

BOROUGH OF DEMAREST
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2014

BOROUGH OF DEMAREST

TABLE OF CONTENTS

| <u>Exhibits</u> | | <u>Page</u> |
|----------------------------|---|-------------|
| <u>PART I</u> | | |
| | 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-3 | 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 |
| <u>Current Fund</u> | | |
| A-4 | Statement of Current Cash | 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 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 Grant Reserves | 51 |
| A-20 | Statement of Unappropriated Grant Reserves | 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> |
|-----------------|--|-------------|
| | <u>Trust Funds</u> | |
| B-4 | Statement of Trust Cash | 54 |
| B-5 | Statement of Assessment Cash | 55 |
| B-6 | Statement of Due to State of New Jersey – Animal Control Fees | 55 |
| B-7 | Statement of Reserve for Animal Control Expenditures | 55 |
| B-8 | Statement of Miscellaneous Reserves – Other Trust Fund | 56 |
| B-9 | Statement of Escrow Deposits – Other Trust Fund | 56 |
| B-10 | Statement of Reserve for Unemployment Insurance Claims | 56 |
| B-11 | Statement of Due to State of New Jersey - Unemployment Insurance Trust Fund | 57 |
| B-12 | Statement of Due to Current Fund – Assessment Trust Fund | 57 |
| B-13 | Statement of Due from Current Fund – Other Trust Fund | 57 |
| B-14 | Statement of Due to/(from) Unemployment Insurance Trust Fund – Other Trust Fund – Payroll | 57 |
| B-15 | Statement of Payroll Deductions Payable – Other Trust Fund | 58 |
| B-16 | Statement of Reserve for Open Space Expenditures – Open Space Preservation Trust Fund | 58 |
| B-17 | Statement of Due from Current Fund – Open Space Preservation Trust Fund | 58 |
| B-18 | Statement of Reserve for Affordable Housing | 59 |
| B-19 | Statement of Reserve for Community Development | 59 |
| | <u>General Capital Fund</u> | |
| C-2 | Statement of General Capital Cash | 60 |
| C-3 | Analysis of General Capital Cash | 61 |
| C-4 | Statement of Deferred Charges to Future Taxation - Funded | 62 |
| C-5 | Statement of Deferred Charges to Future Taxation - Unfunded | 63 |
| C-6 | Statement of Accounts Receivable | 64 |
| C-7 | Statement of Improvement Authorizations | 65 |
| C-8 | Statement of Encumbrances Payable | 66 |
| C-9 | Statement of Reserve for Payment of Bonds | 66 |
| C-10 | Statement of General Serial Bonds | 67 |
| C-11 | Statement of Green Trust Loans Payable | 68 |
| C-12 | Statement of Capital Improvement Fund | 68 |
| C-13 | Statement of Prospective Assessment to be Raised by Taxation | 68 |
| C-14 | Statement of Deferred Charges - Overexpenditure of Ordinance Appropriation | 68 |
| C-15 | Statement of Bond Anticipation Notes | 69 |
| C-16 | Statement of Bonds and Notes Authorized But Not Issued | 70 |

BOROUGH OF DEMAREST

TABLE OF CONTENTS (Continued)

| <u>Exhibits</u> | <u>Page</u> |
|---|-------------|
| <u>Part II</u> | |
| 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 | 71-72 |
| Schedule of Expenditures of Federal Awards | 73 |
| Schedule of Expenditures of State Financial Assistance | 74-75 |
| Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance | 76 |
| Schedule of Findings and Responses | 77-78 |
| Schedule of Prior Year Audit Findings | 79 |
| <u>Part III</u> | |
| Comparative Statement of Operations and Changes in Fund Balance - Current Fund | 80 |
| Comparative Schedule of Tax Rate Information | 81 |
| Comparison of Tax Levies and Collection Currently | 81 |
| Delinquent Taxes | 82 |
| Property Acquired by Tax Title Lien Liquidation | 82 |
| Comparative Schedule of Fund Balance | 82 |
| Officials in Office and Surety Bonds | 83 |
| General Comments | 84-86 |
| Recommendations | 87 |

BOROUGH OF DEMAREST

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
KEVIN LOMSKI, CPA
SHERYL M. NICOLosi, CPA
KATHLEEN WANG, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable 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, 2014 and 2013, 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, 2014, 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 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, 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, 2014 and 2013, or changes in financial position for the years then ended.

Basis for Qualified 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, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 32 percent and 32 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2014 and 2013.

Qualified 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 Qualified 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, 2014 and 2013, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2014 in accordance with the 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

Other Information

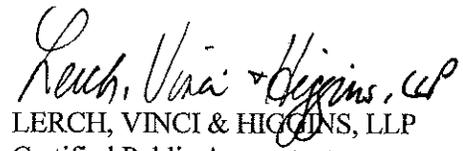
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Demarest as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data 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 July 10, 2015 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
July 10, 2015

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2014 AND 2013

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|---------------------|---------------------|
| ASSETS | | | |
| Cash | A-4 | \$ 2,870,289 | \$ 1,954,981 |
| Cash - Change Funds | A | 300 | 300 |
| Cash - Petty Cash | A-5 | 200 | 200 |
| Grants Receivable | A-6 | <u>32,139</u> | <u>32,139</u> |
| | | <u>2,902,928</u> | <u>1,987,620</u> |
| Receivables and Other Assets With Full Reserves | | | |
| Delinquent Property Taxes Receivable | A-8 | 144,394 | 360,539 |
| Property Acquired for Taxes - Assessed Value | A-9 | 67,444 | 67,444 |
| Due from Assessment Trust Fund | B-12 | 30 | 30 |
| Revenue Accounts Receivable | A-10 | <u>2,580</u> | <u>2,474</u> |
| | | <u>214,448</u> | <u>430,487</u> |
| Deferred Charges | | | |
| Expenditure Without Appropriation | A-23 | <u>25,506</u> | <u>-</u> |
| | | <u>25,506</u> | <u>-</u> |
| Total Assets | | <u>\$ 3,142,882</u> | <u>\$ 2,418,107</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Liabilities | | | |
| Appropriation Reserves | A-3,A-12 | \$ 839,790 | \$ 409,365 |
| Accounts Payable | A-22 | 30,902 | 81,124 |
| Accrued Salaries and Wages Payable | A-25 | 1,228 | 1,228 |
| Encumbrances Payable | A-13 | 128,146 | 142,517 |
| Due to State - Senior Citizens and Veterans | A-7 | 10,336 | 9,836 |
| Due to Open Space Trust Fund | B-17 | 63,165 | 63,165 |
| Due to Other Trust Fund | B-13 | 7,465 | 7,465 |
| Due to LOSAP Trust Fund | A-24 | 70,000 | 68,000 |
| Prepaid Taxes | A-15 | 207,448 | 330,496 |
| Miscellaneous Reserves and Deposits | A-11 | 19,067 | 19,067 |
| Health Fees Payable | A-21 | 50 | - |
| Tax Overpayments | A-14 | 9,929 | 25,886 |
| County Taxes Payable | A-16 | 10,269 | 29,067 |
| Reserve for Grants | | | |
| Appropriated | A-19 | 109,220 | 94,124 |
| Unappropriated | A-20 | <u>20,063</u> | <u>13,021</u> |
| | | <u>1,462,685</u> | <u>1,294,361</u> |
| Reserve for Receivables and Other Assets | A | 214,448 | 430,487 |
| Fund Balance | A-1 | <u>1,465,749</u> | <u>693,259</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 3,142,882</u> | <u>\$ 2,418,107</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, 2014 AND 2013

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|---------------------|-------------------|
| REVENUE AND OTHER INCOME REALIZED | | | |
| Fund Balance Utilized | A-2 | \$ 189,000 | \$ 206,000 |
| Miscellaneous Revenue Anticipated | A-2 | 917,732 | 884,775 |
| Receipts from Delinquent Taxes | A-2 | 361,039 | 450,973 |
| Receipts from Current Taxes | A-2 | 29,822,528 | 29,299,721 |
| Non-Budget Revenue | A-2 | 196,136 | 127,934 |
| Other Credits to Income | | | |
| Unexpended Balance of Appropriation Reserves | A-12 | 242,690 | 171,659 |
| Cancellation of Accounts Payable | A-22 | 66,491 | |
| Cancellation of Due to LOSAP Payable | A-24 | 15,104 | 10,566 |
| Prior Year Interfunds Returned | A-1 | - | 11,079 |
| | | <u>31,810,720</u> | <u>31,162,707</u> |
| EXPENDITURES | | | |
| Budget Appropriations | | | |
| Operations | | | |
| Salaries and Wages | A-3 | 2,935,801 | 2,842,529 |
| Other Expenses | A-3 | 3,402,244 | 3,353,786 |
| Capital Improvements | A-3 | 55,215 | 55,215 |
| Municipal Debt Service | A-3 | 702,555 | 745,914 |
| Deferred Charges and Statutory Expenditures | A-3 | 748,641 | 828,282 |
| County Taxes | A-16 | 3,326,129 | 3,184,824 |
| County Share of Added and Omitted Taxes | A-16 | 10,302 | 29,100 |
| Local District School Taxes | A-18 | 12,606,577 | 12,522,022 |
| Regional High School District Tax | A-17 | 6,974,109 | 6,886,515 |
| Municipal Open Space Tax | B-16 | 63,538 | 63,165 |
| Expenditures Without Appropriations | A-4 | 25,506 | |
| Interfund Advance | A-1 | | 30 |
| Prior Year Tax Adjustment | A-14 | 537 | 143,231 |
| Refund of Prior Year Revenue | A-4 | 23,082 | 26,904 |
| Prior Year Senior Citizen Deductions Disallowed | A-7 | 500 | 815 |
| | | <u>30,874,736</u> | <u>30,682,332</u> |
| Excess in Revenue | | 935,984 | 480,375 |
| Adjustments to Income before Fund Balance: | | | |
| Expenditures included above which are by Statute Deferred | | | |
| Charges to Budget of Succeeding Year | A-23 | 25,506 | - |
| Statutory Excess to Fund Balance | | 961,490 | 480,375 |
| Fund Balance, January 1 | A | 693,259 | 418,884 |
| | | 1,654,749 | 899,259 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-2 | 189,000 | 206,000 |
| Fund Balance, December 31 | A | <u>\$ 1,465,749</u> | <u>\$ 693,259</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, 2014

| | Reference | Budget | Added by NJS 40A:4-87 | Realized | Excess or (Deficit) |
|---|-----------|---------------------|--------------------------|---------------------|---------------------------|
| FUND BALANCE ANTICIPATED | A-1 | \$ 189,900 | - | \$ 189,900 | - |
| MISCELLANEOUS REVENUES | | | | | |
| Licenses | | | | | |
| Alcoholic Beverages | A-10 | 2,000 | | 4,000 | \$ 2,000 |
| Fees and Permits | A-10 | 16,400 | | 17,738 | 1,338 |
| Fines and Costs | | | | | |
| Municipal Court | A-10 | 37,350 | | 35,344 | (2,006) |
| Interest and Cost on Taxes | A-10 | 72,500 | | 106,934 | 34,434 |
| Energy Receipts Tax | A-10 | 405,840 | | 405,840 | |
| Uniform Construction Code Fees | A-10 | 160,000 | | 183,554 | 23,554 |
| Public and Private Revenues Offset With Appropriations | | | | | |
| Alcohol Education and Rehabilitation | A-20 | 211 | | 211 | |
| Body Armor Grant | A-20 | 1,870 | | 1,870 | |
| Clean Communities | A-20 | 3,818 | | 3,818 | |
| Recycling Tonnage Grant | A-20 | 7,122 | | 7,122 | |
| Sewer User Fees | A-10 | 29,500 | | 36,020 | 6,520 |
| Reimbursement-Trash Collection | A-10 | 11,000 | | 11,400 | 400 |
| Construction Resales | A-10 | 7,000 | | 9,300 | 2,300 |
| Assessment Trust Fund Surplus | B-1 | 5,000 | | 5,000 | |
| Cable TV Franchise | A-10 | 69,700 | | 69,775 | 75 |
| Crossing Guards-NVRHS | A-10 | 19,000 | - | 19,806 | 806 |
| Total Miscellaneous Revenues | A-1 | <u>848,311</u> | - | <u>917,732</u> | <u>69,421</u> |
| RECEIPTS FROM DELINQUENT TAXES | A-8 | <u>360,000</u> | - | <u>361,039</u> | <u>1,039</u> |
| AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET | | | | | |
| Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes | A-2,A-8 | 6,451,588 | | 6,847,215 | 395,627 |
| Minimum Library Tax | A-2,A-8 | 469,658 | - | 469,658 | - |
| Total Amount to be Raised by Taxes for Support of Municipal Budget | | <u>6,921,246</u> | - | <u>7,316,873</u> | <u>395,627</u> |
| Total General Revenues | | <u>\$ 8,319,457</u> | <u>\$ -</u> | <u>8,785,544</u> | <u>\$ 466,087</u> |
| Non-Budget Revenue | A-2 | | | <u>196,136</u> | |
| | | | | <u>\$ 8,981,680</u> | |

