	<u>\$ 598,941</u>	<u>\$ 358,993</u>	<u>\$ 40,460,702</u>
	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<b><u>2012</u></b>				
Land	\$ 32,527,400			\$ 32,527,400
Construction in Progress	177,595	\$ 152,076		329,671
Buildings and Building Improvements	2,914,319			2,914,319
Machinery and Equipment	<u>4,404,661</u>	<u>64,803</u>	<u>\$ 20,100</u>	<u>4,449,364</u>
	<u>\$ 40,023,975</u>	<u>\$ 216,879</u>	<u>\$ 20,100</u>	<u>\$ 40,220,754</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 6,402,803	\$ 6,909,074
Less Funds Temporarily Held to Pay Bonds and Notes	<u>64,960</u>	<u>29,982</u>
Net Debt Issued	6,337,843	6,879,092
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,051,921</u>	<u>1,044,056</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,389,764</u>	<u>\$ 7,923,148</u>

**BOROUGH OF DEMAREST  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .58% and .58% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2013</u></b>			
General Debt	\$ 7,454,724	\$ 64,960	\$ 7,389,764
School Debt	<u>8,723,967</u>	<u>8,723,967</u>	<u>-</u>
Total	<u>\$ 16,178,691</u>	<u>\$ 8,788,927</u>	<u>\$ 7,389,764</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2012</u></b>			
General Debt	\$ 7,953,130	\$ 29,982	\$ 7,923,148
School Debt	<u>9,206,731</u>	<u>9,206,731</u>	<u>-</u>
Total	<u>\$ 17,159,861</u>	<u>\$ 9,236,713</u>	<u>\$ 7,923,148</u>

**Statutory Borrowing Power**

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 48,172,275	\$ 48,003,538
Net Debt	<u>7,389,764</u>	<u>7,923,148</u>
Remaining Borrowing Power	<u>\$ 40,782,511</u>	<u>\$ 40,080,390</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The Borough's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
\$4,655,000 2003 General Improvement Bonds, due in annual installments of \$450,000 to \$470,000 through December 15, 2015, interest at 3.00-3.25%	\$ 920,000	\$ 1,355,000
	<u>\$ 920,000</u>	<u>\$ 1,355,000</u>

**General Intergovernmental Loans Payable**

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the development of Wakelee Field Recreation Center. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
\$65,984, 1999 Loans, due in Semi-annual installments of \$2,033 to \$4,002 through January, 2017, interest at 2.0%	\$ 13,803	\$ 17,574
	<u>\$ 13,803</u>	<u>\$ 17,574</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	General		Green Acres Loan		Total
	Principal	Interest	Principal	Interest	
2014	\$ 450,000	\$ 29,900	\$ 3,846	\$ 255	\$ 484,001
2015	470,000	15,275	3,923	180	489,378
2016			4,002	101	4,103
2017	-	-	2,032	20	2,052
Total	\$ 920,000	\$ 45,175	\$ 13,803	\$ 556	\$ 979,534

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>				
General Capital Fund				
Bonds Payable	\$ 1,355,000	\$ 435,000	\$ 920,000	\$ 450,000
Intergovernmental Loans Payable	<u>17,574</u>	<u>3,771</u>	<u>13,803</u>	<u>3,846</u>
General Capital Fund Long-Term Liabilities	<u>\$ 1,372,574</u>	<u>\$ 438,771</u>	<u>\$ 933,803</u>	<u>\$ 453,846</u>
	Balance, December 31, <u>2011</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<b><u>2012</u></b>				
General Capital Fund				
Bonds Payable	\$ 1,775,000	\$ 420,000	\$ 1,355,000	\$ 435,000
Intergovernmental Loans Payable	<u>21,270</u>	<u>3,696</u>	<u>17,574</u>	<u>3,771</u>
General Capital Fund Long-Term Liabilities	<u>\$ 1,796,270</u>	<u>\$ 423,696</u>	<u>\$ 1,372,574</u>	<u>\$ 438,771</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

**Bond Anticipation Notes**

<u>2013</u>		Rate	Maturity	Balance,	Renewed/	Retired/	Balance,
	<u>Purpose</u>	(%)	<u>Date</u>	December 31, <u>2012</u>	<u>Issued</u>	<u>Redeemed</u>	December 31, <u>2013</u>
	Various Capital Improvements	0.59%	2/14/2014	\$ 2,748,850	\$ 2,622,748	\$ 2,748,850	\$ 2,622,748
	Various Capital Improvements	0.59%	2/14/2014	1,330,000	-	1,330,000	-
	Various Capital Improvements				1,330,602		1,330,602
	Drainage Improvements	0.59%	2/14/2014	244,150	240,150	244,150	240,150
	Phase One Downtown Streetscape	0.59%	2/14/2014	135,000	98,000	135,000	98,000
	Various Interior Restoration			-	-		-
	Improvements Railroad Station	0.59%	2/14/2014	197,500	175,500	197,500	175,500
	2010 Road Program	0.59%	2/14/2014	275,000	267,000	275,000	267,000
	Various Improvements DPW	0.59%	2/14/2014	475,000	462,000	475,000	462,000
	Curb Retrofitting, Drainage and			-			-
	Road Improvements	0.59%	2/14/2014	131,000	121,000	131,000	121,000
	Various Road Improvements	0.59%	2/14/2014		90,250		90,250
	Isabella Way Road Improvements	0.59%	2/14/2014	-	61,750	-	61,750
	<b>Total Bond Anticipation Notes Payable</b>			<b><u>\$ 5,536,500</u></b>	<b><u>\$ 5,469,000</u></b>	<b><u>\$ 5,536,500</u></b>	<b><u>\$ 5,469,000</u></b>
<u>2012</u>		Rate	Maturity	Balance,	Renewed/	Retired/	Balance,
	<u>Purpose</u>	(%)	<u>Date</u>	December 31, <u>2011</u>	<u>Issued</u>	<u>Redeemed</u>	December 31, <u>2012</u>
	Various Capital Improvements	1.25%	2/15/2013	\$ 2,963,512	\$ 2,748,850	\$ 2,963,512	\$ 2,748,850
	Various Capital Improvements	1.00%	2/15/2013		1,330,000		1,330,000
	Drainage Improvements	1.25%	2/15/2013	244,150	244,150	244,150	244,150
	Phase One Downtown Streetscape	1.00%	2/15/2013	385,000	135,000	385,000	135,000
	Various Interior Restoration			-			-
	Improvements Railroad Station	1.00%	2/15/2013	418,000	197,500	418,000	197,500
	2010 Road Program	1.00%	2/15/2013	275,000	275,000	275,000	275,000
	Various Improvements DPW	1.00%	2/15/2013	475,000	475,000	475,000	475,000
	Curb Retrofitting, Drainage and			-			-
	Road Improvements	1.00%	2/15/2013	131,000	131,000	131,000	131,000
	<b>Total Bond Anticipation Notes Payable</b>			<b><u>\$ 4,891,662</u></b>	<b><u>\$ 5,536,500</u></b>	<b><u>\$ 4,891,662</u></b>	<b><u>\$ 5,536,500</u></b>

**BOROUGH OF DEMAREST  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2013</u>		
Columbus Road Project	\$116,908	2014
<u>2012</u>		
Safe Route to School Program	\$51,609	2013
Library Renovations	29,322	2013

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Borough, employees are not allowed to accumulate unused vacation benefits and sick leave over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement. Employees, upon retirement, are paid for any unused vacation days not used within the year of retirement.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

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

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

**Other Pension Funds**

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Basis of Accounting**

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

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

**Annual Pension Cost (APC)**

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**BOROUGH OF DEMAREST  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Annual Pension Cost (APC) (Continued)**

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2013	\$ 455,344	\$ 134,378
2012	411,343	130,147
2011	407,071	121,515

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The Borough currently does not provide employer paid post-retirement medical benefits to its active or retired employees.

**NOTE 14 RISK MANAGEMENT**

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

The Borough of Demarest is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 14 RISK MANAGEMENT (Continued)**

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

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

<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ 7,082	\$ 12,734	\$ 5,523
2012		890	11,175
2011		12,899	12,065

**NOTE 15 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2013 and 2012, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

The Borough of Demarest Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 17, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Demarest approved the adoption of the Plan at the general election held on November 2, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Demarest has contributed \$1,517 and \$1,513 for 2013 and 2012, respectively, for each eligible volunteer fire department member and volunteer first aid squad member into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

**NOTE 18 HURRICANE SANDY**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2013. As of December 31, 2013, the Borough has received \$102,232 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

**CURRENT FUND**

**BOROUGH OF DEMAREST  
STATEMENT OF CURRENT CASH AND INVESTMENTS**

Balance, December 31, 2012		\$ 1,222,981
Increased by Receipts:		
Taxes Receivable	\$ 29,378,096	
Non-Budget Revenue	127,934	
Due from State of New Jersey - Senior Citizens' and Veterans'	29,185	
Revenue Accounts Receivable	869,649	
Prepaid Taxes	330,496	
Health Fees	450	
Petty Cash Returned	500	
Tax Overpayments	19,771	
Grants Receivable	9,282	
Unappropriated Grant Reserves	9,203	
Receipts from Unemployment Trust Fund	13,247	
Receipts from Assessment Trust Fund	360	
Due To Other Trust Fund	7,465	
Due to General Capital Fund	<u>152,602</u>	
		<u>30,948,240</u>
		32,171,221
Decreased by Disbursements:		
2013 Budget Appropriations	7,109,633	
2012 Appropriation Reserves	176,243	
Accounts Payable	30,342	
Petty Cash Advanced	250	
County Taxes Payable	3,204,349	
Local District School Taxes Payable	12,522,022	
Regional High School District Taxes Payable	6,886,515	
Health Fees	450	
Refund of Prior Year Revenue	26,904	
Unemployment Expenditures Paid by Current Fund	2,528	
Payments to Open Space Preservation Trust Fund	187	
Payments to Other Trust Fund	1,142	
Payments to LOSAP Trust Fund	55,934	
Payments to General Capital Fund	<u>199,741</u>	
		<u>30,216,240</u>
Balance, December 31, 2013		<u>\$ 1,954,981</u>

**BOROUGH OF DEMAREST  
STATEMENT OF PETTY CASH FUNDS**

	Balance, December 31, <u>2012</u>	<u>Advanced</u>	<u>Returned</u>	Balance, December 31, <u>2013</u>
Collector-Treasurer	\$ 250		\$ 250	
Department of Public Works	<u>200</u>	\$ <u>250</u>	<u>250</u>	\$ <u>200</u>
	<u>\$ 450</u>	\$ <u>250</u>	\$ <u>500</u>	\$ <u>200</u>

EXHIBIT A-6

**STATEMENT OF GRANTS RECEIVABLE**

<u>Grant</u>	Balance, December 31, <u>2012</u>	Budget Revenue <u>Realized</u>	<u>Received</u>	Balance, December 31, <u>2013</u>
Over the Limit Under Arrest	\$ 1,150			\$ 1,150
Clean Communities	3,982	\$ 13,100	\$ 9,282	7,800
Community Development Media Grant	1,393	-	-	1,393
Municipal Alliance Grant	<u>21,796</u>	<u>-</u>	<u>-</u>	<u>21,796</u>
	<u>\$ 28,321</u>	\$ <u>13,100</u>	\$ <u>9,282</u>	\$ <u>32,139</u>

EXHIBIT A-7

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

Balance, December 31, 2012	\$ 9,586
Increased by:	
Received in Cash from State	\$ 29,185
Seniors' Deductions Disallowed Per Tax Collector	1,250
Veterans' Deductions Disallowed Per Tax Collector- 2012	<u>815</u>
	<u>31,250</u>
	40,836
Decreased by:	
Senior Citizens' Deductions Allowed Per Tax Billings	3,250
Veterans' Deductions Allowed Per Tax Billings	26,750
Veterans' Deductions Allowed Per Tax Collector	<u>1,000</u>
	<u>31,000</u>
Balance, December 31, 2013	\$ <u>9,836</u>

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

Year	Balance,	2013	Added	Senior	Collected In		Senior	Tax	Abated	Balance,
	December 31,			Levy	Taxes	Citizens' and	2012			
	2012			Deductions			Deductions	Applied	Cancelled	2013
				Disallowed			Allowed			
2012	\$ 450,175			\$ 815		\$ 450,973				\$ 17
2013	-	\$ 29,414,113	\$ 268,728	1,250	\$ 199,617	28,927,123	\$ 31,000	\$ 143,231	22,581	\$ 360,539
	<u>\$ 450,175</u>	<u>\$ 29,414,113</u>	<u>\$ 268,728</u>	<u>\$ 2,065</u>	<u>\$ 199,617</u>	<u>\$ 29,378,096</u>	<u>\$ 31,000</u>	<u>\$ 143,231</u>	<u>\$ 22,598</u>	<u>\$ 360,539</u>

**Analysis of 2013 Property Tax Levy**

Tax Yield	
General Purpose Tax	\$ 29,414,113
Added Taxes (R.S. 54:4-36.12 et seq.)	<u>268,728</u>
	<u>\$ 29,682,841</u>
Tax Levy	
Regional High School Tax (Abstract)	\$ 6,886,515
Local District School Tax (Abstract)	12,522,022
County Tax (Abstract)	3,150,132
County Open Space Tax (Abstract)	34,692
County Tax for Added Taxes	29,100
Municipal Open Space Trust	<u>63,165</u>
	22,685,626
Local Tax for Municipal Purposes (Abstract)	6,288,460
Minimum Library Tax (Abstract)	457,878
Add Additional Tax Levy	<u>250,877</u>
	<u>6,997,215</u>
	<u>\$ 29,682,841</u>

**BOROUGH OF DEMAREST  
STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)**

Balance, December 31, 2012	\$ <u>67,444</u>
Balance, December 31, 2013	\$ <u>67,444</u>

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2012</u>	Accrued	Collected <u>2013</u>	Balance, December 31, <u>2013</u>
Clerk				
Licenses				
Alcoholic Beverage		\$ 2,000	\$ 2,000	
Construction Code Official				
Fees and Permits		164,778	164,778	
Municipal Court				
Fines and Costs	\$ 956	38,876	37,358	\$ 2,474
Fees and Permits		18,108	18,108	
Interest and Costs on Taxes		72,568	72,568	
Energy Receipts Tax		405,840	405,840	
Sewer User Fees		35,250	35,250	
Crossing Guards-NVRHS		38,027	38,027	
Cable TV Franchise		66,165	66,165	
Construction Resales		7,055	7,055	
Reimbursement-Trash Collection		5,850	22,500	-
	<u>16,650</u>	<u>854,517</u>	<u>869,649</u>	<u>-</u>
	<u>\$ 17,606</u>	<u>\$ 854,517</u>	<u>\$ 869,649</u>	<u>\$ 2,474</u>

**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS**

	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
Master Plan	\$ 175	\$ 175
DCA Fees/Municipal Enforcement	3,892	3,892
Snow Removal	<u>15,000</u>	<u>15,000</u>
	<u>\$ 19,067</u>	<u>\$ 19,067</u>