**BOROUGH OF DEMAREST
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Reference

ANALYSIS OF REALIZED REVENUES

| | | |
|--|---------------------|-------------------------|
| Allocation of Current Tax Collections | | |
| Revenue from Collections | A-1,A-8 | \$ 29,822,528 |
| Allocated to | | |
| School, County and Open Space Taxes | A-16,A-17,A-18,B-16 | <u>22,980,655</u> |
| | | 6,841,873 |
| Add: Appropriation for Reserve for Uncollected Taxes | A-3 | <u>475,000</u> |
| Balance for Supporting Municipal Budget Appropriations | A-2 | <u>\$ 7,316,873</u> |

ANALYSIS OF NON-BUDGET REVENUE

| | | |
|----------------------------------|---------|-------------------|
| Senior Citizen/Veteran Admin Fee | | \$ 555 |
| Miscellaneous | | 7,706 |
| DMV Inspections | | 1,725 |
| Sale of Borough Property | | 16,600 |
| Sale of Capital Assets | | 5,000 |
| Donation - Police Facilities | | 7,500 |
| Police Outside Duty Fees | | 10,057 |
| Pilot Fee | | 3,000 |
| FEMA Reimbursement | | 136,961 |
| BJIF Dividend | | <u>7,032</u> |
| | A-2,A-4 | <u>\$ 196,136</u> |

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <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> |
| OPERATIONS - WITHIN "CAPS" | | | | | |
| GENERAL GOVERNMENT | | | | | |
| Administrative and Executive | | | | | |
| Salaries and Wages | \$ 32,554 | \$ 32,554 | \$ 31,212 | \$ 1,342 | |
| Mayor and Council | | | | | |
| Salaries and Wages | 5,500 | 5,500 | 3,250 | 2,250 | |
| Other Expenses | 3,500 | 3,500 | 1,568 | 1,932 | |
| Municipal Clerk | | | | | |
| Salaries and Wages | 54,314 | 55,614 | 55,383 | 231 | |
| Other Expenses | 39,625 | 39,625 | 25,031 | 14,594 | |
| Elections | | | | | |
| Other Expenses | 5,500 | 5,500 | 4,141 | 1,359 | |
| Financial Administration | | | | | |
| Salaries and Wages | 52,000 | 53,200 | 53,040 | 160 | |
| Other Expenses | 57,050 | 57,050 | 48,826 | 8,224 | |
| Audit Services | | | | | |
| Other Expenses | 35,900 | 35,900 | 4,400 | 31,500 | |
| Revenue Administration | | | | | |
| Salaries and Wages | 52,250 | 53,450 | 53,040 | 410 | |
| Other Expenses | 4,200 | 4,200 | 3,963 | 237 | |
| Assessment of Taxes | | | | | |
| Salaries and Wages | 18,421 | 18,921 | 18,789 | 132 | |
| Other Expenses | 1,550 | 1,550 | 1,058 | 492 | |
| Legal Services and Costs | | | | | |
| Other Expenses | 85,000 | 85,000 | 50,315 | 34,685 | |
| Engineering Services and Costs | | | | | |
| Other Expenses | 30,540 | 10,540 | 6,508 | 4,032 | |
| Historical Sites | | | | | |
| Other Expenses | 1,500 | 1,500 | | 1,500 | |
| Municipal Land Use Law (NJSA 40:55D-1) | | | | | |
| Planning Board | | | | | |
| Salaries and Wages | 1,000 | 1,000 | | 1,000 | |
| Other Expenses | 4,950 | 4,950 | 250 | 4,700 | |
| Zoning Board of Adjustment | | | | | |
| Salaries and Wages | 3,300 | 3,300 | 3,243 | 57 | |
| Other Expenses | 7,490 | 7,490 | 2,875 | 4,615 | |
| Insurance | | | | | |
| Other Insurance | | | | | |
| Liability | 98,000 | 98,000 | 97,109 | 891 | |
| Worker's Compensation | 98,120 | 98,120 | 96,785 | 1,335 | |
| Health Benefits | 470,300 | 470,300 | 365,379 | 104,921 | |
| Health Benefit Waiver | 34,000 | 34,000 | 11,196 | 22,804 | |
| PUBLIC SAFETY | | | | | |
| Fire Department | | | | | |
| Other Expenses | 43,275 | 43,275 | 43,181 | 94 | |
| Fire Hydrant Services | 99,000 | 99,000 | 98,628 | 372 | |
| Municipal Prosecutor | | | | | |
| Salaries and Wages | 6,752 | 6,752 | 6,752 | | |
| Police Department | | | | | |
| Salaries and Wages | 1,969,521 | 2,009,521 | 1,836,515 | 173,006 | |
| Other Expenses | 157,200 | 182,200 | 160,881 | 21,319 | |
| Contribution to First Aid Organization | 30,450 | 30,450 | 28,575 | 1,875 | |
| Office of Emergency Management | | | | | |
| Other Expenses | 6,000 | 6,000 | 5,040 | 960 | |

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <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> | |
| OPERATIONS - WITHIN "CAPS" (Cont'd) | | | | | |
| PUBLIC WORKS FUNCTIONS | | | | | |
| Solid Waste Collection | | | | | |
| Salaries and Wages | \$ 750 | \$ 750 | \$ 750 | | |
| Sanitation-Contractual | 500,000 | 500,000 | 455,544 | \$ 44,456 | |
| Sewerage Processing and Disposal | | | | | |
| Salaries and Wages | 1,500 | 1,500 | | 1,500 | |
| Other Expenses | 3,000 | 3,000 | | 3,000 | |
| Landfill Solid Waste Disposal | 3,000 | 3,000 | | 3,000 | |
| Public Buildings and Grounds | | | | | |
| Other Expenses | 42,200 | 42,200 | 39,594 | 2,606 | |
| Streets and Roads Maintenance | | | | | |
| Salaries and Wages | 563,400 | 538,400 | 476,019 | 62,381 | |
| Other Expenses | 47,450 | 47,450 | 32,387 | 15,063 | |
| Shade Tree Commission | | | | | |
| Other Expenses | 22,500 | 22,500 | 22,500 | | |
| Borough Mechanic | | | | | |
| Salaries and Wages | 34,000 | 37,000 | 36,454 | 546 | |
| Other Expenses | 88,800 | 98,800 | 95,298 | 3,502 | |
| Fire Prevention | | | | | |
| Salaries and Wages | 6,353 | 6,553 | 6,539 | 14 | |
| Other Expenses | 500 | 500 | 35 | 465 | |
| HEALTH AND HUMAN SERVICES FUNCTIONS | | | | | |
| Board of Health | | | | | |
| Salaries and Wages | 1,000 | 1,000 | 552 | 448 | |
| Other Expenses | 16,395 | 16,395 | 15,458 | 937 | |
| Environmental Comm. (NJSA 40:56D-1 et seq.) | | | | | |
| Other Expenses | 1,400 | 2,400 | 2,249 | 151 | |
| Occupational Safety and Health Act (P.L. 1983, C. 516) | 26,195 | 26,195 | 16,168 | 10,027 | |
| Parks and Playgrounds | | | | | |
| Other Expenses | 3,000 | 3,500 | 3,098 | 402 | |
| OTHER COMMON OPERATING FUNCTIONS | | | | | |
| Celebration of Public Events | | | | | |
| Other Expenses | 3,000 | 3,000 | 2,464 | 536 | |
| Municipal Court | | | | | |
| Salaries and Wages | 25,500 | 25,500 | 22,860 | 2,640 | |
| Other Expenses | 1,975 | 1,975 | 945 | 1,030 | |
| Public Defender | | | | | |
| Other Expenses | 4,400 | 4,400 | 3,857 | 543 | |
| Salary Negotiations and Costs | 40,000 | | | | |
| UNIFORM CONSTRUCTION CODE | | | | | |
| APPROPRIATIONS OFFSET BY | | | | | |
| DEDICATED REVENUES (N.J.A.C. 5:23-4-17) | | | | | |
| Construction Code Official | | | | | |
| Salaries and Wages | 56,116 | 57,316 | 57,012 | 304 | |
| Other Expenses | 1,500 | 1,500 | 1,184 | 316 | |

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <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> |
| OPERATIONS - WITHIN "CAPS" (Cont'd) | | | | | |
| UNIFORM CONSTRUCTION CODE | | | | | |
| APPROPRIATIONS OFFSET BY | | | | | |
| DEDICATED REVENUES (N.J.A.C. 5:23-4-17) (Continued) | | | | | |
| Sub-Code Officials | | | | | |
| Plumbing Sub-Code Officials | | | | | |
| Salaries and Wages | \$ 6,000 | \$ 6,200 | \$ 6,120 | \$ 80 | |
| Fire Protection Sub-Code Official | | | | | |
| Salaries and Wages | 6,570 | 6,770 | 6,642 | 128 | |
| Electrical Sub-Code Official | | | | | |
| Salaries and Wages | 15,000 | 15,000 | 15,000 | | |
| UNCLASSIFIED: | | | | | |
| Gasoline | 67,200 | 59,200 | 46,880 | 12,320 | |
| Telephone Services | 60,700 | 60,700 | 57,752 | 2,948 | |
| Electricity | 34,500 | 42,500 | 37,742 | 4,758 | |
| Water | 3,500 | 5,300 | 4,761 | 539 | |
| Gas (Natural or Propane) | 23,500 | 27,000 | 26,818 | 182 | |
| Telecommunication Costs | 1,000 | 1,000 | | 1,000 | |
| Street Lighting | 110,000 | 103,200 | 67,962 | 35,238 | - |
| | <u>5,330,666</u> | <u>5,329,666</u> | <u>4,677,577</u> | <u>652,089</u> | - |
| Total Operations Within "CAPS" | | | | | |
| Detail: | | | | | |
| Salaries and Wages | 2,951,801 | 2,935,801 | 2,689,172 | 246,629 | |
| Other Expenses (Including Contingent) | 2,378,865 | 2,393,865 | 1,988,405 | 405,460 | - |
| | <u>2,951,801</u> | <u>2,935,801</u> | <u>2,689,172</u> | <u>246,629</u> | - |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS" | | | | | |
| STATUTORY CHARGES | | | | | |
| Social Security System (O.A.S.I.) | 132,000 | 132,000 | 105,472 | 26,528 | |
| Police and Fireman's Retirement System of NJ | 439,833 | 439,833 | 411,396 | 28,437 | |
| Public Employees Retirement System | 125,195 | 125,195 | 112,433 | 12,762 | - |
| | <u>132,000</u> | <u>132,000</u> | <u>105,472</u> | <u>26,528</u> | - |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | | | | | |
| | <u>697,028</u> | <u>697,028</u> | <u>629,301</u> | <u>67,727</u> | - |
| Total General Appropriations for Municipal Purposes Within "CAPS" | | | | | |
| | <u>6,027,694</u> | <u>6,026,694</u> | <u>5,306,878</u> | <u>719,816</u> | - |

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Appropriated | | Expended | | Cancelled |
|---|--------------|---------------------------|-----------------|-----------|-----------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| OPERATIONS - EXCLUDED FROM "CAPS" | | | | | |
| Maintenance of Free Public Library | \$ 469,658 | \$ 469,658 | \$ 384,402 | \$ 85,256 | |
| Length of Service Awards Program (LOSAP) | 70,000 | 70,000 | 70,000 | | |
| NJPDES Stormwater Permit | | | | | |
| Street Division - Other Expenses | 2,000 | 3,000 | 2,968 | 32 | |
| NJPDES Landfill Discharge | | | | | |
| Landfill Division - Other Expenses | 200 | 200 | 30 | 170 | |
| Sewer Charges | | | | | |
| Bergen County Utilities Authority | | | | | |
| Operations and Maintenance | 291,655 | 291,655 | 290,902 | 753 | |
| Debt Service | 132,345 | 132,345 | 132,345 | | |
| Borough of Cresskill | 20,000 | 20,000 | | 20,000 | |
| Recycling Tax | 8,500 | 8,500 | 7,578 | 922 | - |
| Total Other Operations Excluded from "CAPS" | 994,358 | 995,358 | 888,225 | 107,133 | - |
| PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES | | | | | |
| Alcohol Ed/Rehab Fund | 211 | 211 | | 211 | |
| Police Body Armor | 1,870 | 1,870 | | 1,870 | |
| Recycling Tonnage Grant | 7,122 | 7,122 | | 7,122 | |
| Clean Communities | 3,818 | 3,818 | 180 | 3,638 | - |
| Total Public and Private Programs Offset by Revenues | 13,021 | 13,021 | 180 | 12,841 | - |
| Total Operations Excluded from "CAPS" | 1,007,379 | 1,008,379 | 888,405 | 119,974 | - |
| Detail: | | | | | |
| Other Expenses (Including Contingent) | 1,007,379 | 1,008,379 | 888,405 | 119,974 | - |
| CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS" | | | | | |
| Capital Improvement Fund | 55,215 | 55,215 | 55,215 | - | - |
| Total Capital Improvements Excluded from "CAPS" | 55,215 | 55,215 | 55,215 | - | - |
| MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS" | | | | | |
| Payment of Bond Principal | 450,000 | 450,000 | 450,000 | | |
| Payment of Bond Anticipation Notes and Capital Notes | 109,583 | 109,583 | 109,583 | | |
| Interest on Bonds | 106,692 | 106,692 | 106,692 | | |
| Interest on Notes | 32,178 | 32,178 | 32,177 | | \$ 1 |
| Green Trust Loan Program | | | | | |
| Estimated Loan Repayments for Principal and Interest | 4,103 | 4,103 | 4,103 | - | - |
| Total Municipal Debt Service Excluded from "CAPS" | 702,556 | 702,556 | 702,555 | - | 1 |