**BOROUGH OF DEMAREST  
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance December <u>31, 2012</u>	Transfers	Restored Encumbrances Payable	Budget After Modification	Expended	Transfer to Approp. Reserves	Balance Lapsed
<b>Salaries and Wages</b>							
Administrative and Executive	\$ 265			\$ 265			\$ 265
Financial Administration	223			223			223
Revenue Administration	26			26			26
Planning Board	33			33			33
Board of Adjustment	833			833			833
Police Department	89			89			89
Streets and Roads	3,228	\$ (2,000)		1,228	\$ 1,228		-
Recycling	1,200			1,200			1,200
Borough Mechanic	27		\$ 2,428	2,455			2,455
Fire Prevention	244			244			244
Board of Health	596			596			596
Recreation Services and Programs	1,825			1,825			1,825
Municipal Court	457			457			457
Construction Code Official	345			345			345
Plumbing Sub-Code Officials	86			86			86
Sewerage Processing and Disposal	1,500			1,500			1,500
<b>Other Expenses</b>							
Mayor and Council	812			812			812
Municipal Clerk	49	1,000	6,912	7,961	2,229		5,732
Elections	1,808	(1,000)		808	-		808
Financial Administration	22,279		330	22,609	22,585		24
Municipal Audit	13,231			13,231	13,200		31
Revenue Administration	1,133			1,133	290		843
Assessment of Taxes	272	500	-	772	36		736
Legal Services	16,906		22,244	39,150	30,992		8,158
Engineering Services and Costs	7,312			7,312	298		7,014
Historical Sites	1,050			1,050			1,050
Planning Board	1,488		46	1,534	-		1,534
Board of Adjustment	898		106	1,004	250		754
Police Department	5,246		29,737	34,983	19,794		15,189
Contribution to First Aid Organization	424	500	-	924			924
Fire Department	117	500	1,039	1,656	1,039		617
Fire Hydrant Services	2,362	(1,500)	8,209	9,071	8,210		861
Office of Emergency Management	4,137			4,137	41		4,096
Borough Mechanic	10,641		7,858	18,499	9,910		8,589
Fire Prevention	93		149	242	149		93
Board of Health	2,770		177	2,947	186		2,761
Construction Code Official	1,183		373	1,556	373		1,183
Sanitation-Contractual	5,217			5,217	-		5,217
Streets and Roads	2,104	1,500	4,000	7,604	753		6,851
Public Buildings and Grounds	1,923		1,569	3,492	2,107		1,385
Shade Tree Commission	1	500	6,789	7,290	6,789		501
Municipal Court	189	800	432	1,421	551		870
Public Defender	930			930			930
Recreation Services and Programs	946		264	1,210	-		1,210
Parks and Playgrounds	3,359			3,359	-		3,359
Celebration of Public Events	29			29	-		29
Utilities							
Gasoline	6,934			6,934	6,427		507
Telephone	3,805	1,500	4,072	9,377	4,417		4,960
Electricity	4,644			4,644	4,517		127
Water	10,650		-	10,650	8,667		1,983
Gas (Natural)	4,941	(2,000)		2,941	-		2,941
Street Lighting	3,353	(800)		2,553	-		2,553

**BOROUGH OF DEMAREST  
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance December 31, 2012	Transfers	Restored Encumbrances Payable	Budget After Modification	Expended	Transfer to Approp. Reserves	Balance Lapsed
Insurance							
Group Insurance	\$ 20,606		\$ 16,308	\$ 36,914	\$ 8,193		\$ 28,721
Worker's Compensation	23,811			23,811			23,811
American Disabilities Act	50			50			50
Occupational Safety and Health Act	3,315		3,712	7,027	3,844		3,183
Environmental Comm	2,758			2,758	900		1,858
Social Security System (O.A.S.I)	3			3	-		3
Maintenance of Free Public Library	66,491			66,491	66,491		-
NJPDES Stormwater Permit- Street Division	550			550			550
NJPDES Stormwater Permit- Landfill Division	1,570			1,570			1,570
Sewer Systems		\$ 500	-	500			500
Sewer Charges				-			-
Bergen County Utilities Authority	-			-	-		-
Borough of Cresskill	20,000			20,000	19,496		504
Contingent	5,500			5,500	-		5,500
Municipal Alliance Program				-			-
County Share	10,705			10,705	-	\$ 10,705	-
Clean Communities	9,117			9,117		9,117	-
Police Body Armor Grant	1,778			1,778		1,778	-
Municipal Recycling	5,560			5,560	-	5,560	-
Alcohol Education and Rehabilitation	863			863		863	-
Matching Fund For Grants	2,500	-	-	2,500	-	2,500	-
	<u>\$ 329,390</u>	<u>\$ -</u>	<u>\$ 116,754</u>	<u>\$ 446,144</u>	<u>\$ 243,962</u>	<u>\$ 30,523</u>	<u>\$ 171,659</u>

Cash Disbursements	\$ 176,243
Transferred to Accrued Salaries & Wages	1,228
Transfer to Accounts Payable	66,491
	<u>\$ 243,962</u>

**BOROUGH OF DEMAREST  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 116,754
Increased by:		
Charges to 2013 Appropriations		<u>142,517</u>
		259,271
Decreased by:		
Restored to Appropriation Reserves		<u>116,754</u>
Balance, December 31, 2013		<u>\$ 142,517</u>

EXHIBIT A-14

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2012		\$ 6,115
Increased by:		
Received in 2013	\$ 19,771	
Charges to Operations	<u>143,231</u>	
		<u>163,002</u>
		169,117
Decreased by:		
Tax Overpayments Applied to Taxes Receivable		<u>143,231</u>
Balance, December 31, 2013		<u>\$ 25,886</u>

EXHIBIT A-15

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012		\$ 199,617
Increased by:		
Collection of 2014 Taxes		<u>330,496</u>
		530,113
Decreased by:		
Applied to 2013 Taxes Receivable		<u>199,617</u>
Balance, December 31, 2013		<u>\$ 330,496</u>

**BOROUGH OF DEMAREST  
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2012		\$ 19,492
Increased by:		
2013 County Levy	\$ 3,150,132	
County Open Space Tax	34,692	
Due to County for Added and Omitted Taxes	<u>29,100</u>	
		<u>3,213,924</u>
		3,233,416
Decreased by:		
Payments		<u>3,204,349</u>
Balance, December 31, 2013		<u><u>\$ 29,067</u></u>

EXHIBIT A-17

**STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Increased by:		
Levy, Calendar Year 2013		<u>\$ 6,886,515</u>
Decreased by:		
Payments		<u>\$ 6,886,515</u>

EXHIBIT A-18

**STATEMENT OF LOCAL SCHOOL DISTRICT TAXES PAYABLE**

Increased by:		
Levy, Calendar Year 2013		<u>\$ 12,522,022</u>
Decreased by:		
Payments		<u>\$ 12,522,022</u>

**BOROUGH OF DEMAREST  
STATEMENT OF APPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2012</u>	Transferred From Appropriation <u>Reserves</u>	Balance, December 31, <u>2013</u>
Alcohol Education	\$ 1,254	\$ 863	\$ 2,117
Recycling Tonnage Grant	4,557		4,557
Domestic Violence Training Program	7,437		7,437
Body Armor Grant	1,479	1,778	3,257
Clean Communities Grant	6,527	9,117	15,644
Over the Limit Under Arrest	1,150		1,150
Matching Grant	12,500	2,500	15,000
Green Communities	963		963
Drunk Driving Enforcement Fund	1,887		1,887
Municipal Alliance Program	12,380	8,205	20,585
Municipal Recycling Assistance	6,718	5,560	12,278
Municipal Alliance-Local Match	6,749	2,500	9,249
	<u>\$ 63,601</u>	<u>\$ 30,523</u>	<u>\$ 94,124</u>

EXHIBIT A-20

**STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2012</u>	Cash <u>Receipts</u>	Anticipated <u>as Revenue</u>	Balance, December 31, <u>2013</u>
Alcohol Education and Rehabilitation	\$ 270	\$ 211	\$ 270	\$ 211
Police Body Armor Grant	1,726	1,870	1,726	1,870
Municipal Recycling	3,818	-	-	3,818
Recycling Tonnage Grant	<u>-</u>	<u>7,122</u>	<u>-</u>	<u>7,122</u>
	<u>\$ 5,814</u>	<u>\$ 9,203</u>	<u>\$ 1,996</u>	<u>\$ 13,021</u>