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, 2014

| | | <u>Appropriated</u> | | <u>Expended</u> | |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|
| | <u>Budget</u> | <u>Budget After</u> | <u>Modification</u> | <u>Paid or</u> | <u>Reserved</u> |
| | | | | <u>Charged</u> | <u>Cancelled</u> |
| DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS" | | | | | |
| Deferred Charges to Future Taxation - Unfunded Ord. No. 860 | \$ 51,613 | \$ 51,613 | | \$ 51,613 | - |
| | | | | | - |
| Total Deferred Charges - Municipal Excluded from "CAPS" | <u>51,613</u> | <u>51,613</u> | | <u>51,613</u> | <u>-</u> |
| | | | | | <u>-</u> |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | <u>1,816,763</u> | <u>1,817,763</u> | | <u>1,697,788</u> | <u>\$ 119,974</u> |
| | | | | | <u>\$ 1</u> |
| Subtotal General Appropriations | 7,844,457 | 7,844,457 | | 7,004,666 | 839,790 |
| Reserve for Uncollected Taxes | <u>475,000</u> | <u>475,000</u> | | <u>475,000</u> | <u>-</u> |
| | | | | | <u>-</u> |
| Total General Appropriations | <u>\$ 8,319,457</u> | <u>\$ 8,319,457</u> | | <u>\$ 7,479,666</u> | <u>\$ 839,790</u> |
| | | | | | <u>\$ 1</u> |
| | <u>Reference</u> | <u>A-2</u> | | <u>A</u> | |
| Cash Disbursed | A-4 | | | \$ 6,806,520 | |
| Encumbrances Payable | A-13 | | | 128,146 | |
| Due to LOSAP Trust Fund | A-24 | | | 70,000 | |
| Reserve for Uncollected Taxes | A-2 | | | <u>475,000</u> | |
| | | | | <u>\$ 7,479,666</u> | |

**BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2014 AND 2013**

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|--|------------------|---------------------|---------------------|
| ASSETS | | | |
| ASSESSMENT TRUST FUND | | | |
| Cash | B-4, B-5 | \$ 6,039 | \$ 11,039 |
| | | <u>6,039</u> | <u>11,039</u> |
| ANIMAL CONTROL FUND | | | |
| Cash | B-4 | 11,828 | 9,391 |
| | | <u>11,828</u> | <u>9,391</u> |
| OTHER TRUST FUND | | | |
| Cash | B-4 | 1,291,947 | 1,083,243 |
| Due from Unemployment Insurance Trust Fund | B-14 | 3,737 | |
| Due from Current Fund | B-13 | 7,465 | 7,465 |
| | | <u>1,303,149</u> | <u>1,090,708</u> |
| UNEMPLOYMENT INSURANCE TRUST FUND | | | |
| Cash | B-4 | 7,256 | 12,662 |
| Due from Other Trust Fund | b-14 | - | 3,345 |
| | | <u>7,256</u> | <u>16,007</u> |
| OPEN SPACE PRESERVATION TRUST FUND | | | |
| Cash | B-4 | 351,933 | 237,086 |
| Due from Current Fund | B-17 | - | 63,165 |
| | | <u>351,933</u> | <u>300,251</u> |
| LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED) | | | |
| Investments | B | 711,107 | 612,105 |
| Due from Current Fund | A-3, A-24 | 70,000 | 68,000 |
| | | <u>781,107</u> | <u>680,105</u> |
| Total Assets | | <u>\$ 2,461,312</u> | <u>\$ 2,107,501</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, 2014 AND 2013**

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|--|------------------|---------------------|---------------------|
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| ASSESSMENT TRUST FUND | | | |
| Due to Current Fund | B-12 | \$ 30 | \$ 30 |
| Fund Balance | B-1 | <u>6,009</u> | <u>11,009</u> |
| | | <u>6,039</u> | <u>11,039</u> |
| ANIMAL CONTROL FUND | | | |
| Due to State of New Jersey | B-6 | - | 2 |
| Reserve for Animal Control Expenditures | B-7 | <u>11,828</u> | <u>9,389</u> |
| | | <u>11,828</u> | <u>9,391</u> |
| OTHER TRUST FUND | | | |
| Miscellaneous Reserves | B-8 | 255,702 | 139,319 |
| Escrow Deposits | B-9 | 629,557 | 596,563 |
| Due to Unemployment Insurance Trust Fund - Payroll | B-14 | - | 3,345 |
| Payroll Deductions Payable | B-15 | (7,036) | 21,884 |
| Affordable Housing | B-18 | 422,372 | 327,043 |
| Reserve for Community Development | B-19 | <u>2,554</u> | <u>2,554</u> |
| | | <u>1,303,149</u> | <u>1,090,708</u> |
| UNEMPLOYMENT INSURANCE TRUST FUND | | | |
| Reserve for Unemployment Compensation Claims | B-10 | 2,822 | 5,523 |
| Due to State of New Jersey | B-11 | 697 | 10,484 |
| Due to Other Trust Fund | B-14 | <u>3,737</u> | <u>-</u> |
| | | <u>7,256</u> | <u>16,007</u> |
| OPEN SPACE PRESERVATION TRUST FUND | | | |
| Reserve for Open Space Expenditures | B-16 | <u>351,933</u> | <u>300,251</u> |
| | | <u>351,933</u> | <u>300,251</u> |
| LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED) | | | |
| Reserve for Length of Service Awards Program | B | <u>781,107</u> | <u>680,105</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 2,461,312</u> | <u>\$ 2,107,501</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, 2014 AND 2013**

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|-------------------------------------|------------------|-----------------|------------------|
| Balance, January 1 | B | \$ 11,009 | \$ 10,689 |
| Increased by: | | | |
| Collection of Unpledged Assessments | B-1 | - | 320 |
| | | 11,009 | 11,009 |
| Decreased by: | | | |
| Current Fund Budget Revenue | A-2,B-5 | 5,000 | - |
| Balance, December 31 | | <u>\$ 6,009</u> | <u>\$ 11,009</u> |

EXHIBIT B-2

**STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Reference</u> | <u>Anticipated</u> | <u>Realized</u> | <u>Excess or (Deficit)</u> |
|---------------------------------|------------------|--------------------|------------------|--------------------------------|
| Amount to be Raised by Taxation | B-16 | \$ 63,342 | \$ 63,538 | \$ 196 |
| | | <u>\$ 63,342</u> | 63,538 | <u>\$ 196</u> |
| Non-Budget | | | | |
| Interest Earned | B-16 | | 89 | |
| | | | <u>\$ 63,627</u> | |

EXHIBIT B-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Original Budget</u> | <u>Paid or Charged</u> | <u>Reserved</u> |
|------------------------|----------------------------|----------------------------|-----------------|
| Reserve for Future Use | \$ 63,342 | \$ - | \$ 63,342 |
| | <u>Reference</u> | B-16 | |

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2014 AND 2013**

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------------------|-------------------------|
| ASSETS | | | |
| Cash | C-2,C-3 | \$ 1,445,243 | \$ 826,319 |
| Accounts Receivable | C-6 | 618,140 | 659,176 |
| Prospective Assessment to be Raised by Taxation | C-13 | 9,000 | 9,000 |
| Deferred Charges to Future Taxation | | | |
| Funded | C-4 | 6,467,957 | 933,803 |
| Unfunded | C-5 | 330,689 | 6,466,810 |
| Overexpenditure of Ordinance Appropriation | C-14 | <u>15,409</u> | <u>-</u> |
| Total Assets | | <u>\$ 8,886,438</u> | <u>\$ 8,895,108</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Improvement Authorization | | | |
| Funded | C-7 | \$ 1,454,733 | \$ 215,331 |
| Unfunded | C-7 | 115,221 | 1,423,149 |
| Encumbrances Payable | C-8 | 64,069 | 270,334 |
| Serial Bonds Payable | C-10 | 6,458,000 | 920,000 |
| Green Acres Loan Payable | C-11 | 9,957 | 13,803 |
| Bond Anticipation Notes Payable | C-15 | - | 5,469,000 |
| Reserve for Payment of Bonds | C-9 | 93,964 | 10,849 |
| Reserve for Grants Receivable | C-6 | 425,700 | 466,736 |
| Reserve for Prospective Assessment to be Raised by Taxation | C-13 | 9,000 | 9,000 |
| Capital Improvement Fund | C-12 | 106,240 | 51,025 |
| Fund Balance | C-1 | <u>149,554</u> | <u>45,881</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 8,886,438</u> | <u>\$ 8,895,108</u> |

There were bonds and notes authorized but not issued of \$330,689 and \$1,051,921 on December 31, 2014 and 2013, 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, 2014 AND 2013

| | <u>Reference</u> | <u>2014</u> | <u>2013</u> |
|---------------------------------|------------------|-------------------|------------------|
| Balance, January 1 | C | \$ 45,881 | \$ 45,881 |
| Increased by: | | | |
| Premium on Sale of Serial Bonds | C-1,C-2 | <u>103,673</u> | <u>-</u> |
| Balance, December 31 | C | <u>\$ 149,554</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, 2014 AND 2013**

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Land | \$ 32,512,200 | \$ 32,527,400 |
| Buildings and Building Improvements | 3,275,812 | 3,273,312 |
| Machinery and Equipment | <u>4,740,081</u> | <u>4,659,990</u> |
| | <u>\$ 40,528,093</u> | <u>\$ 40,460,702</u> |
| FUND BALANCE | | |
| Investment in General Fixed Assets | <u>\$ 40,528,093</u> | <u>\$ 40,460,702</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, 2014 AND 2013**

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 and 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, 2014 AND 2013**

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 Trust 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 Trust 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, 2014 AND 2013**

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.

Reclassifications - Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

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, 2014 AND 2013**

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 taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal 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 11th 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.

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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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, and streets and sidewalks are not capitalized.

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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.

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

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 2014 and 2013 the Borough Council did not increase the original budget. However, the governing body approved several budget transfers during 2014 and 2013.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Borough's deposits were \$5,985,035 and \$4,135,221 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,138,576 and \$4,291,616, 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>2014</u> | <u>2013</u> |
| Insured | <u>\$ 6,138,576</u> | <u>\$ 4,291,616</u> |

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. However, as of December 31, 2014 and 2013, none of the Borough's bank balances were exposed to custodial credit 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2014 and 2013, the Borough had the following investments:

| | Reported Amount/Fair Value | |
|--|----------------------------------|------------|
| | 2014 | 2013 |
| Investments: | | |
| Lincoln Financial-Length of Service Award Program (Unaudited) | \$ 711,107 | \$ 612,105 |

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, 2014 and 2013, \$711,107 and \$612,105 of the Borough’s investments was exposed to custodial credit risk as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Uninsured and Collateralized: | | |
| Collateral held by pledging financial institution's trust department in the Borough's name | \$ 711,107 | \$ 612,105 |

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, 2014 and 2013, the Borough’s investment in Lincoln Financial was rated Baa1 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2014 and 2013 consisted of the following:

| <u>Current</u> | <u>2014</u> | <u>2013</u> |
|----------------|-------------|-------------|
| Property Taxes | \$144,394 | \$360,539 |

In 2014 and 2013, the Borough collected \$361,039 and \$450,973 from delinquent taxes, which represented 100% and 100%, respectively of the prior year delinquent taxes receivable balance.

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>2014</u> | | <u>2013</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 | \$ 77,465 | \$ 30 | \$ 138,630 |
| Trust Fund: | | | | |
| Assessment Trust | | 30 | | 30 |
| Open Space Preservation Trust Fund | | | 63,165 | - |
| Other Trust Fund | 11,202 | | 7,465 | 3,345 |
| Unemployment Insurance Trust Fund | | 3,737 | 3,345 | - |
| LOSAP Trust Fund | 70,000 | - | 68,000 | - |
| | <u>81,232</u> | <u>81,232</u> | <u>142,005</u> | <u>142,005</u> |
| Total | <u>\$ 81,232</u> | <u>\$ 81,232</u> | <u>\$ 142,005</u> | <u>\$ 142,005</u> |

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position and/or budget appropriations not transferred to other funds as of year end.

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

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, the following deferred charges are reported on the balance sheets of the following funds:

| | <u>Balance, December 31,</u> | <u>Subsequent Year Budget Appropriation</u> | <u>Balance to Succeeding Budgets</u> |
|--|----------------------------------|---|--|
| <u>2014</u> | | | |
| Current Fund | | | |
| Expenditures without Appropriation | \$ 25,506 | \$ 25,506 | |
| General Capital Fund | | | |
| Overexpenditure of Ordinance Appropriation | 15,409 | 15,409 | |

2013

There were none.

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund are 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:

| | <u>2014</u> | | <u>2013</u> | |
|------------------|--|---|--|---|
| | <u>Fund Balance December 31,</u> | <u>Utilized in Subsequent Year's Budget</u> | <u>Fund Balance December 31,</u> | <u>Utilized in Subsequent Year's Budget</u> |
| Current Fund | | | | |
| Cash Surplus | \$ 1,408,104 | \$ 540,000 | \$ 661,120 | \$ 189,900 |
| Non-Cash Surplus | <u>57,645</u> | <u>-</u> | <u>32,139</u> | <u>-</u> |
| | <u>\$ 1,465,749</u> | <u>\$ 540,000</u> | <u>\$ 693,259</u> | <u>\$ 189,900</u> |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013.

| | Balance December 31, <u>2013</u> | <u>Increases</u> | <u>Decreases</u> | Balance, December 31, <u>2014</u> |
|-------------------------------------|--|-------------------|-------------------|---|
| <u>2014</u> | | | | |
| Land | \$ 32,527,400 | | \$ 15,200 | \$ 32,512,200 |
| Buildings and Building Improvements | 3,273,312 | \$ 2,500 | | 3,275,812 |
| Machinery and Equipment | <u>4,659,990</u> | <u>235,450</u> | <u>155,359</u> | <u>4,740,081</u> |
| | <u>\$ 40,460,702</u> | <u>\$ 237,950</u> | <u>\$ 170,559</u> | <u>\$ 40,528,093</u> |
| | | | | |
| | Balance December 31, <u>2012</u> | <u>Increases</u> | <u>Decreases</u> | Balance, December 31, <u>2013</u> |
| <u>2013</u> | | | | |
| 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> |

**BOROUGH OF DEMAREST
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 fund 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>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Issued | | |
| General | | |
| Bonds, Notes and Loans | \$ 6,467,957 | \$ 6,402,803 |
| Less Funds Temporarily Held to Pay Bonds and Notes | <u>93,964</u> | <u>64,960</u> |
| Net Debt Issued | 6,373,993 | 6,337,843 |
| Authorized But Not Issued | | |
| General | | |
| Bonds and Notes | <u>330,689</u> | <u>1,051,921</u> |
| Net Bonds and Notes Issued and Authorized But Not Issued | <u>\$ 6,704,682</u> | <u>\$ 7,389,764</u> |

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 .47% and .54% at December 31, 2014 and 2013, respectively.

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|--------------------|----------------------|----------------------|---------------------|
| <u>2014</u> | | | |
| General Debt | \$ 6,798,646 | \$ 93,964 | \$ 6,704,682 |
| School Debt | <u>17,873,548</u> | <u>17,873,548</u> | <u>-</u> |
| Total | <u>\$ 24,672,194</u> | <u>\$ 17,967,512</u> | <u>\$ 6,704,682</u> |

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|--------------------|----------------------|---------------------|---------------------|
| <u>2013</u> | | | |
| 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> |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

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>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| 3-1/2% of Equalized Valuation Basis (Municipal) | \$ 49,838,945 | \$ 48,172,275 |
| Less: Net Debt | <u>6,704,682</u> | <u>7,389,764</u> |
| Remaining Borrowing Power | <u>\$ 43,134,263</u> | <u>\$ 40,782,511</u> |

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>2014</u> | <u>2013</u> |
|--|---------------------|-------------------|
| \$4,655,000 2003 General Improvement Bonds, due in annual installments of \$470,000 through December 15, 2015, interest at 3.00-3.25% | \$ 470,000 | \$ 920,000 |
| \$5,988,000 2014 General Improvement Bonds, due in annual installments of \$210,000 to \$420,000 through February 1, 2029, interest 2.00-3.00% | <u>5,988,000</u> | <u>-</u> |
| | <u>\$ 6,458,000</u> | <u>\$ 920,000</u> |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for 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>2014</u> | <u>2013</u> |
|---|-----------------|------------------|
| \$65,984, 1999 Loans, due in Semi-annual installments of \$1,951 to \$2,031 through January, 2017, interest at 2.0% | \$ 9,957 | \$ 13,803 |
| | <u>\$ 9,957</u> | <u>\$ 13,803</u> |

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2014 is as follows:

| Calendar Year | General | | Green Acres Loan | | Total |
|------------------|---------------------|---------------------|------------------|---------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2015 | \$ 680,000 | \$ 178,715 | \$ 3,923 | \$ 180 | \$ 862,818 |
| 2016 | 400,000 | 157,340 | 4,002 | 101 | 561,443 |
| 2017 | 400,000 | 149,340 | 2,032 | 20 | 551,392 |
| 2018 | 400,000 | 141,340 | | | 541,340 |
| 2019 | 409,000 | 131,205 | | | 540,205 |
| 2020-2024 | 2,070,000 | 471,000 | | | 2,541,000 |
| 2025-2029 | 2,099,000 | 157,365 | - | - | 2,256,365 |
| Total | <u>\$ 6,458,000</u> | <u>\$ 1,386,305</u> | <u>\$ 9,957</u> | <u>\$ 301</u> | <u>\$ 7,854,563</u> |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2014 and 2013 were as follows:

| | Balance, December 31, <u>2013</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2014</u> | Due Within <u>One Year</u> |
|---|---|---------------------|-------------------|---|----------------------------------|
| General Capital Fund | | | | | |
| Bonds Payable | \$ 920,000 | \$ 5,988,000 | \$ 450,000 | \$ 6,458,000 | \$ 680,000 |
| Intergovernmental Loans Payable | <u>13,803</u> | <u>-</u> | <u>3,846</u> | <u>9,957</u> | <u>3,923</u> |
| General Capital Fund Long-Term Liabilities | <u>\$ 933,803</u> | <u>\$ 5,988,000</u> | <u>\$ 453,846</u> | <u>\$ 6,467,957</u> | <u>\$ 683,923</u> |
| | | | | | |
| | Balance, December 31, <u>2012</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2013</u> | Due Within <u>One Year</u> |
| General Capital Fund | | | | | |
| Bonds Payable | \$ 1,355,000 | | \$ 435,000 | \$ 920,000 | \$ 450,000 |
| Intergovernmental Loans Payable | <u>17,574</u> | <u>-</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>\$ -</u> | <u>\$ 438,771</u> | <u>\$ 933,803</u> | <u>\$ 453,846</u> |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2014 and 2013 was as follows:

Bond Anticipation Notes

| <u>Purpose</u> | <u>Rate (%)</u> | <u>Maturity Date</u> | Balance, December 31, <u>2013</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | Balance, December 31, <u>2014</u> |
|---|-----------------|----------------------|---|----------------------------|------------------------------|---|
| Various Capital Improvements | 0.59% | 2/14/2014 | \$ 2,622,748 | | \$ 2,622,748 | |
| Various Capital Improvements | 0.59% | 2/14/2014 | 1,330,602 | | 1,330,602 | |
| Drainage Improvements | 0.59% | 2/14/2014 | 240,150 | | 240,150 | |
| Phase One Downtown Streetscape | 0.59% | 2/14/2014 | 98,000 | | 98,000 | |
| Various Interior Restoration Improvements Railroad Station | 0.59% | 2/14/2014 | 175,500 | | 175,500 | |
| 2010 Road Program | 0.59% | 2/14/2014 | 267,000 | | 267,000 | |
| Various Improvements DPW | 0.59% | 2/14/2014 | 462,000 | | 462,000 | |
| Curb Retrofitting, Drainage and Road Improvements | 0.59% | 2/14/2014 | 121,000 | | 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 | - |
| Total | | | \$ 5,469,000 | \$ - | \$ 5,469,000 | \$ - |

| <u>Purpose</u> | <u>Rate (%)</u> | <u>Maturity Date</u> | Balance, December 31, <u>2012</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | Balance, 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 | 1.00% | 2/15/2013 | 1,330,000 | - | 1,330,000 | |
| Various Capital Improvements | 0.59% | 2/14/2014 | | 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 |
| Total | | | \$ 5,536,500 | \$ 5,469,000 | \$ 5,536,500 | \$ 5,469,000 |

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

The purpose of these short-term 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>2014</u> | | |
| There were none. | | |
| <u>2013</u> | | |
| Columbus Road Project | \$ 116,908 | 2014 |

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 current year vacation days not used within the year of retirement.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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. PERS is a cost-sharing multi-employer defined benefit pension plan.

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.

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.

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 and (b) changes to projected salary increases of 4.22 percent for PERS and 6.01 percent for PFRS.

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 2013 for PERS and 10.0% for PFRS of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

Annual Pension Cost (APC)

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2014, 2013 and 2012, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension 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> |
|---|-------------|-------------|
| 2014 | \$ 411,396 | \$ 112,433 |
| 2013 | 455,344 | 134,378 |
| 2012 | 411,343 | 130,147 |

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, 2014 AND 2013**

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> |
|-----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2014 | \$ 3,452 | \$ 6,153 | \$ 2,822 |
| 2013 | 7,082 | 12,734 | 5,523 |
| 2012 | | 890 | 11,175 |

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, 2014 and 2013. 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, 2014 and 2013, 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, 2014 AND 2013**

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, 2014 and 2013, 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 \$1,542 and \$1,517 for 2014 and 2013, respectively, for each eligible volunteer fire department member and volunteer first aid squad member into the Plan. The total Borough contributions were \$70,000 and \$52,896 for 2014 and 2013, respectively.

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

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.

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, 2014. Through December 31, 2014, the Borough has received \$239,193 in FEMA reimbursements relating to Hurricane Sandy.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

On June 22, 2015 the Borough adopted a Bond Ordinance authorizing the issuance of \$593,750 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes to finance this ordinance.

SUPPLEMENTAL SCHEDULES

CURRENT FUND

**BOROUGH OF DEMAREST
STATEMENT OF CURRENT CASH**

| | | |
|---|---------------|---------------------|
| Balance, December 31, 2013 | | \$ 1,954,981 |
| Increased by Receipts: | | |
| Taxes Receivable | \$ 29,798,898 | |
| Non-Budget Revenue | 196,136 | |
| Due from State of New Jersey - Senior Citizens' and Veterans' | 27,750 | |
| Revenue Accounts Receivable | 899,711 | |
| Prepaid Taxes | 207,448 | |
| Health Fees | 375 | |
| Tax Overpayments | 9,929 | |
| Unappropriated Grant Reserves | 20,063 | |
| Receipts from Assessment Trust Fund | <u>5,000</u> | |
| | | <u>31,165,310</u> |
| | | 33,120,291 |
| Decreased by Disbursements: | | |
| 2014 Budget Appropriations | 6,806,520 | |
| Appropriation Reserves | 135,310 | |
| Expenditure Without an Appropriation | 25,506 | |
| County Taxes Payable | 3,355,229 | |
| Local District School Taxes Payable | 12,606,577 | |
| Regional High School District Taxes Payable | 6,974,109 | |
| Health Fees | 325 | |
| Refund of Prior Year Revenue | 23,082 | |
| Payments to Open Space Preservation Trust Fund | 126,703 | |
| Encumbrances Payable | 142,517 | |
| Accrued Salaries and Wages Payable | 1,228 | |
| Due to LOSAP Trust Fund | <u>52,896</u> | |
| | | <u>30,250,002</u> |
| Balance, December 31, 2014 | | <u>\$ 2,870,289</u> |

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

| | Balance, December 31, <u>2013</u> | Balance, December 31, <u>2014</u> |
|---|---|---|
| Collector-Treasurer Department of Public Works | \$ 200 | \$ 200 |
| | <u>\$ 200</u> | <u>\$ 200</u> |

EXHIBIT A-6

STATEMENT OF GRANTS RECEIVABLE

| <u>Grant</u> | Balance, December 31, <u>2013</u> | Balance, December 31, <u>2014</u> |
|-----------------------------------|---|---|
| Over the Limit Under Arrest | \$ 1,150 | \$ 1,150 |
| Clean Communities | 7,800 | 7,800 |
| Community Development Media Grant | 1,393 | 1,393 |
| Municipal Alliance Grant | <u>21,796</u> | <u>21,796</u> |
| | <u>\$ 32,139</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, 2013 | | \$ 9,836 |
| Increased by: | | |
| Received in Cash from State | \$ 27,750 | |
| Seniors' Deductions Disallowed Per Tax Collector | 1,000 | |
| Veterans' Deductions Disallowed Per Tax Collector- 2013 | <u>500</u> | |
| | | <u>29,250</u> |
| | | 39,086 |
| Decreased by: | | |
| Senior Citizens' Deductions Allowed Per Tax Billings | 2,750 | |
| Veterans' Deductions Allowed Per Tax Billings | <u>26,000</u> | |
| | | <u>28,750</u> |
| Balance, December 31, 2014 | | <u>\$ 10,336</u> |

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

| Year | Balance, December 31, 2013 | 2014 Levy | Senior Citizens' and Veterans' Deductions Disallowed | Collected In | | Senior Citizens' and Veterans' Deductions Allowed | Tax Overpayments Applied | Abated or Cancelled | Balance, December 31, 2014 |
|------|----------------------------------|----------------------|--|-------------------|----------------------|---|--------------------------------|---------------------------|----------------------------------|
| | | | | 2013 | 2014 | | | | |
| 2013 | \$ 360,539 | | \$ 500 | \$ 361,039 | | | | | |
| 2014 | - | \$ 29,990,167 | 1,000 | \$ 330,496 | 29,437,859 | \$ 28,750 | \$ 26,423 | \$ 23,245 | \$ 144,394 |
| | <u>\$ 360,539</u> | <u>\$ 29,990,167</u> | <u>\$ 1,500</u> | <u>\$ 330,496</u> | <u>\$ 29,798,898</u> | <u>\$ 28,750</u> | <u>\$ 26,423</u> | <u>\$ 23,245</u> | <u>\$ 144,394</u> |