**BOROUGH OF DEMAREST  
STATEMENT OF HEALTH FEES PAYABLE**

Balance, December 31, 2012	\$	-
Increased by:		
Cash Receipts		450
		450
Decreased by:		
Cash Disbursements		450
Balance, December 31, 2013	\$	-

EXHIBIT A-22

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2012	\$	44,975
Increased by:		
Transferred from Appropriation Reserves		66,491
		111,466
Decreased by:		
Cash Disbursements		30,342
Balance, December 31, 2013	\$	81,124

EXHIBIT A-23

**STATEMENT OF DEFERRED CHARGES**

	Balance, December 31, <u>2012</u>	Raised in 2013 <u>Budget</u>	Balance, December 31, <u>2013</u>
Overexpenditure of Appropriations	\$ 1,931	\$ 1,931	\$ -
Overexpenditure of Appropriation Reserves	49,280	49,280	-
Emergency Authorization	45,000	45,000	-
	\$ 96,211	\$ 96,211	\$ -

**BOROUGH OF DEMAREST  
STATEMENT OF DUE TO LOSAP TRUST FUND**

Balance, December 31, 2012		\$ 66,500
Increased by:		
2013 Budget Appropriation		<u>68,000</u>
		134,500
Decreased by:		
Payments to LOSAP Trust Fund	\$ 55,934	
Amount Cancelled	<u>10,566</u>	
		<u>66,500</u>
Balance, December 31, 2013		<u>\$ 68,000</u>

**STATEMENT OF ACCRUED SALARIES AND WAGES PAYABLE**

Increased by:		
Transfer from 2012 Appropriation Reserves		<u>\$ 1,228</u>
Balance, December 31, 2013		<u>\$ 1,228</u>

**TRUST FUNDS**

**BOROUGH OF DEMAREST  
STATEMENT OF TRUST CASH**

	<u>Assessment</u>	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Insurance Trust</u>	<u>Open Space Preservation Trust</u>
Balance, December 31, 2012	\$ 11,049	\$ 7,465	\$ 1,250,186	\$ 463	\$ 236,663
Increased by Receipts:					
Animal Control Fees		\$ 8,696			
Due to State of NJ - Animal Control Fees		842			
Escrow Deposits Received			\$ 116,720		
Miscellaneous Reserves			329,071		
Affordable Housing Fees			89,015		
Assessments Receivable	\$ 320				
Payroll Deductions			3,247,538		
Interest Earned			339		\$ 236
Interest on Assessment Collections	30				
Receipts from Other Trust Fund			-	\$ 26,058	
Receipts from Current Fund	-	-	1,142	-	187
	<u>350</u>	<u>9,538</u>	<u>3,783,825</u>	<u>26,058</u>	<u>423</u>
	11,399	17,003	5,034,011	26,521	237,086
Decreased by Disbursements:					
Due to State of NJ		840		612	
Expenditures Under R.S. 4:19-15.11		6,772			
Escrow Deposits Disbursed			84,468		
Payroll Deductions			3,310,355		
Payments to Current Fund	360		-	13,247	
Payments to Unemployment Trust Fund			26,058		
Miscellaneous Reserves			271,563		
Affordable Housing	-	-	258,324	-	-
	<u>360</u>	<u>7,612</u>	<u>3,950,768</u>	<u>13,859</u>	<u>-</u>
Balance, December 31, 2013	<u>\$ 11,039</u>	<u>\$ 9,391</u>	<u>\$ 1,083,243</u>	<u>\$ 12,662</u>	<u>\$ 237,086</u>

**BOROUGH OF DEMAREST  
STATEMENT OF ASSESSMENT CASH AND INVESTMENT**

	Balance, December 31, <u>2012</u>	Receipts			Disbursements	Balance, December 31, <u>2013</u>
		Assessments Receivable	Interest			
Fund Balance	\$ 10,689	\$ 320				\$ 11,009
Due to Current Fund	<u>360</u>	<u>-</u>	<u>\$ 30</u>	<u>\$ 360</u>		<u>30</u>
	<u>\$ 11,049</u>	<u>\$ 320</u>	<u>\$ 30</u>	<u>\$ 360</u>		<u>\$ 11,039</u>

**STATEMENT OF ASSESSMENTS RECEIVABLE**

Ord. <u>No.</u>	Improvement <u>Description</u>	Balance, December 31, <u>2012</u>	<u>Collected</u>	Balance, December 31, <u>2013</u>
		<u>\$ 320</u>	<u>\$ 320</u>	<u>\$ -</u>

**BOROUGH OF DEMAREST  
STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FEES**

Balance, December 31, 2012	\$	12
Increased by:		
State Fees Collected		842
		854
Decreased by:		
Cancelled	\$	12
Payments to State of NJ		840
		852
Balance, December 31, 2013	\$	2

EXHIBIT B-7

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2012	\$	7,453
Increased by:		
Dog Licenses Collected	\$	5,753
Cat Licenses Collected		2,118
Late Fees/Miscellaneous		825
Cancelled Prior Year Payable		12
		8,708
		16,161
Decreased by:		
Expenditures Under R.S. 4:19-15.11		6,772
Balance, December 31, 2013	\$	9,389

EXHIBIT B-8

**STATEMENT OF MISCELLANEOUS RESERVES  
OTHER TRUST FUND**

Description	Balance, December 31, <u>2012</u>	<u>Receipts</u>	<u>Payments</u>	<u>Adjustments</u>	Balance, December 31, <u>2013</u>
Peace Site	\$ 1,610				\$ 1,610
Fire Prevention	21,064				21,064
Street Opening Deposits	1,050				1,050
911 Memorial	8,536				8,536
Municipal Alliance	(3,578)			\$ 1,932	(1,646)
Demarest Day	(2,504)			2,504	-
Premium TSC	52,500	\$ 131,868	\$ 112,668		71,700
Outside Police Service	(12,236)	91,969	70,242		9,491
POAA	387	12			399
Flexible Spending	(1,056)		2,704		(3,760)
Centennial Celebration	(241)		-	241	-
Mechanic Outside Service	4,677	-		(4,677)	-
Recreation Commission	11,602	105,222	85,949	-	30,875
	\$ 66,829	\$ 329,071	\$ 271,563	\$ -	\$ 139,319

**BOROUGH OF DEMAREST  
STATEMENT OF ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, December 31, 2012	\$ 564,311
Increased by:	
Escrow Deposits Received	<u>116,720</u>
	681,031
Decreased by:	
Escrow Deposits Refunded	<u>84,468</u>
Balance, December 31, 2013	<u>\$ 596,563</u>

## EXHIBIT B-10

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS**

Balance, December 31, 2012	\$ 11,175
Increased by:	
Employee Withholdings	<u>7,082</u>
	18,257
Decreased by:	
Unemployment Insurance Claims	<u>12,734</u>
Balance, December 31, 2013	<u>\$ 5,523</u>

## EXHIBIT B-11

**STATEMENT OF DUE TO STATE OF NEW JERSEY  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2012	\$ 890
Increased by:	
2013 Unemployment Compensation Claims	<u>12,734</u>
	13,624
Decreased by:	
Payments to State of New Jersey	\$ 612
Unemployment Claims Paid by Current Fund	<u>2,528</u>
	<u>3,140</u>
Balance, December 31, 2013	<u>\$ 10,484</u>

**BOROUGH OF DEMAREST  
STATEMENT OF DUE TO CURRENT FUND  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2012	\$ 10,719
Increased by:	
Unemployment Claims paid by Current Fund	2,528
	13,247
Decreased by:	
Payments to Current Fund	13,247
Balance, December 31, 2013	\$ -

EXHIBIT B-13

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

Balance, December 31, 2012	\$ 360
Increased by:	
Interest on Assessments	30
	390
Decreased by:	
Payments to Current Fund	360
Balance, December 31, 2013	\$ 30

EXHIBIT B-14

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

Balance, December 31, 2012	\$ 1,142
Increased by:	
Other Trust Fund Receipts Deposited into Current Fund	7,465
	8,607
Decreased by:	
Receipts from Current Fund	1,142
Balance, December 31, 2013	\$ 7,465