Analysis of 2014 Property Tax Levy

| | |
|---|----------------------|
| Tax Yield | |
| General Purpose Tax | \$ 29,897,615 |
| Added Taxes (R.S. 54:4-36.12 et seq.) | <u>92,552</u> |
| | <u>\$ 29,990,167</u> |
| Tax Levy | |
| Regional High School Tax (Abstract) | \$ 6,974,109 |
| Local District School Tax (Abstract) | 12,606,577 |
| County Tax (Abstract) | 3,290,491 |
| County Open Space Tax (Abstract) | 35,638 |
| County Tax for Added Taxes | 10,302 |
| Municipal Open Space Trust | <u>63,538</u> |
| | 22,980,655 |
| Local Tax for Municipal Purposes (Abstract) | 6,451,588 |
| Minimum Library Tax (Abstract) | 469,658 |
| Add Additional Tax Levy | <u>88,266</u> |
| | <u>7,009,512</u> |
| | <u>\$ 29,990,167</u> |

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

| | |
|----------------------------|------------------|
| Balance, December 31, 2013 | \$ <u>67,444</u> |
| Balance, December 31, 2014 | \$ <u>67,444</u> |

EXHIBIT A-10

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

| | Balance, December 31, <u>2013</u> | <u>Accrued</u> | Collected <u>2014</u> | Balance, December 31, <u>2014</u> |
|--------------------------------|---|-------------------|--------------------------|---|
| Clerk | | | | |
| Licenses | | | | |
| Alcoholic Beverage | | \$ 4,000 | \$ 4,000 | |
| Construction Code Official | | | | |
| Fees and Permits | | 183,554 | 183,554 | |
| Municipal Court | | | | |
| Fines and Costs | \$ 2,474 | 35,450 | 35,344 | \$ 2,580 |
| Fees and Permits | | 17,738 | 17,738 | |
| Interest and Costs on Taxes | | 106,934 | 106,934 | |
| Energy Receipts Tax | | 405,840 | 405,840 | |
| Sewer User Fees | | 36,020 | 36,020 | |
| Crossing Guards-NVRHS | | 19,806 | 19,806 | |
| Cable TV Franchise | | 69,775 | 69,775 | |
| Construction Resales | | 9,300 | 9,300 | |
| Reimbursement-Trash Collection | - | 11,400 | 11,400 | - |
| | <u>\$ 2,474</u> | <u>\$ 899,817</u> | <u>\$ 899,711</u> | <u>\$ 2,580</u> |

EXHIBIT A-11

STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS

| | Balance, December 31, <u>2013</u> | Balance, December 31, <u>2014</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 APPROPRIATION RESERVES**

| | Balance December 31, 2013 | Budget After Modification | Expended | Transfer to Approp. Reserves | Balance Lapsed |
|-----------------------------------|---------------------------------|---------------------------------|-----------|------------------------------------|-------------------|
| Salaries and Wages | | | | | |
| Administrative and Executive | \$ 1,824 | \$ 1,824 | | | \$ 1,824 |
| Mayor and Council | 1,500 | 1,500 | | | 1,500 |
| Municipal Clerk | 250 | 250 | | | 250 |
| Financial Administration | 5 | 5 | | | 5 |
| Revenue Administration | 151 | 151 | | | 151 |
| Planning Board | 433 | 433 | | | 433 |
| Board of Adjustment | 522 | 522 | | | 522 |
| Prosecutor | 750 | 750 | | | 750 |
| Police Department | 29,301 | 81,301 | \$ 75,000 | | 6,301 |
| Streets and Roads | 931 | 931 | | | 931 |
| Borough Mechanic | 1,093 | 1,093 | | | 1,093 |
| Fire Prevention | 94 | 94 | | | 94 |
| Board of Health | 861 | 861 | | | 861 |
| Municipal Court | 4,766 | 4,766 | | | 4,766 |
| Construction Code Official | 4,095 | 4,095 | | | 4,095 |
| Plumbing Sub-Code Officials | 265 | 265 | | | 265 |
| Fire Protection Sub-Code Official | 6 | 6 | | | 6 |
| Other Expenses | | | | | |
| Mayor and Council | 2,684 | 2,684 | | | 2,684 |
| Municipal Clerk | 337 | 1,337 | 201 | | 1,136 |
| Elections | 3,012 | 2,012 | | | 2,012 |
| Financial Administration | 12,627 | 12,627 | 7,200 | | 5,427 |
| Municipal Audit | 33,900 | 33,900 | 33,000 | | 900 |
| Revenue Administration | 1,575 | 1,575 | | | 1,575 |
| Assessment of Taxes | 257 | 257 | 36 | | 221 |
| Legal Services | 7,914 | 2,914 | | | 2,914 |
| Engineering Services and Costs | 11,013 | 2,013 | 934 | | 1,079 |
| Historical Sites | 1,500 | 1,500 | | | 1,500 |
| Planning Board | 463 | 463 | | | 463 |
| Board of Adjustment | 1,354 | 1,354 | | | 1,354 |
| Police Department | 16,219 | 10,219 | 1,260 | | 8,959 |
| Fire Department | 1,602 | 1,602 | 739 | | 863 |
| Fire Hydrant Services | 8,850 | 8,850 | | | 8,850 |
| Office of Emergency Management | 3,705 | 3,705 | 200 | | 3,505 |
| Borough Mechanic | 4,069 | 7,069 | 4,447 | | 2,622 |
| Fire Prevention | 175 | 175 | | | 175 |
| Board of Health | 5,674 | 5,674 | | | 5,674 |
| Construction Code Official | 285 | 285 | | | 285 |
| Sanitation-Contractual | 18,473 | 3,473 | | | 3,473 |
| Streets and Roads | 1,926 | 1,926 | 612 | | 1,314 |
| Public Buildings and Grounds | 1,734 | 1,734 | 1,478 | | 256 |
| Municipal Court | 1,090 | 1,090 | | | 1,090 |
| Parks and Playgrounds | 1,867 | 1,867 | | | 1,867 |
| Celebration of Public Events | 967 | 967 | | | 967 |
| Utilities | | | | | |
| Gasoline | 15,191 | 9,191 | 6,071 | | 3,120 |
| Telephone | 2,439 | 2,439 | 94 | | 2,345 |
| Electricity | 2,950 | 2,950 | 68 | | 2,882 |
| Water | 2,819 | 2,819 | | | 2,819 |
| Gas (Natural) | 2,685 | 2,685 | | | 2,685 |
| Telecommunication Costs | 1,000 | 1,000 | | | 1,000 |
| Street Lighting | 2,076 | 2,076 | 107 | | 1,969 |
| Sewerage Processing and Disposal | 500 | 500 | | | 500 |

**BOROUGH OF DEMAREST
STATEMENT OF APPROPRIATION RESERVES**

| | Balance December 31, 2013 | Budget After Modification | Expended | Transfer to Approp. Reserves | Balance Lapsed |
|---|---------------------------------|---------------------------------|--------------------|------------------------------------|-------------------|
| Insurance | | | | | |
| Health Benefits | \$ 71,674 | \$ 71,674 | - | | \$ 71,674 |
| Worker's Compensation | 8,108 | 2,108 | | | 2,108 |
| Occupational Safety and Health Act | 372 | 372 | \$ 132 | | 240 |
| Environmental Comm | 1,724 | 1,724 | | | 1,724 |
| Social Security System (O.A.S.I) | 15,770 | 7,770 | | | 7,770 |
| Public Employees Retirement System | 1 | 1 | | | 1 |
| Maintenance of Free Public Library | 44,794 | 44,794 | | | 44,794 |
| NJPDES Stormwater Permit- Street Division | 708 | 708 | | | 708 |
| NJPDES Stormwater Permit- Landfill Division | 170 | 170 | | | 170 |
| Sewer Charges | | | | | |
| Bergen County Utilities Authority | 34 | 34 | | | 34 |
| Borough of Cresskill | 20,000 | 20,000 | 20,000 | | |
| Contingent | 835 | 835 | | | 835 |
| Recycling Tax | 10,300 | 10,300 | | | 10,300 |
| Clean Communities | 13,100 | 13,100 | | \$ 13,100 | |
| Police Body Armor Grant | 1,726 | 1,726 | | 1,726 | |
| Alcohol Education and Rehabilitation | 270 | 270 | - | 270 | - |
| | <u>\$ 409,365</u> | <u>\$ 409,365</u> | <u>\$ 151,579</u> | <u>\$ 15,096</u> | <u>\$ 242,690</u> |
| | | | | | |
| | | | Cash Disbursements | \$ 135,310 | |
| | | | Accounts Payable | <u>16,269</u> | |
| | | | | <u>\$ 151,579</u> | |

**BOROUGH OF DEMAREST
STATEMENT OF ENCUMBRANCES PAYABLE**

| | | |
|--------------------------------|----|----------------|
| Balance, December 31, 2013 | \$ | 142,517 |
| Increased by: | | |
| Charges to 2014 Appropriations | | <u>128,146</u> |
| | | 270,663 |
| Decreased by: | | |
| Cash Disbursements | | <u>142,517</u> |
| Balance, December 31, 2014 | \$ | <u>128,146</u> |

EXHIBIT A-14

STATEMENT OF TAX OVERPAYMENTS

| | | |
|--|----|----------------------------|
| Balance, December 31, 2013 | \$ | 25,886 |
| Increased by: | | |
| Received in 2014 Adjustment | \$ | <u>9,929</u> <u>537</u> |
| | | <u>10,466</u> |
| | | 36,352 |
| Decreased by: | | |
| Overpayments Applied to Taxes Receivable | | <u>26,423</u> |
| Balance, December 31, 2014 | \$ | <u>9,929</u> |

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

| | | |
|----------------------------------|----|----------------|
| Balance, December 31, 2013 | \$ | 330,496 |
| Increased by: | | |
| Collection of 2014 Taxes | | <u>207,448</u> |
| | | 537,944 |
| Decreased by: | | |
| Applied to 2014 Taxes Receivable | | <u>330,496</u> |
| Balance, December 31, 2014 | \$ | <u>207,448</u> |

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

| | | |
|---|---------------|------------------|
| Balance, December 31, 2013 | | \$ 29,067 |
| Increased by: | | |
| 2014 County Levy | \$ 3,290,491 | |
| County Open Space Tax | 35,638 | |
| Due to County for Added and Omitted Taxes | <u>10,302</u> | |
| | | <u>3,336,431</u> |
| | | 3,365,498 |
| Decreased by: | | |
| Payments | | <u>3,355,229</u> |
| Balance, December 31, 2014 | | <u>\$ 10,269</u> |

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

| | | |
|--------------------------|--|---------------------|
| Increased by: | | |
| Levy, Calendar Year 2014 | | <u>\$ 6,974,109</u> |
| Decreased by: | | |
| Payments | | <u>\$ 6,974,109</u> |

STATEMENT OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

| | | |
|--------------------------|--|----------------------|
| Increased by: | | |
| Levy, Calendar Year 2014 | | <u>\$ 12,606,577</u> |
| Decreased by: | | |
| Payments | | <u>\$ 12,606,577</u> |

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

| | Balance, December 31, <u>2013</u> | Transferred From Appropriation <u>Reserves</u> | Balance, December 31, <u>2014</u> |
|------------------------------------|---|---|---|
| Alcohol Education | \$ 2,117 | \$ 270 | \$ 2,387 |
| Recycling Tonnage Grant | 4,557 | | 4,557 |
| Domestic Violence Training Program | 7,437 | | 7,437 |
| Body Armor Grant | 3,257 | 1,726 | 4,983 |
| Clean Communities Grant | 15,644 | 13,100 | 28,744 |
| Over the Limit Under Arrest | 1,150 | | 1,150 |
| Matching Grant | 15,000 | | 15,000 |
| Green Communities | 963 | | 963 |
| Drunk Driving Enforcement Fund | 1,887 | | 1,887 |
| Municipal Alliance Program | 20,585 | | 20,585 |
| Municipal Recycling Assistance | 12,278 | | 12,278 |
| Municipal Alliance-Local Match | 9,249 | - | 9,249 |
| | <u>\$ 94,124</u> | <u>\$ 15,096</u> | <u>\$ 109,220</u> |

EXHIBIT A-20

STATEMENT OF UNAPPROPRIATED GRANT RESERVES

| | Balance, December 31, <u>2013</u> | Cash <u>Receipts</u> | Anticipated as Revenue | Balance, December 31, <u>2014</u> |
|---------------------------------------|---|-------------------------|---------------------------|---|
| Alcohol Education and Rehabilitation | \$ 211 | | \$ 211 | |
| Police Body Armor Grant | 1,870 | \$ 1,428 | 1,870 | \$ 1,428 |
| Municipal Recycling/Clean Communities | 3,818 | 8,705 | 3,818 | 8,705 |
| Recycling Tonnage Grant | 7,122 | 9,930 | 7,122 | 9,930 |
| | <u>\$ 13,021</u> | <u>\$ 20,063</u> | <u>\$ 13,021</u> | <u>\$ 20,063</u> |

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

| | | |
|----------------------------|----|-----|
| Increased by: | | |
| Cash Receipts | \$ | 375 |
| | | 375 |
| Decreased by: | | |
| Cash Disbursements | | 325 |
| Balance, December 31, 2014 | \$ | 50 |

STATEMENT OF ACCOUNTS PAYABLE

| | | |
|---|----|-----------|
| Balance, December 31, 2013 | | \$ 81,124 |
| Increased by: | | |
| Transferred from Appropriation Reserves | | 16,269 |
| | | 97,393 |
| Decreased by: | | |
| Cancellations | | 66,491 |
| Balance, December 31, 2014 | \$ | 30,902 |

STATEMENT OF DEFERRED CHARGES

| | Amount Resulting <u>from 2014</u> | Balance, December 31, <u>2014</u> |
|-------------------------------------|---|---|
| Expenditures Without Appropriations | \$ 25,506 | \$ 25,506 |

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

| | | |
|------------------------------|---------------|------------------|
| Balance, December 31, 2013 | | \$ 68,000 |
| Increased by: | | |
| 2014 Budget Appropriation | | <u>70,000</u> |
| | | 138,000 |
| Decreased by: | | |
| Payments to LOSAP Trust Fund | \$ 52,896 | |
| Amount Cancelled | <u>15,104</u> | |
| | | <u>68,000</u> |
| Balance, December 31, 2014 | | <u>\$ 70,000</u> |

STATEMENT OF ACCRUED SALARIES AND WAGES PAYABLE

| | | |
|----------------------------|--|--------------|
| Balance, December 31, 2013 | | \$ 1,228 |
| Decreased by: | | |
| Payments | | <u>1,228</u> |
| Balance, December 31, 2014 | | <u>\$ -</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, 2013 | \$ 11,039 | \$ 9,391 | \$ 1,083,243 | \$ 12,662 | \$ 237,086 |
| Increased by Receipts: | | | | | |
| Animal Control Fees | | \$ 9,474 | | | |
| Due to State of NJ - Animal Control Fees | | 876 | | | |
| Escrow Deposits Received | | | \$ 130,971 | | |
| Miscellaneous Reserves | | | 417,890 | | |
| Affordable Housing Fees | | | 103,442 | | |
| Payroll Deductions | | | 3,097,195 | | |
| Interest Earned | | | 239 | | \$ 89 |
| Receipts from Other Trust Fund | | | | \$ 10,534 | |
| Receipts from Current Fund | - | - | - | - | <u>126,703</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ 10,534</u> | <u>126,703</u> |
| | 11,039 | 19,741 | 4,832,980 | 23,196 | 363,878 |
| Decreased by Disbursements: | | | | | |
| Due to State of NJ | | 878 | | 15,940 | |
| Expenditures Under R.S. 4:19-15.11 | | 7,035 | | | |
| Escrow Deposits Disbursed | | | 97,977 | | |
| Payroll Deductions | | | 3,122,663 | | |
| Payments to Current Fund | \$ 5,000 | | | | |
| Payments to Unemployment Trust Fund | | | 10,534 | | |
| Miscellaneous Reserves | | | 301,507 | | |
| Cash Disbursements - Open Space Trust | | | | | 11,945 |
| Affordable Housing | - | - | 8,352 | - | - |
| | <u>-</u> | <u>-</u> | <u>8,352</u> | <u>-</u> | <u>-</u> |
| | 5,000 | 7,913 | 3,541,033 | 15,940 | 11,945 |
| Balance, December 31, 2014 | <u>\$ 6,039</u> | <u>\$ 11,828</u> | <u>\$ 1,291,947</u> | <u>\$ 7,256</u> | <u>\$ 351,933</u> |

**BOROUGH OF DEMAREST
STATEMENT OF ASSESSMENT CASH**

| | Balance, December 31, <u>2013</u> | <u>Transfers</u> | <u>Disbursements</u> | Balance, December 31, <u>2014</u> |
|---------------------|---|------------------|----------------------|---|
| Fund Balance | \$ 11,009 | \$ (5,000) | \$ 5,000 | \$ 1,009 |
| Due to Current Fund | <u>30</u> | <u>5,000</u> | <u>-</u> | <u>5,030</u> |
| | <u>\$ 11,039</u> | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 6,039</u> |

EXHIBIT B-6

STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FEES

| | |
|--|-------------|
| Balance, December 31, 2013 | \$ 2 |
| Increased by: State Fees Collected | <u>876</u> |
| | 878 |
| Decreased by: Payments to State of NJ | <u>878</u> |
| Balance, December 31, 2014 | <u>\$ -</u> |

EXHIBIT B-7

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

| | |
|------------------------------------|------------------|
| Balance, December 31, 2013 | \$ 9,389 |
| Increased by: | |
| Dog Licenses Collected | \$ 5,880 |
| Cat Licenses Collected | 1,771 |
| Late Fees/Miscellaneous | <u>1,823</u> |
| | <u>9,474</u> |
| | 18,863 |
| Decreased by: | |
| Expenditures Under R.S. 4:19-15.11 | <u>7,035</u> |
| Balance, December 31, 2014 | <u>\$ 11,828</u> |

**BOROUGH OF DEMAREST
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

| <u>Description</u> | Balance, December 31, <u>2013</u> | <u>Receipts</u> | <u>Adjustments</u> | <u>Payments</u> | Balance, December 31, <u>2014</u> |
|-------------------------|---|-------------------|--------------------|-------------------|---|
| Peace Site | \$ 1,610 | | \$ (1,610) | | |
| Fire Prevention | 21,064 | | | | \$ 21,064 |
| Street Opening Deposits | 1,050 | | | | 1,050 |
| 911 Memorial | 8,536 | | (3,796) | | 4,740 |
| Municipal Alliance | (1,646) | | 1,646 | | |
| Tax Sale Premiums | 71,700 | \$ 239,468 | | \$ 137,668 | 173,500 |
| Outside Police Service | 9,491 | 61,900 | | 52,597 | 18,794 |
| POAA | 399 | 16 | | | 415 |
| Flexible Spending | (3,760) | | 3,760 | | |
| Recreation Commission | 30,875 | 116,506 | - | 111,242 | 36,139 |
| | <u>\$ 139,319</u> | <u>\$ 417,890</u> | <u>\$ -</u> | <u>\$ 301,507</u> | <u>\$ 255,702</u> |

EXHIBIT B-9

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

| | |
|----------------------------------|-------------------|
| Balance, December 31, 2013 | \$ 596,563 |
| Increased by: Escrow Deposits | <u>130,971</u> |
| | 727,534 |
| Decreased by: Escrow Refunded | <u>97,977</u> |
| Balance, December 31, 2014 | <u>\$ 629,557</u> |

EXHIBIT B-10

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

| | |
|--|-----------------|
| Balance, December 31, 2013 | \$ 5,523 |
| Increased by: Employee Withholdings | <u>3,452</u> |
| | 8,975 |
| Decreased by: Unemployment Insurance Claims | <u>6,153</u> |
| Balance, December 31, 2014 | <u>\$ 2,822</u> |

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

| | |
|---------------------------------------|---------------|
| Balance, December 31, 2013 | \$ 10,484 |
| Increased by: | |
| 2014 Unemployment Compensation Claims | <u>6,153</u> |
| | 16,637 |
| Decreased by: | |
| Payments to State of New Jersey | <u>15,940</u> |
| Balance, December 31, 2014 | <u>\$ 697</u> |

EXHIBIT B-12

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

| | |
|----------------------------|--------------|
| Balance, December 31, 2013 | \$ <u>30</u> |
| Balance, December 31, 2014 | <u>\$ 30</u> |

EXHIBIT B-13

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

| | |
|----------------------------|-----------------|
| Balance, December 31, 2013 | \$ <u>7,465</u> |
| Balance, December 31, 2014 | <u>\$ 7,465</u> |

EXHIBIT B-14

**STATEMENT OF DUE TO/(FROM) UNEMPLOYMENT INSURANCE TRUST FUND
OTHER TRUST FUND - PAYROLL**

| | |
|---|-----------------|
| Balance, December 31, 2013 (Due To) | \$ 3,345 |
| Increased by: | |
| Employees' Withholdings | <u>3,452</u> |
| | 6,797 |
| Decreased by: | |
| Payments to Unemployment Insurance Trust Fund | <u>10,534</u> |
| Balance (Due From), December 31, 2014 | <u>\$ 3,737</u> |

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

| | | |
|---|------------------|-------------------|
| Balance, December 31, 2013 | | \$ 21,884 |
| Increased by: | | |
| Cash Receipts | | <u>3,097,195</u> |
| | | 3,119,079 |
| Decreased by: | | |
| Employee Withholdings Due to Unemployment Trust Fund Payments | \$ 3,452 | |
| | <u>3,122,663</u> | <u>3,126,115</u> |
| Balance, December 31, 2014 | | <u>\$ (7,036)</u> |

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

| | | |
|----------------------------|------------|-------------------|
| Balance, December 31, 2013 | | \$ 300,251 |
| Increased by: | | |
| Interest Earned | \$ 89 | |
| 2014 Levy | 63,342 | |
| Added Tax Levy | <u>196</u> | <u>63,627</u> |
| | | 363,878 |
| Decreased by: | | |
| Cash Disbursements | | <u>11,945</u> |
| Balance, December 31, 2014 | | <u>\$ 351,933</u> |

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

| | | |
|----------------------------|------------|----------------|
| Balance, December 31, 2013 | | \$ 63,165 |
| Increased by: | | |
| 2014 Tax Levy | \$ 63,342 | |
| Added Tax Levy | <u>196</u> | <u>63,538</u> |
| | | 126,703 |
| Decreased by: | | |
| Receipts from Current Fund | | <u>126,703</u> |
| Balance, December 31, 2014 | | <u>\$ -</u> |

**BOROUGH OF DEMAREST
STATEMENT OF RESERVE FOR AFFORDABLE HOUSING**

| | | |
|----------------------------|------------|-------------------|
| Balance, December 31, 2013 | | \$ 327,043 |
| Increased by: | | |
| Receipts | \$ 103,442 | |
| Interest Earned | <u>239</u> | |
| | | <u>103,681</u> |
| | | 430,724 |
| Decreased by: | | |
| Cash Disbursements | | <u>8,352</u> |
| Balance, December 31, 2014 | | <u>\$ 422,372</u> |

STATEMENT OF RESERVE FOR COMMUNITY DEVELOPMENT

| | | |
|----------------------------|--|-----------------|
| Balance, December 31, 2013 | | <u>\$ 2,554</u> |
| Balance, December 31, 2014 | | <u>\$ 2,554</u> |

GENERAL CAPITAL FUND

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

| | | |
|---|----------------|---------------------|
| Balance, December 31, 2013 | | \$ 826,319 |
| Increased by Receipts: | | |
| Current Fund Budget Appropriation | | |
| Capital Improvement Fund | \$ 55,215 | |
| Deferred Charges for Future Taxation Unfunded | 51,613 | |
| Serial Bonds | 5,988,000 | |
| Premium on Sale of Bonds | 103,673 | |
| Accounts Receivable | 41,036 | |
| Grant Receipts | <u>29,004</u> | |
| | | <u>6,268,541</u> |
| | | 7,094,860 |
| Decreased by Disbursements: | | |
| Improvement Authorizations | 53,507 | |
| Bond Anticipation Notes | 5,359,417 | |
| Encumbrances Payable | <u>236,693</u> | |
| | | <u>5,649,617</u> |
| Balance, December 31, 2014 | | <u>\$ 1,445,243</u> |

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

| | | Balance, December 31, <u>2014</u> |
|---|--|---|
| Fund Balance | | \$ 149,554 |
| Encumbrances Payable | | 64,069 |
| Capital Improvement Fund | | 106,240 |
| Reserve for Payment of Bonds | | 93,964 |
| Accounts Receivable | | (192,440) |
| Overexpenditure of Ordinance Appropriations | | (15,409) |
| | | |
| Ordinance | | |
| <u>Number</u> | <u>Improvement Authorizations</u> | |
| 859/875 | Various Capital Improvements | 159,065 |
| 918 | Various Drainage Projects | (22,377) |
| 922 | Various Capital Improvements | 2,559 |
| 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 | 328,923 |
| 947 | Various Capital Improvements | 66,691 |
| 962 | Various Capital Improvements | 38,409 |
| 965 | Drainage Improvements | 106,044 |
| 969 | Downtown Streetscape Improvements | 51,324 |
| 970 | Interior Restoration Improvements to Railroad Depot | 37,562 |
| 976 | 2010 Road Improvement Program | 8,300 |
| 984 | Various Capital Improvements | 121,642 |
| 990 | Various Road Improvements | 3,166 |
| 991 | Road Improvements to Isabella Way | 1,024 |
| 993 | Acquisition of Emergency Vehicles and Equipment | 6,045 |
| 998 | Various Capital Improvements | 383,699 |
| 1007 | Columbus Road Project | (24,744) |
| 1010 | Acquisition of Various Vehicles and Equipment | (79,610) |
| 1016 | Various Road Improvements | 20,019 |
| 1019 | Purchase of Police Body Cameras & Chest Compression System | 63,995 |
| | | <u>\$ 1,445,243</u> |