EXHIBIT B-15

**STATEMENT OF DUE TO UNEMPLOYMENT INSURANCE TRUST FUND  
OTHER TRUST FUND - PAYROLL**

	Unemployment Insurance Trust <u>Fund</u>
Balance, December 31, 2012	\$ 22,321
Increased by:	
Cash Receipts	
Employees' Withholdings	7,082
	29,403
Decreased by:	
Payments to Unemployment Insurance Trust Fund	26,058
Balance, December 31, 2013	\$ 3,345

**BOROUGH OF DEMAREST  
STATEMENT OF RESERVE FOR ASSESSMENTS  
ASSESSMENT TRUST FUND**

Ord. No.	Improvement Description	Balance, December 31, 2012	Collections to Surplus	Balance, December 31, 2013
821	Improvements to Achilles/Christie	\$ 320	\$ 320	\$ -
		<u>\$ 320</u>	<u>\$ 320</u>	<u>\$ -</u>

EXHIBIT B-17

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

Balance, December 31, 2012	\$ 84,318
Increased by:	
Payroll Receipts Deposited into Current Fund	
Other Trust Fund Receipts Deposited into Current Fund	\$ 7,465
Cash Receipts	<u>3,247,538</u>
	<u>3,255,003</u>
	3,339,321
Decreased by:	
Employee Withholdings Due to Unemployment Trust Fund Payments	<u>7,082</u> <u>3,310,355</u>
	<u>3,317,437</u>
Balance, December 31, 2013	<u>\$ 21,884</u>

EXHIBIT B-18

**STATEMENT OF RESERVE FOR OPEN SPACE EXPENDITURES  
OPEN SPACE PRESERVATION TRUST FUND**

Balance, December 31, 2012	\$ 236,850
Increased by:	
Interest Earned	\$ 236
2013 Levy	62,637
Added Tax Levy	<u>528</u>
	<u>63,401</u>
Balance, December 31, 2013	<u>\$ 300,251</u>

**BOROUGH OF DEMAREST  
STATEMENT OF DUE FROM CURRENT FUND  
OPEN SPACE PRESERVATION TRUST FUND**

Balance, December 31, 2012		\$ 187
Increased by:		
2013 Tax Levy	\$ 62,637	
Added Tax Levy	<u>528</u>	
		<u>63,165</u>
		63,352
Decreased by:		
Receipts from Current Fund		<u>187</u>
Balance, December 31, 2013		<u>\$ 63,165</u>

**STATEMENT OF RESERVE FOR AFFORDABLE HOUSING FEES**

Balance, December 31, 2012		\$ 496,013
Increased by:		
Receipts	\$ 89,015	
Interest Earned	<u>339</u>	
		<u>89,354</u>
		585,367
Decreased by:		
Cash Disbursements		<u>258,324</u>
Balance, December 31, 2013		<u>\$ 327,043</u>

**STATEMENT OF RESERVE FOR COMMUNITY DEVELOPMENT**

Balance, December 31, 2012		<u>\$ 2,554</u>
Balance, December 31, 2013		<u>\$ 2,554</u>

**GENERAL CAPITAL FUND**

**BOROUGH OF DEMAREST  
STATEMENT OF GENERAL CAPITAL CASH**

Balance, December 31, 2012		\$ 843,999
Increased by Receipts:		
Receipts from Current Fund	\$ 199,741	
Capital Improvement Fund-Budget Appropriation	55,215	
Grant Receipts	<u>110,121</u>	
		<u>365,077</u>
		1,209,076
Decreased by Disbursements:		
Improvement Authorizations	194,095	
Encumbrances Payable	<u>188,662</u>	
		<u>382,757</u>
Balance, December 31, 2013		<u>\$ 826,319</u>

**BOROUGH OF DEMAREST  
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2013</u>
Fund Balance		\$ 45,881
Encumbrances Payable		270,334
Capital Improvement Fund		51,025
Reserve for Payment of Bonds		10,849
Accounts Receivable		(192,440)
Excess Note Proceeds		54,111
<u>Ordinance</u>		
<u>Number</u>	<u>Improvement Authorizations</u>	
859/875	Various Capital Improvements	159,065
860	Funding of Accessory Apartments and Regional Contribution Agreement Units	(51,613)
918	Various Drainage Projects	(23,028)
922	Various Capital Improvements	1,776
927	Various Capital Improvements	(74)
929/936	Railroad Station Phase II Exterior Renovations	(88,594)
930	Various Capital Improvements	56,266
943	Repaving of Prescott Street	(69)
944	Various Capital Improvements	374,774
947	Various Capital Improvements	213,191
962	Various Capital Improvements	41,558
965	Drainage Improvements	106,644
969	Downtown Streetscape Improvements	30,848
970	Interior Restoration Improvements to Railroad Depot	14,944
976	2010 Road Improvement Program	8,300
984	Various Capital Improvements	102,899
990	Various Road Improvements	3,166
991	Road Improvements to Isabella Way	1,024
993	Acquisition of Emergency Vehicles and Equipment	(91,805)
998	Various Capital Improvements	(175,314)
1007	Columbus Road Project	(69,540)
1010	Acquisition of Various Vehicles and Equipment	<u>(27,859)</u>
		<u>\$ 826,319</u>

**BOROUGH OF DEMAREST  
STATEMENT OF DUE TO/(FROM) CURRENT FUND**

Balance, December 31, 2012 (Due from)	\$	47,139
Increased by:		
Bond Anticipation Notes Issued and Deposited in Current Fund		<u>152,602</u>
		199,741
Decreased by:		
Cash Receipts from Current Fund		<u>199,741</u>
Balance, December 31, 2013 (Due from)	\$	<u><u>          -</u></u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2012	\$	1,372,574
Decreased by:		
Paid by 2013 Budget Appropriation:		
Bonds	\$ 435,000	
Green Trust Loan	<u>3,771</u>	
		<u>438,771</u>
Balance, December 31, 2013	\$	<u><u>933,803</u></u>



**BOROUGH OF DEMAREST  
STATEMENT OF ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2012</u>	<u>Grant Award</u>	<u>Receipts</u>	Balance, December 31, <u>2013</u>
Federal Aid				
Community Development Grant				
Wakelee Field Pedestrian Bridge - Ord. #901	\$ 25,000			\$ 25,000
Department of Transportation Grant				
Interior Restoration Improvement-Ord. #970	24,500			24,500
County of Bergen				
Various Improvements- Ord. #984	54,518			54,518
Open Space Preservation				
Various Improvements- Ord. #930	88,858			88,858
Anderson Avenue Culvert-Ord. #944	55,892			55,892
Drainage Improvements- Ord. #965	10,026			10,026
State of NJ-Department of Transportation				
Various Improvements-Ord. #962	145,447		\$ 34,978	110,469
Columbus Road Project- Ord #1007		\$ 146,500	75,143	71,357
Litigation Settlement				
Alpine Country Club - Ord. #860	150,000			150,000
Various Improvements- Ord. #930				
Demarest Athletic Association	14,056			14,056
Demarest Nature Center	37,000			37,000
Borough of Cresskill	17,500	-	-	17,500
	<u>\$ 622,797</u>	<u>\$ 146,500</u>	<u>\$ 110,121</u>	<u>\$ 659,176</u>

Analysis of Balance

Pledged to Ordinance		\$ 192,440
Pledged to Reserve		
Ord. #860	\$ 150,000	
Ord. #944	55,892	
Ord. #962	110,469	
Ord. #970	24,500	
Ord. #984	54,518	
Ord. #1007	71,357	
	<u>466,736</u>	
		<u>\$ 659,176</u>