BOROUGH OF DEMAREST
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

| | | |
|----------------------------|--------------|---------------------|
| Balance, December 31, 2013 | | \$ 933,803 |
| Increased by: | | |
| Bonds Issued | | <u>5,988,000</u> |
| | | 6,921,803 |
| Decreased by: | | |
| 2014 Budget Appropriation: | | |
| Bonds | \$ 450,000 | |
| Green Trust Loan | <u>3,846</u> | |
| | | <u>453,846</u> |
| Balance, December 31, 2014 | | <u>\$ 6,467,957</u> |

**BOROUGH OF DEMAREST
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

| Ord. No. | Improvement Description | Balance, December 31, 2013 | Budget Appropriation | Serial Bonds Issued | Grant Proceeds | Balance, December 31, 2014 | Analysis of Balance, December 31, 2014 | |
|-------------|--|----------------------------------|-------------------------|---------------------------|-------------------|----------------------------------|---|--|
| | | | | | | | Expenditures | Unexpended Improvement Authorization |
| 860 | Funding of Accessory Apartments and Regional Contribution Agreement Units | \$ 150,000 | \$ 51,613 | | | \$ 98,387 | | \$ 98,387 |
| 918 | Various Drainage Projects | 23,028 | | | | 23,028 | \$ 22,377 | 651 |
| 922 | Various Capital Improvements | 354,459 | | \$ 354,000 | | 459 | | 459 |
| 927 | Various Capital Improvements | 976,676 | | 976,602 | | 74 | 74 | |
| 929/936 | Railroad Station Phase II - Exterior Renovations | 88,594 | | | | 88,594 | 88,594 | |
| 943 | Repaving of Prescott Street | 69 | | | | 69 | 69 | |
| 944 | Various Capital Improvements | 849,903 | 36,583 | 813,320 | | | | |
| 947 | Various Capital Improvements | 486,265 | 27,000 | 458,765 | | 500 | | 500 |
| 962 | Various Capital Improvements | 1,232,969 | 46,000 | 1,186,969 | | | | |
| 965 | Drainage Improvements | 240,150 | | 240,150 | | | | |
| 969 | Downtown Streetscape | 98,000 | | 98,000 | | | | |
| 970 | Interior Restoration Improvements to Railroad Depot | 175,500 | | 175,500 | | | | |
| 976 | 2010 Road Improvement Program | 267,000 | | 267,000 | | | | |
| 977 | Improvements to Public Works Building | 462,000 | | 462,000 | | | | |
| 984 | Curb Retrofitting, Drainage and Road Improvements | 121,314 | | 121,167 | | 147 | | 147 |
| 990 | Various Road Improvement | 90,250 | | 90,250 | | | | |
| 991 | Road Improvements to Isabella Way | 61,750 | | 61,750 | | | | |
| 993 | Acquisition of Emergency Vehicles and Equipment | 97,850 | | 97,850 | | | | |
| 998 | Various Capital Improvements | 530,566 | | 530,566 | | | | |
| 1007 | Columbus Road Project | 80,857 | | | \$ 41,036 | 39,821 | 24,744 | 15,077 |
| 1010 | Acquisition of Various Vehicles and Equipment | 79,610 | - | - | - | 79,610 | 79,610 | - |
| | | <u>\$ 6,466,810</u> | <u>\$ 161,196</u> | <u>\$ 5,933,889</u> | <u>\$ 41,036</u> | <u>\$ 330,689</u> | <u>\$ 215,468</u> | <u>\$ 115,221</u> |

**BOROUGH OF DEMAREST
STATEMENT OF ACCOUNTS RECEIVABLE**

| | Balance, December 31, <u>2013</u> | <u>Receipts</u> | Balance, December 31, <u>2014</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 | 110,469 | | 110,469 |
| Columbus Road Project- Ord #1007 | 71,357 | \$ 41,036 | 30,321 |
| 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>\$ 659,176</u> | <u>\$ 41,036</u> | <u>\$ 618,140</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 | 30,321 |
| | <u>425,700</u> |
| | <u>\$ 618,140</u> |

**BOROUGH OF DEMAREST
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

| Ord. No. | Improvement Description | Ordinance Amount | Balance, December 31, 2013 | | 2014 Authorizations | Contracts Payable | | Balance, December 31, 2014 | | Overexpenditures |
|-------------|--|---------------------|-------------------------------|---------------------|------------------------|----------------------|-------------------|-------------------------------|-------------------|------------------|
| | | | Funded | Unfunded | | Cancelled | Expended | 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 | |
| 918 | Various Drainage Projects | 36,000 | | | | \$ 651 | | | | 651 |
| 922 | Various Capital Improvements | 498,000 | | 2,235 | | 783 | | 2,559 | | 459 |
| 930 | Various Capital Improvements | 349,226 | 56,266 | | | | | 56,266 | | |
| 944 | Various Capital Improvements | 1,222,200 | | 374,774 | | | \$ 45,851 | 328,923 | | |
| 947 | Various Capital Improvements | 663,000 | | 213,691 | \$ (146,500) | | | 66,691 | | 500 |
| 962 | Various Capital Improvements | 1,580,000 | | 41,558 | | | | 3,149 | | 38,409 |
| 965 | Drainage Improvements | 370,000 | | 106,644 | | | | 600 | | 106,044 |
| 969 | Downtown Streetscape Improvements | 685,000 | | 30,848 | | 20,476 | | 51,324 | | |
| 970 | Interior Restoration Improvements to Railroad Depot | 440,000 | | 14,944 | | 22,618 | | 37,562 | | |
| 976 | 2010 Road Improvement Program | 300,000 | | 8,300 | | | | 8,300 | | |
| 984 | Various Capital Improvements | 200,000 | | 103,213 | | 18,576 | | 121,642 | | 147 |
| 990 | Various Road Improvement | 95,000 | | 3,166 | | | | 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 | | 355,252 | | 28,447 | | 383,699 | | |
| 1007 | Columbus Road Project | 156,000 | | 11,317 | | 3,760 | | | | 15,077 |
| 1010 | Acquisition of Various Vehicles and Equipment | 83,800 | | 51,751 | | | | 67,160 | | \$ 15,409 |
| 1016 | Various Road Improvements | 64,500 | | | 64,500 | | | 44,481 | | 20,019 |
| 1019 | Purchase of Police Body Cameras & Chest Compression System | 82,000 | - | - | 82,000 | - | | 18,005 | | 63,995 |
| | | | <u>\$ 215,331</u> | <u>\$ 1,423,149</u> | <u>\$ -</u> | <u>\$ 95,311</u> | <u>\$ 179,246</u> | <u>\$ 1,454,733</u> | <u>\$ 115,221</u> | <u>\$ 15,409</u> |
| | | | | | | Cash Disbursed | \$ 53,507 | | | |
| | | | | | | Encumbrances Payable | <u>125,739</u> | | | |
| | | | | | | | <u>\$ 179,246</u> | | | |

**BOROUGH OF DEMAREST
STATEMENT OF ENCUMBRANCES PAYABLE**

| | | |
|--|---------------|------------------|
| Balance, December 31, 2013 | | \$ 270,334 |
| Increased by: | | |
| Contract Awards | | <u>125,739</u> |
| | | 396,073 |
| Decreased by: | | |
| Cash Disbursements | \$ 236,693 | |
| Cancelled - Restored to Improvement Authorizations | <u>95,311</u> | |
| | | <u>332,004</u> |
| Balance, December 31, 2014 | | <u>\$ 64,069</u> |

STATEMENT OF RESERVE FOR PAYMENT OF BONDS

| | | |
|----------------------------|---------------|------------------|
| Balance, December 31, 2013 | | \$ 10,849 |
| Increased by: | | |
| Excess Bond Proceeds | \$ 54,111 | |
| Grant Receipts | <u>29,004</u> | |
| | | <u>83,115</u> |
| Balance, December 31, 2014 | | <u>\$ 93,964</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, 2014</u> | | <u>Interest Rate</u> | <u>Balance, December 31, 2013</u> | <u>Increased</u> | <u>Decreased</u> | <u>Balance, December 31, 2014</u> |
|------------------------------|----------------------|-----------------------|--|---------------|----------------------|-----------------------------------|---------------------|-------------------|-----------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | | |
| General Improvements of 2003 | 12/15/03 | \$ 4,655,000 | 12/15/15 | \$ 470,000 | 3.00%-3.25% | \$ 920,000 | | \$ 450,000 | \$ 470,000 |
| General Improvements of 2014 | 2/14/2014 | 5,988,000 | 2/1/2015 | 210,000 | 2.00%-3.00% | <u>-</u> | <u>\$ 5,988,000</u> | <u>-</u> | <u>5,988,000</u> |
| | | | 2/1/16 - 2/1/18 | 400,000 | | | | | |
| | | | 2/1/2019 | 409,000 | | | | | |
| | | | 2/1/20 - 2/1/22 | 410,000 | | | | | |
| | | | 2/1/23 - 2/1/28 | 420,000 | | | | | |
| 2/1/2029 | 419,000 | | | | | | | | |
| | | | | | | <u>\$ 920,000</u> | <u>\$ 5,988,000</u> | <u>\$ 450,000</u> | <u>\$ 6,458,000</u> |

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

| | | |
|----------------------------|----|--------------|
| Balance, December 31, 2013 | \$ | 13,803 |
| Decreased by: | | |
| 2014 Budget Appropriation | | <u>3,846</u> |
| Balance, December 31, 2014 | \$ | <u>9,957</u> |

EXHIBIT C-12

STATEMENT OF CAPITAL IMPROVEMENT FUND

| | | |
|----------------------------|----|----------------|
| Balance, December 31, 2013 | \$ | 51,025 |
| Increased by: | | |
| 2014 Budget Appropriation | | <u>55,215</u> |
| Balance, December 31, 2014 | \$ | <u>106,240</u> |

EXHIBIT C-13

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

| Ord. No. | <u>Improvement Description</u> | <u>Ordinance Appropriation</u> | <u>Capital Improvement Fund</u> | <u>Balance, December 31, 2013</u> | <u>Balance, December 31, 2014</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> |

EXHIBIT C-14

**STATEMENT OF DEFERRED CHARGES - OVEREXPENDITURE OF
ORDINANCE APPROPRIATION**

| | | |
|--|----|---------------|
| Increased by: | | |
| Overexpenditure of Ordinance Appropriation | \$ | <u>15,409</u> |
| Balance, December 31, 2014 | \$ | <u>15,409</u> |

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

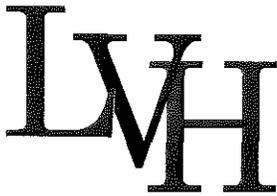
| Ord. No. | Improvement Description | Date of Original Issue | Date of Issue | Date of Maturity | Interest Rate | Balance, December 31, 2013 | Increased | Decreased | Balance, December 31, 2014 |
|-------------|--|------------------------------|------------------|---------------------|------------------|----------------------------------|-------------|---------------------|----------------------------------|
| 944 | Various Capital Improvements | 2/19/2008 | 2/15/2013 | 2/14/2014 | 0.59% | \$ 849,903 | | \$ 849,903 | |
| 947 | Various Capital Improvements | 2/19/2009 | 2/15/2013 | 2/14/2014 | 0.59% | 485,765 | | 485,765 | |
| 962 | Various Capital Improvements | 4/22/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 1,287,080 | | 1,287,080 | |
| 965 | Drainage Improvements | 4/22/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 240,150 | | 240,150 | |
| 969 | Phase One Downtown Streetscape | 11/4/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 98,000 | | 98,000 | |
| 970 | Various Interior Restoration Improvements Railroad Station | 11/4/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 175,500 | | 175,500 | |
| 976 | 2010 Road Program | 11/4/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 267,000 | | 267,000 | |
| 977 | Various Improvements DPW | 11/4/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 462,000 | | 462,000 | |
| 984 | Curb Retrofitting, Drainage and Road Improvements | 11/4/2010 | 2/15/2013 | 2/14/2014 | 0.59% | 121,000 | | 121,000 | |
| Ⓢ 922 | Various Capital Improvements | 12/21/2012 | 2/15/2013 | 2/14/2014 | 0.59% | 354,000 | | 354,000 | |
| 927 | Various Capital Improvements | 12/21/2012 | 2/15/2013 | 2/14/2014 | 0.59% | 976,602 | | 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>\$ 5,469,000</u> | <u>\$ -</u> | <u>\$ 5,469,000</u> | <u>\$ -</u> |
| | | | | | | Paid by Capital Cash | | \$ 5,359,417 | |
| | | | | | | Budget Appropriation | | 109,583 | |
| | | | | | | | | <u>\$ 5,469,000</u> | |

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

| Ord. No. | <u>Improvement Description</u> | Balance, December 31, <u>2013</u> | Grant Proceeds | Budget <u>Appropriation</u> | Serial Bonds <u>Issued</u> | Balance, December 31, <u>2014</u> |
|-------------|--|---|-------------------|--------------------------------|----------------------------------|---|
| 860 | Funding of Accessory Apartments and Regional Contrib. Agreement Units | \$ 150,000 | | \$ 51,613 | | \$ 98,387 |
| 918 | Various Drainage Projects | 23,028 | | | | 23,028 |
| 922 | Various Capital Improvements | 459 | | | | 459 |
| 927 | Various Capital Improvements | 74 | | | | 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 | | | \$ 167 | 147 |
| 990 | Various Road Improvement | | | | | - |
| 991 | Road Improvements to Isabella Way | | | | | - |
| 993 | Acquisition of Emergency Vehicles and Equipment | 97,850 | | | 97,850 | |
| 998 | Various Capital Improvements | 530,566 | | | 530,566 | |
| 1007 | Columbus Road Project | 80,857 | \$ 41,036 | | | 39,821 |
| 1010 | Acquisition of Various Vehicles and Equipment | 79,610 | - | - | - | 79,610 |
| | | <u>\$ 1,051,921</u> | <u>\$ 41,036</u> | <u>\$ 51,613</u> | <u>\$ 628,583</u> | <u>\$ 330,689</u> |