**BOROUGH OF DEMAREST  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	2013							Balance,	
			Balance, December 31, 2012		Authorizations		Contracts Payable Cancelled	Expended	December 31, 2013		
			Funded	Unfunded	Deferred Charges Unfunded	Capital Improvement Fund			Funded	Unfunded	
859/875	Various Capital Improvements	1,476,500	\$ 159,065							\$ 159,065	
860	Funding of Accessory Apartments and Regional Contribution Agreement Units	325,000		\$ 98,387							\$ 98,387
922	Various Capital Improvements	498,000		74,982				\$ 72,747			2,235
930	Various Capital Improvements	349,226	56,266							56,266	
944	Various Capital Improvements	1,222,200		370,326			\$ 4,448				374,774
947	Various Capital Improvements	663,000		213,691							213,691
962	Various Capital Improvements	1,580,000		44,526					2,968		41,558
965	Drainage Improvements	370,000		106,644							106,644
969	Downtown Streetscape Improvements	685,000		30,848							30,848
970	Interior Restoration Improvements to Railroad Depot	440,000		14,944							14,944
976	2010 Road Improvement Program	300,000		8,300							8,300
984	Various Capital Improvements	200,000		108,374					5,161		103,213
990	Various Road Improvement	95,000		6,749					3,583		3,166
991	Road Improvements to Isabella Way	65,000		1,024							1,024
993	Acquisition of Emergency Vehicles and Equipment	103,000						6,045			6,045
998	Various Capital Improvements	558,490	27,924	530,566					203,238		355,252
1007	Columbus Road Project	156,000			\$ 156,000				144,683		11,317
1010	Acquisititon of Various Vehicles and Equipment	83,800	-	-	79,610	\$ 4,190			32,049		51,751
			<u>\$ 243,255</u>	<u>\$ 1,609,361</u>	<u>\$ 235,610</u>	<u>\$ 4,190</u>	<u>\$ 10,493</u>	<u>\$ 464,429</u>	<u>\$ 215,331</u>	<u>\$ 1,423,149</u>	
									Cash Disbursed	\$ 194,095	
									Encumbrances Payable	<u>270,334</u>	
										<u>\$ 464,429</u>	

**BOROUGH OF DEMAREST  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 199,155
Increased by:		
Contract Awards		<u>270,334</u>
		469,489
Decreased by:		
Cash Disbursements	\$ 188,662	
Cancelled - Restored to Improvement Authorizations	<u>10,493</u>	
		<u>199,155</u>
Balance, December 31, 2013		<u>\$ 270,334</u>

**STATEMENT OF RESERVE FOR PAYMENT OF BONDS**

Balance, December 31, 2012		<u>\$ 10,849</u>
Balance, December 31, 2013		<u>\$ 10,849</u>

**BOROUGH OF DEMAREST  
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2013</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>				
General Improvements of 2003	12/15/03	\$ 4,655,000	12/15/14	450,000	3.00%-3.25%	\$ 1,355,000	\$ 435,000	\$ 920,000
			12/15/15	470,000				
						<u>\$ 1,355,000</u>	<u>\$ 435,000</u>	<u>\$ 920,000</u>

**BOROUGH OF DEMAREST  
STATEMENT OF GREEN TRUST LOANS PAYABLE**

Balance, December 31, 2012	\$	17,574
Decreased by:		
2013 Budget Appropriation		<u>3,771</u>
Balance, December 31, 2013	\$	<u>13,803</u>

EXHIBIT C-13

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Increased by:		
2013 Budget Appropriation	\$	55,215
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>4,190</u>
Balance, December 31, 2013	\$	<u>51,025</u>

EXHIBIT C-14

**STATEMENT OF PROSPECTIVE ASSESSMENT  
TO BE RAISED BY TAXATION**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ordinance Appropriation</u>	<u>Capital Improvement Fund</u>	<u>Balance, December 31, 2012</u>	<u>Balance, December 31, 2013</u>
877	Installation of Water Lines	\$ 80,000	\$ 4,000	\$ 4,000	\$ 4,000
943	Repaving of Prescott Street	<u>100,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
		<u>\$ 180,000</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>

**BOROUGH OF DEMAREST  
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2012	Increased	Decreased	Balance, December 31, 2013
944	Various Capital Improvements	2/19/2008	2/15/2013 2/17/2012	2/14/2014 2/15/2013	0.59% 1.25%	\$ 903,892	\$ 849,903	\$ 903,892	\$ 849,903
947	Various Capital Improvements	2/19/2009	2/15/2013 2/17/2012	2/14/2014 2/15/2013	0.59% 1.25%	511,878	485,765	511,878	485,765
962	Various Capital Improvements	4/22/2010	2/15/2013 2/17/2012	2/14/2014 2/15/2013	0.59% 1.25%	1,333,080	1,287,080	1,333,080	1,287,080
965	Drainage Improvements	4/22/2010	2/15/2013 2/17/2012	2/14/2014 2/15/2013	0.59% 1.25%	244,150	240,150	244,150	240,150
969	Phase One Downtown Streetscape	11/4/2010	2/15/2013 11/2/2012	2/14/2014 2/15/2013	0.59% 1.00%	135,000	98,000	135,000	98,000
970	Various Interior Restoration Improvements Railroad Station	11/4/2010	2/15/2013 11/2/2012	2/14/2014 2/15/2013	0.59% 1.00%	197,500	175,500	197,500	175,500
976	2010 Road Program	11/4/2010	2/15/2013 11/2/2012	2/14/2014 2/15/2013	0.59% 1.00%	275,000	267,000	275,000	267,000
977	Various Improvements DPW	11/4/2010	2/15/2013 11/2/2012	2/14/2014 2/15/2013	0.59% 1.00%	475,000	462,000	475,000	462,000
984	Curb Retrofitting, Drainage and Road Improvements	11/4/2010	2/15/2013 11/2/2012	2/14/2014 2/15/2013	0.59% 1.00%	131,000	121,000	131,000	121,000
922	Various Capital Improvements	12/21/2012	2/15/2013 12/21/2012	2/14/2014 2/15/2013	0.59% 1.00%	354,000	354,000	354,000	354,000
927	Various Capital Improvements	12/21/2012	2/15/2013 12/21/2012	2/14/2014 2/15/2013	0.59% 1.00%	976,000	976,602 -	976,000	976,602 -
990	Various Road Improvements	2/15/2013	2/15/2013	2/14/2014	0.59%	-	90,250	-	90,250
991	Isabella Way Road Improvements	2/15/2013	2/15/2013	2/14/2014	0.59%	-	61,750	-	61,750
						<u>\$ 5,536,500</u>	<u>\$ 5,469,000</u>	<u>\$ 5,536,500</u>	<u>\$ 5,469,000</u>
							Renewals \$ 5,316,398	\$ 5,316,398	
							Notes Issued (Due from Current Fund) 152,602		
							Budget Appropriation -	220,102	
						<u>\$ 5,469,000</u>	<u>\$ 5,536,500</u>		

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	2013 <u>Authorizations</u>	Grant <u>Proceeds</u>	Bond Anticipation <u>Notes Issued</u>	Balance, December 31, <u>2013</u>
860	Funding of Accessory Apartments and Regional Contrib. Agreement Units	\$ 150,000				\$ 150,000
918	Various Drainage Projects	23,028				23,028
922	Various Capital Improvements	459				459
927	Various Capital Improvements	676			\$ 602	74
929/936	Railroad Station Phase II-Exterior Renovations	88,594				88,594
943	Repaving of Prescott Street	69				69
947	Various Capital Improvements	500				500
984	Various Capital Improvements	314				314
990	Various Road Improvement	90,250			90,250	-
991	Road Improvements to Isabella Way	61,750			61,750	-
993	Acquisition of Emergency Vehicles and Equipme	97,850				97,850
998	Various Capital Improvements	530,566				530,566
1007	Columbus Road Project	-	\$ 156,000	\$ 75,143		80,857
1010	Acquisition of Various Vehicles and Equipment	-	79,610	-	-	79,610
		<u>\$ 1,044,056</u>	<u>\$ 235,610</u>	<u>\$ 75,143</u>	<u>\$ 152,602</u>	<u>\$ 1,051,921</u>

**BOROUGH OF DEMAREST  
BERGEN COUNTY, NEW JERSEY**

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**PART II  
GOVERNMENT AUDITING STANDARDS  
YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Demarest, as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2013-1 that we consider to be a significant deficiency in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Demarest's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as item 2013-1.

We also noted certain matters that we reported to management of the Borough of Demarest in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

### **Borough of Demarest's Responses to Findings**

The Borough of Demarest's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Demarest's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Demarest's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Demarest's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
June 30, 2014

**BOROUGH OF DEMAREST  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Funding Department	State Account Number	Federal CFDA Number	Grant Award Amount	2013 Grant Receipts	Grant Year	Balance, January 1, 2012	Revenue Realized	Expended	Balance, December 31, 2013	(Memo) Cumulative Expenditures
Department of Transportation										
Ord. 962-Various Capital Improvements	6320-480-AIM	20.205	350,000	\$ 34,978		\$ 145,447		\$ 34,978	\$ 110,469	\$ 239,531
Ord. 1007- Columbus Road	6320-480-ALC-14	20.205	146,500	75,143	2013		\$ 146,500	75,143	71,357	75,143
Department of Homeland Security										
Federal Emergency Management Agency		97.306		113,750	2013		113,750	113,750		113,750
Division of Highway Traffic Safety										
Over the Limit Under Arrest	1160-100-057	20.601	3,250		2010	1,150	-	-	1,150	2,100
						<u>\$ 146,597</u>	<u>\$ 260,250</u>	<u>\$ 223,871</u>	<u>\$ 182,976</u>	

74 The above schedule is not subject to Federal OMB A-133 Single Audit.

**BOROUGH OF DEMAREST**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>2013 Grant Receipts</u>	<u>Grant Year</u>	<u>Balance, January 1, 2013</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2013</u>
Municipal Alliance Program	*		2006	\$ 47				\$ 47
			2009	3,679				3,679
			2010	2,133				2,133
			2011	6,521				6,521
			2012	10,705			\$ 2,500	10,705
Drunk Driving Enforcement Fund	1110-448-031020-20		2005	1,078				1,078
			2002	755				755
			2002	4				4
			2006	50				50
Domestic Violence Training Program	*		2003	3,498				3,498
			2004	1,538				1,538
			2005	2,401				2,401
<u>Department of Environmental Protection</u> (Passed Through County of Bergen)			2005	354				354
Municipal Recycling Assistance Program	4910-759-690-50		2004	2,712				2,712
			Prior	2,052				2,052
			2007	1,562				1,562
		-	2011	38				38
			2012	5,560				5,560
Recycling Tonnage Grant	4900-752-001-042		2005	1,246				1,246
			2002	763				763
			2007	316				316
			2008	2,232				2,232
			2011					
Clean Communities Program	4900-765-004-042		2010	6,527				6,527
			2012	9,117				9,117
		\$ 9,282	2013		\$ 13,100			13,100
Police Body Armor Grant	1020-718-0661020-001		2011	1,479				1,479
			2012	1,778				1,778
			2013		1,726			1,726

**BOROUGH OF DEMAREST  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>2013 Grant Receipts</u>	<u>Grant Year</u>	<u>Balance, January 1, 2013</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2013</u>
Green Communities	*		2008	\$ 963				\$ 963
 <u>Judiciary Municipal Courts</u>								
Alcohol Education and Rehabilitation Fund	4250-760-050000-63-260		2006	384				384
			2007	176				176
			2008	375				375
			2010	20				20
			2011	299				299
			2012	863				863
			2013	-	\$ 270	-	-	270
				<u>\$ 71,225</u>	<u>\$ 15,096</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 86,321</u>

\* Not Available

The above schedule is not subject to State OMB Circular 04-04 Single Audit.

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

**BOROUGH OF DEMAREST  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 102,232	\$ 15,096	\$ 117,328
General Capital Fund	<u>146,500</u>	<u>-</u>	<u>146,500</u>
Total Financial Awards	<u>\$ 248,732</u>	<u>\$ 15,096</u>	<u>\$ 263,828</u>

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

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

**BOROUGH OF DEMAREST  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2013, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

Loan Program

N.J. Dept. of Environmental Protection Impvt. To Wakelee Field-Phase 2	<u>\$ 13,803</u>
	<u>\$ 13,803</u>

**BOROUGH OF DEMAREST  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditor's report issued on financial statements	<u>Modified - Unaudited LOSAP Trust Fund</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	_____ yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> X </u> yes	_____ none
Noncompliance material to the financial statements noted?	<u> X </u> yes	_____ no

**Federal Awards Section**

Not Applicable

**State Financial Assistance Section**

Not Applicable

**BOROUGH OF DEMAREST  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

**Finding 2013-1**

Certain general ledger accounts for the year ended December 31, 2013 were not in agreement with the supporting reconciliations, subsidiary records and/or journals.

**Criteria or specific requirement:**

- N.J.A.C. 5:30-5.7 General Ledger Accounting Systems.

**Condition:**

- The Current Fund and General Capital monthly bank reconciliations were not reconciled with the monthly cash balance in the general ledger.
- Current Fund subsidiary ledgers for budget appropriations and revenues did not report all of the financial transactions.

**Cause:**

The reconciliation process between the general ledger system, bank accounts and subsidiary ledgers was not performed on a timely basis and account balance differences were not investigated and corrected.

**Effect:**

The general ledgers presented for audit did not contain all the financial transactions of the Borough. The financial statements have been adjusted to properly reflect all of the financial activity of the Borough.

**Recommendation:**

General ledgers be reconciled to the respective subsidiary ledgers including bank reconciliations on a monthly basis.

**Management's Response:**

The Borough has reviewed this finding and has indicated corrective action will be taken.

**BOROUGH OF DEMAREST  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the financial statements that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2012-1**

**Condition**

Certain accounts in the general ledgers for the year ended December 31, 2012 were not in agreement with the supporting reconciliations, subsidiary records and/or journals. In addition, several bank reconciliations contained invalid reconciling items and were not being completed timely.

**Current Status**

See Finding 2013-1.

**Finding 2012-2**

**Condition**

The 2012 official minutes of the Borough were not prepared and maintained in the prescribed format for audit.

**Current Status**

Corrective action has been taken.

**BOROUGH OF DEMAREST**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 206,000	0.66 %	\$ 510,000	1.70 %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,012,677	3.25	1,070,245	3.56
and Tax Title Liens	450,973	1.45	236,738	0.79
Collection of Current Tax Levy	29,299,721	94.02	28,176,908	93.74
Other Credits	<u>193,306</u>	<u>0.62</u>	<u>149,383</u>	<u>0.21</u>
Total Income	<u>31,162,677</u>	<u>100.00 %</u>	<u>30,143,274</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	7,825,726	25.51	7,718,883	25.82 %
County Taxes	3,213,924	10.47	2,985,219	9.99
Local and Regional School Taxes	19,471,702	63.46	19,162,570	64.11
Other Expenditures	<u>170,950</u>	<u>0.56</u>	<u>24,195</u>	<u>0.08</u>
Total Expenditures	<u>30,682,302</u>	<u>100.00 %</u>	<u>29,890,867</u>	<u>100.00 %</u>
Less: Expenditures to be Raised by Future Revenue	<u>-</u>		<u>46,931</u>	
Total Adjusted Expenditures	<u>30,682,302</u>		<u>29,843,936</u>	
Excess in Revenue	480,375		299,338	
Fund Balance, January 1	<u>418,884</u>		<u>629,546</u>	
	899,259		928,884	
Less Utilization as Anticipated Revenue	<u>206,000</u>		<u>510,000</u>	
Fund Balance, December 31	<u>\$ 693,259</u>		<u>\$ 418,884</u>	

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$2.348</u>	<u>\$2.295</u>	<u>\$2.266</u>

Apportionment of Tax Rate

Municipal	.502	.475	.441
Library	.036	.036	.037
Municipal Open Space	.005		
County	.252	.237	.235
County Open Space	.003	.003	.003
Local School	1.000	.989	.978
Regional High School	.550	.555	.572