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

**PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2014**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
KEVIN LOMSKI, CPA
SHERYL M. NICOLosi, CPA
KATHLEEN WANG, CPA

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

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2015. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-001 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 an instance of noncompliance or other matter that is 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 is described in the accompanying schedule of findings and responses as item 2014-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards 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
July 10, 2015

**BOROUGH OF DEMAREST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| <u>Federal Funding Department</u> | <u>State Account Number</u> | <u>Federal CFDA Number</u> | <u>Grant Award Amount</u> | <u>2014 Grant Receipts</u> | <u>Grant Year</u> | <u>Balance, January 1, 2013</u> | <u>Revenue Realized</u> | <u>Expended</u> | <u>Adjustment</u> | <u>Balance, December 31, 2014</u> | <u>(Memo) Cumulative Expenditures</u> |
|---|-----------------------------|--------------------------------|-------------------------------|------------------------------------|-----------------------|---|-----------------------------|-------------------|--------------------|---|---|
| Department of Transportation | | | | | | | | | | | |
| Ord. 962-Various Capital Improvements | 6320-480-AIM | 20.205 | \$ 350,000 | \$ 29,004 | 2010 | \$ 110,469 | | | | \$ 110,469 | \$ 239,531 |
| Ord. 1007- Columbus Road | 6320-480-ALC-14 | 20.205 | 146,500 | | 2013 | 71,357 | | | \$ (71,357) | | |
| Department of Homeland Security | | | | | | | | | | | |
| Federal Emergency Management Agency | | 97.036 | 136,961 | 125,443 | 2014 | | \$ 136,961 | \$ 136,961 | | | 125,443 |
| Division of Highway Traffic Safety | | | | | | | | | | | |
| Over the Limit Under Arrest | 1160-100-057 | 20.601 | 3,250 | | 2010 | <u>1,150</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,150</u> | <u>2,100</u> |
| | | | | | | <u>\$ 182,976</u> | <u>\$ 136,961</u> | <u>\$ 136,961</u> | <u>\$ (71,357)</u> | <u>\$ 111,619</u> | |

73 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, 2014

| <u>State Grant Program</u> | <u>Grant Number</u> | <u>2014 Grant Receipts</u> | <u>Grant Year</u> | <u>Balance, January 1, 2014</u> | <u>Revenue</u> | <u>Expended</u> | <u>Adjustment</u> | <u>Balance, December 31, 2014</u> |
|--|----------------------|------------------------------------|-----------------------|---|----------------|-----------------|-------------------|---|
| Department of Transportation Ord. 1007 - Columbus Road | 078-6320-480-ALC | \$ 41,036 | 2013 | | | \$ 41,036 | \$ 71,357 | \$ 30,321 |
| 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) | 8,205 |
| 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 |
| | | | 2014 | | \$ 3,818 | 180 | | 3,638 |
| Recycling Tonnage Grant | 4900-752-001-042 | | 2005 | 1,246 | | | | 1,246 |
| | | | 2002 | 763 | | | | 763 |
| | | | 2007 | 316 | | | | 316 |
| | | | 2008 | 2,232 | | | | 2,232 |
| | | | 2014 | | 7,122 | | | 7,122 |
| Clean Communities Program | 4900-765-004-042 | | 2010 | 6,527 | | | | 6,527 |
| | | | 2012 | 9,117 | | | | 9,117 |
| | | | 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 |
| | | | 2014 | | 1,870 | | | 1,870 |

**BOROUGH OF DEMAREST
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

| <u>State Grant Program</u> | <u>Grant Number</u> | <u>2014 Grant Receipts</u> | <u>Grant Year</u> | <u>Balance, January 1, 2014</u> | <u>Revenue</u> | <u>Expended</u> | <u>Adjustment</u> | <u>Balance, December 31, 2014</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 |
| | | | 2014 | - | \$ 211 | - | - | 211 |
| | | | | <u>\$ 86,321</u> | <u>\$ 13,021</u> | <u>\$ 41,216</u> | <u>\$ 68,857</u> | <u>\$ 126,983</u> |

* Not Available

The above schedule is not subject to State OMB Circular 15-08 Single Audit.

**BOROUGH OF DEMAREST
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014**

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 schedules 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 | \$ 136,961 | \$ 13,021 | \$ 149,982 |
| Total Financial Awards | <u>\$ 136,961</u> | <u>\$ 13,021</u> | <u>\$ 149,982</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.

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2014, 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>\$ 9,957</u> |
|---|-----------------|

**BOROUGH OF DEMAREST
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014**

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 2014-001

Certain Trust Fund general ledger accounts were not in agreement with the supporting reconciliations and subsidiary records. Furthermore, there was a deficiency in the reserve for net payroll/payroll deductions in the amount of \$7,036.

Criteria or specific requirement:

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

Condition:

General ledgers for the Trust Funds did not include the January 1, 2014 beginning balances. In addition there was a deficit in the reserve for payroll deductions of \$7,036.

Context:

January 1, 2014 account balances were not included in the Borough's Trust Fund general ledgers. The general ledgers were not reconciled to the subsidiary ledgers and bank reconciliations.

Cause:

Unknown.

Effect:

The general ledgers presented for audit did not contain beginning balances and consequently were not in agreement with supporting reconciliations and/or subsidiary records. The financial statements have been adjusted to properly reflect the balances.

Recommendation:

Trust Fund general ledger balances be reviewed to ensure that beginning balances are present and that the ledger balances are in agreement with supporting reconciliations and/or subsidiary records.

View of Responsible Official and Planned Corrective Action:

Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2015 to address this finding.

**BOROUGH OF DEMAREST
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 2013-1

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.

Current Status

Corrective action has been taken.

BOROUGH OF DEMAREST

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

**BOROUGH OF DEMAREST
SUPPLEMENTARY DATA**

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

| | <u>Year 2014</u> | | <u>Year 2013</u> | |
|---|---------------------|-----------------|-------------------|-----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| REVENUE AND OTHER INCOME REALIZED | | | | |
| Fund Balance Utilized | \$ 189,000 | 0.59 % | \$ 206,000 | 0.66 % |
| Miscellaneous - From Other Than Local | | | | |
| Property Tax Levies | 1,113,868 | 3.50 | 1,012,677 | 3.25 |
| and Tax Title Liens | 361,039 | 1.14 | 450,973 | 1.45 |
| Collection of Current Tax Levy | 29,822,528 | 93.75 | 29,299,721 | 94.02 |
| Other Credits | <u>324,285</u> | <u>1.02</u> | <u>193,306</u> | <u>0.62</u> |
| Total Income | <u>31,810,720</u> | <u>100.00 %</u> | <u>31,162,677</u> | <u>100.00 %</u> |
| EXPENDITURES | | | | |
| Budget Expenditures | | | | |
| Municipal Purposes | 7,844,456 | 25.41 | 7,825,726 | 25.51 % |
| County Taxes | 3,336,431 | 10.81 | 3,213,924 | 10.47 |
| Local and Regional School Taxes | 19,580,686 | 63.42 | 19,408,537 | 63.26 |
| Open Space Taxes | 63,538 | 0.20 | 63,165 | 0.20 |
| Other Expenditures | <u>49,625</u> | <u>0.16</u> | <u>170,950</u> | <u>0.56</u> |
| Total Expenditures | <u>30,874,736</u> | <u>100.00 %</u> | <u>30,682,302</u> | <u>100.00 %</u> |
| Less: Expenditures to be Raised by Future Revenue | <u>25,506</u> | | <u>-</u> | |
| Total Adjusted Expenditures | <u>30,849,230</u> | | <u>30,682,302</u> | |
| Excess in Revenue | 961,490 | | 480,375 | |
| Fund Balance, January 1 | <u>693,259</u> | | <u>418,884</u> | |
| | 1,654,749 | | 899,259 | |
| Less Utilization as Anticipated Revenue | <u>189,000</u> | | <u>206,000</u> | |
| Fund Balance, December 31 | <u>\$ 1,465,749</u> | | <u>\$ 693,259</u> | |

**BOROUGH OF DEMAREST
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|-----------------|----------------|----------------|----------------|
| <u>Tax Rate</u> | <u>\$2.360</u> | <u>\$2.348</u> | <u>\$2.295</u> |

Apportionment of Tax Rate

| | | | |
|----------------------|------|-------|------|
| Municipal | .509 | .502 | .475 |
| Library | .037 | .036 | .036 |
| Municipal Open Space | .005 | .005 | |
| County | .260 | .252 | .237 |
| County Open Space | .003 | .003 | .003 |
| Local School | .995 | 1.000 | .989 |
| Regional High School | .551 | .550 | .555 |

Assessed Valuation

| | | |
|------|------------------------|------------------------|
| 2014 | <u>\$1,266,848,110</u> | |
| 2013 | | <u>\$1,252,730,530</u> |
| 2012 | | <u>\$1,240,730,431</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> |
|-------------|-----------------|-------------------------|---------------------------------|
| 2014 | \$29,990,167 | \$29,822,528 | 99.44% |
| 2013 | 29,682,841 | 29,299,721 | 98.71% |
| 2012 | 28,661,018 | 28,176,908 | 98.31% |

**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> |
|-----------------------------|---|---------------------------------------|
| 2014 | \$ 144,394 | 0.48% |
| 2013 | 360,539 | 1.21% |
| 2012 | 450,175 | 1.52% |

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2014 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> |
|-------------|---------------|
| 2014 | \$67,444 |
| 2013 | 67,444 |
| 2012 | 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 | 2014 | \$1,465,749 | \$540,000 |
| | 2013 | 693,259 | 189,000 |
| | 2012 | 418,884 | 206,000 |
| | 2011 | 629,546 | 510,000 |
| | 2010 | 681,990 | 550,000 |

**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> |
|--------------------------------|---|
| 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 relate to projects which appear to be complete. It is recommended that efforts should be made to collect the prior year General Capital grant receivables.

Our audit revealed that the General Capital Fund 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 revealed that the individual State contracts and cooperative purchasing contracts utilized by the Borough were not approved by Council resolution. It is recommended that State contracts and cooperative purchasing contracts be approved by the Governing Body. Furthermore, documentation supporting these contracts be attached to the respective purchase orders.

The Borough utilizes a payroll service provider to prepare its payroll tax returns, file the returns and remit payments to the required federal and state agencies. The Borough does not independently verify that the respective state tax payments were made by the required due dates. 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.

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

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

It is recommended that:

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

Our audit revealed that the medical opt-out payment paid to two individuals were calculated incorrectly, which resulted in an overpayment to the employees. 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.

Current Year

Our audit revealed that at December 31, 2014, there were uncollected Current Fund prior year grant receivables and unexpended appropriated grant reserve balances. It is recommended that the Current Fund grant receivable and reserve balances be reviewed and appropriate action be taken to clear them of record.

Our audit of the Recreation Department noted that a cash receipt ledger was not maintained. It is recommended that the Recreation Department implement and maintain a computerized cash receipts ledger.

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

GENERAL COMMENTS

Current Year (Continued)

Our audit revealed Current Fund expenditures without an appropriation of \$25,506 and an overexpenditure of General Capital ordinance appropriations of \$15,409. It is recommended that greater care be taken and controls be enhanced to ensure that appropriations exist for all municipal expenditures.

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 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.

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 6, 2014, 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."

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

GENERAL COMMENTS (Continued)

Suggestion to Management

The prior year reconciling items on the Borough's bank reconciliations be reviewed and cleared of record.

The record keeping of the various municipal departments be computerized.

The outstanding prospective assessment ordinances be confirmed or cancelled.

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

RECOMMENDATIONS

It is recommended that:

1. The Trust Fund general ledger balances be reviewed to ensure that beginning balances are present and that the ledger balances are in agreement with supporting reconciliations and/or subsidiary records.
- * 2. Efforts be made to collect the prior year Current Fund and Grant Capital Fund grant receivables. In addition, the Current Fund grant reserve balances be reviewed and appropriate action be taken to clear them of record.
- * 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. State contracts and cooperative purchasing contracts be approved by the Governing Body. Furthermore, documentation supporting these contracts be attached to the respective purchase orders.
- * 5. The Borough verify that all state payroll tax payments remitted by the service provider are made by the required due dates.
- * 6. With respect to the Construction Department:
 - a) All deposits be recorded into the Construction Permit Activity Report.
 - b) Fees be charged in accordance with the Municipal fee ordinance.
- * 7. Payments for medical opt-outs be made in accordance with N.J.S.A. 40A:10-17.1.
8. The Recreation Department implement and maintain a computerized cash receipts ledger.
9. Greater care be taken and controls be enhanced to ensure that appropriations exist for all municipal expenditures.

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