Assessed Valuation

2013	<u>\$1,252,730,530</u>	
2012		<u>\$1,240,730,431</u>
2011		<u>\$1,233,587,541</u>

**Comparison of Tax Levies and Collection Currently**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2013	\$29,682,841	\$29,299,721	98.71%
2012	28,661,018	28,176,908	98.31%
2011	28,096,150	27,713,629	98.64%

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

**Delinquent Taxes**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2013	\$ 360,539	1.21%
2012	450,175	1.57%
2011	246,013	0.88%

**Property Acquired by Tax Title Lien Liquidation**

No properties have been acquired in 2013 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2013	\$67,444
2012	67,444
2011	67,444

**Comparative Schedule of Fund Balance**

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2013	\$693,259	\$189,900
	2012	418,884	206,000
	2011	629,546	510,000
	2010	681,990	550,000
	2009	1,167,331	900,000

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Raymond Cywinski	Mayor	
Joseph Gray	Council President	
Judy Rosenthal	Councilmember	
Ted Davis	Councilmember	
Gregg Paster	Councilmember	
Melinda Iannuzzi	Councilmember	
Steven Schliem	Councilmember	
Susan Crosman	Borough Clerk - Coordinator	
Philip Moore	Tax Collector and Chief Financial Officer	
Thomas Betancourt	Judge	
Laurel Carnazza	Court Administrator	
DeCotiis, Fitzpatrick and Cole	Attorney	
James A. Feury	Engineer	
James Powderley III	Police Chief	

(1) Bergen County Municipal Joint Insurance Fund Blanket Bond. Limit is \$1,000,000 per occurrence.

**BOROUGH OF DEMAREST  
LETTER OF COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS**

**Prior Year Unresolved**

Certain grant receivable balances in the General Capital Fund are several years old and related to projects which appear to be complete. It is recommended that efforts should be made to collect prior year grant receivable balances for completed capital projects.

Our audit of the General Capital Fund revealed that the improvement authorization balances in the detailed budget appropriation report were not in agreement with the audit. In addition there are several open purchase orders which have been outstanding for an extended period of time. It is recommended that the General Capital Fund improvement authorization balances be in agreement with the audited balances and the open purchase order report be reviewed and all inactive purchase orders be cleared of record.

Our audit of the Trust Fund revealed that certain Trust Fund Reserves have deficit balances. It is recommended that the Trust Fund deficit reserve balances be reviewed and cleared of record.

Our audit of the Unemployment Insurance Trust Fund revealed employee payroll deductions were not transferred to the Unemployment Trust Fund during 2013. It is recommended that employee payroll deductions be transferred to the Unemployment Insurance Trust Fund on a quarterly basis.

Our audit revealed that the Borough's fixed asset inventory was not updated for current year additions and deletions. It is recommended that the Borough's fixed asset accounting and reporting system be updated to reflect current additions and deletions.

Our audit noted that the existing labor agreements and the Borough's Administrative Code permits employees upon termination of employment to be paid for that year's unused vacation time. In 2013, three employees were paid for such unused time, however, these payments were not formally approved by the governing body. It is recommended that payments for unused vacation time be approved by the governing body.

Our audit revealed that the individual State contracts utilized by the Borough are not being approved by Council resolution. In addition, incorrect State contract numbers were noted on the approved purchase orders. It is recommended that State contracts be approved by resolution and only valid State contracts be utilized.

The Borough utilizes a payroll service provider to prepare its payroll tax returns and file returns and payments with the required federal and state agencies. The Borough does not independently verify that the respective payments were made by the required due dates for state taxes paid. It is recommended that the Borough verify that all state payroll tax payments remitted by the service provider are made by the required due dates.

**GENERAL COMMENTS**

**Current Year**

Our audit noted that the Borough Council approved a contract and charge order for \$116,908 for the Columbus Road project. However, the contract payable was not recorded in the Borough's General Capital Fund. An audit adjustment has been made to record the year end commitment. It is recommended that the encumbrance system be enhanced to ensure that contracts awarded and charge orders approved are encumbered in a timely manner.

Our audit of payroll revealed that the timesheets from the Crossing Guards and the Municipal Court part-time staff are not always approved by a supervisory individual. It is recommended that all timesheets for the Crossing Guards and the Municipal Court personnel be approved by a supervisory individual.

**BOROUGH OF DEMAREST  
LETTER OF COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS**

**Current Year (Continued)**

With respect to the Construction Code department, the following were noted:

- a) Deposits are not always recorded in the Construction Permit Activity Report.
- b) Instances were noted where fee charged did not agree to respective municipal fee ordinance.

With respect to the Construction Code department, it is recommended that:

- a) All deposits be properly entered into the Construction Permit Activity Report.
- b) Fees be charged in accordance with the Municipal ordinance.

Our audit revealed that the medical opt-out payment paid to one individual was calculated incorrectly, which resulted in an overpayment to that employee. In addition, the payment exceeded the maximum allowed per N.J.S.A. 40A:10-17.1. It is recommended that payments for medical opt-outs be made in accordance with N.J.S.A. 40A:10-17.1.

**Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4**

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

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for Columbus Road Project II.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear violations existed.

Our examination of expenditures did not reveal any payments, contracts or agreements in excess of the bid threshold, where bids had not been previously sought by public advertisement or where a resolution had not been previously adopted under the provisions of NJS 40A:11-6.

**BOROUGH OF DEMAREST  
LETTER OF COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS (Continued)**

**Collection of Interest on Delinquent Taxes and Assessments**

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

The Governing Body on January 7, 2013, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, N.J.S.A. 54:4-67 provides that the Governing Body of municipality is to fix the rate of interest to be charged for the delinquent payment of real estate taxes.

THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Demarest, County of Bergen, New Jersey that interest shall be charged at the rate of 8% per annum on the first \$1,500 of delinquent real estate taxes and 18% per annum on any amount in the excess of \$1,500."

**Suggestion to Management**

It is suggested that all prior year reconciling items on the bank reconciliations be reviewed and cleared of record.

**BOROUGH OF DEMAREST  
LETTER OF COMMENTS AND RECOMMENDATIONS**

**RECOMMENDATIONS**

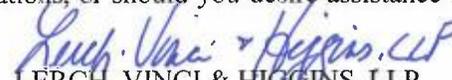
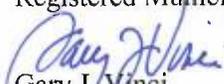
It is recommended that:

- \* 1. General ledgers be reconciled to the respective subsidiary ledgers including bank reconciliations on a monthly basis.
- \* 2. Efforts be made to collect prior year grant receivable balances for completed capital projects.
- \* 3. The General Capital Fund improvement authorization balances be in agreement with the audited balances and the open purchase order report be reviewed and all inactive purchase orders be cleared of record.
- \* 4. The Trust Fund deficit reserve balances be reviewed and cleared of record.
- \* 5. Employee payroll deductions be transferred to the Unemployment Insurance Trust Fund on a quarterly basis.
- \* 6. The Borough's fixed asset accounting and reporting system be updated to reflect current additions and deletions.
- \* 7. Payments for unused vacation time be approved by the governing body.
- \* 8. State contracts be approved by resolution and only valid State contracts be utilized.
- \* 9. The Borough verify that all state payroll tax payments remitted by the service provider are made by the required due dates.
- 10. The encumbrance system be enhanced to ensure that contracts awarded and change orders approved are encumbered in a timely manner.
- 11. All timesheets for the crossing guards and the Municipal Court personnel be approved by a supervisory individual.
- 12. With respect to the Construction Department, it is recommended that:
  - a) All deposits be properly entered into the Construction Permit Activity Report.
  - b) Fees be charged in accordance with the Municipal fee ordinance.
- 13. Payments for medical opt-outs be made in accordance with N.J.S.A. 40A:10-17.1.

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year recommendations, except those recommendations denoted by an asterisk (\*).

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

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

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants  
  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411