

**BOROUGH OF DEMAREST**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2020**

# BOROUGH OF DEMAREST

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**PART I**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**



# 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  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Demarest, as of December 31, 2020 and 2019, 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 Current Fund for the year ended December 31, 2020, 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 provisions 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 as described in Note 1. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 by the Borough of Demarest on the basis of the financial accounting and reporting provisions 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 financial reporting 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 matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, 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, 2020 and 2019, 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, 2020 and 2019. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represents 38 percent and 29 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2020 and 2019.

***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, 2020 and 2019, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2020 in accordance with the financial accounting and reporting provisions 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 12, 2021 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 solely 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 the effectiveness of the Borough of Demarest's 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 12, 2021

**BOROUGH OF DEMAREST**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>Reference</u>	<u>2020</u>	<u>2019</u>
Cash	A-4	\$ 4,470,745	\$ 4,448,594
Cash - Change Funds	A	300	300
Grants Receivable	A-5	<u>38,875</u>	<u>38,875</u>
		<u>4,509,920</u>	<u>4,487,769</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-7	84,075	93,689
Property Acquired for Taxes - Assessed Value	A-8	67,444	67,444
Revenue Accounts Receivable	A-9	2,598	6,143
Due from General Capital Fund	C-7	<u>-</u>	<u>352</u>
		<u>154,117</u>	<u>167,628</u>
Deferred Charges:			
Emergency Authorization	A-21	285,000	
Overexpenditure of 2019 Appropriation Reserves	A-21	<u>1,563</u>	<u>-</u>
		<u>286,563</u>	<u>-</u>
Total Assets		<u>\$ 4,950,600</u>	<u>\$ 4,655,397</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Liabilities			
Appropriation Reserves	A-3,A-10	\$ 1,203,911	\$ 829,432
Due to State - Senior Citizens and Veterans	A-6	8,836	9,336
Encumbrances Payable	A-11	138,142	209,512
Accounts Payable	A-12	89,901	57,078
Prepaid Taxes	A-13	280,860	216,736
County Taxes Payable	A-14	30,932	16,702
Due to General Capital Fund	C-7	284,648	
Due to Other Trust Fund	B	7,465	7,465
Due to Open Space Trust Fund	B-11	79	79
Reserve for Tax Appeals	A-20	274,729	214,335
Due to State of NJ	A-19	4,314	50
Reserve for Grants			
Appropriated	A-17	216,764	208,748
Unappropriated	A-18	<u>11,652</u>	<u>26,652</u>
		<u>2,552,233</u>	<u>1,796,125</u>
Reserve for Receivables and Other Assets	A	154,117	167,628
Fund Balance	A-1	<u>2,244,250</u>	<u>2,691,644</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,950,600</u>	<u>\$ 4,655,397</u>

**BOROUGH OF DEMAREST**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>		
Fund Balance Utilized	\$ 1,530,000	\$ 1,638,000
Miscellaneous Revenue Anticipated	907,077	1,006,644
Receipts from Delinquent Taxes	93,438	124,037
Receipts from Current Taxes	36,713,715	35,245,149
Non-Budget Revenue	61,628	115,535
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	412,333	491,825
Prior Year Interfunds Returned	352	-
	<u>39,718,543</u>	<u>38,621,190</u>
<b>EXPENDITURES</b>		
Budget Appropriations		
Operations		
Salaries and Wages	3,766,335	3,791,286
Other Expenses	5,192,845	4,902,422
Capital Improvements	511,250	365,250
Municipal Debt Service	828,333	786,973
County Taxes	4,145,949	3,995,475
Local District School Taxes	15,238,993	14,910,918
Regional High School District Tax	9,237,205	8,710,264
Other Debits		
Refund of Prior Year Revenue	27	-
Overexpenditure of Appropriation Reserves	1,563	-
	<u>38,922,500</u>	<u>37,462,588</u>
Excess in Revenue	796,043	1,158,602
Adjustments to Income Before Surplus:		
Expenditures Included Above Which Are By Statute		
Deferred Charges to Budgets of Succeeding Years	<u>286,563</u>	<u>-</u>
Statutory Excess to Surplus	1,082,606	1,158,602
Fund Balance, January 1	<u>2,691,644</u>	<u>3,171,042</u>
	3,774,250	4,329,644
Decreased by:		
Utilization as Anticipated Revenue	<u>1,530,000</u>	<u>1,638,000</u>
Fund Balance, December 31	<u>\$ 2,244,250</u>	<u>\$ 2,691,644</u>

**BOROUGH OF DEMAREST**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<b>FUND BALANCE ANTICIPATED</b>	\$ <u>1,530,000</u>	\$ <u>1,530,000</u>	<u>-</u>
<b>MISCELLANEOUS REVENUES</b>			
Licenses			
Alcoholic Beverages	4,000	4,000	
Fees and Permits	21,000	20,863	\$ (137)
Fines and Costs			
Municipal Court	58,000	33,233	(24,767)
Interest and Cost on Taxes	30,000	26,846	(3,154)
Interest on Investments and Deposits	20,000	19,074	(926)
Energy Receipts Tax	405,840	405,840	-
Uniform Construction Code Fees	173,000	169,015	(3,985)
Borough of Hillsdale - Leaf Removal	55,000	55,000	-
Public and Private Revenues Offset With			
Appropriations			
Clean Communities	10,973	10,973	-
Recycling Tonnage Grant	10,679	10,679	-
Monitoring Surveillance Grant	5,000	5,000	-
Sewer User Fees	26,000	26,397	397
Reimbursement - Trash Collection	11,400	11,400	-
Construction Resales	9,500	15,302	5,802
Cable TV Franchise	73,145	73,145	-
Crossing Guards - NVRHS	19,000	20,310	1,310
	<u>932,537</u>	<u>907,077</u>	<u>(25,460)</u>
<b>RECEIPTS FROM DELINQUENT TAXES</b>	<u>93,680</u>	<u>93,438</u>	<u>(242)</u>
<b>AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET</b>			
Local Tax for Municipal Purposes	7,489,418	8,123,081	633,663
Minimum Library Tax	548,487	548,487	-
	<u>8,037,905</u>	<u>8,671,568</u>	<u>633,663</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>8,037,905</u>	<u>8,671,568</u>	<u>633,663</u>
Total General Revenues	<u>\$ 10,594,122</u>	11,202,083	<u>\$ 607,961</u>
<b>Non-Budget Revenue</b>		<u>61,628</u>	
		<u>\$ 11,263,711</u>	

**BOROUGH OF DEMAREST  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**ANALYSIS OF REALIZED REVENUES**

Allocation of Current Tax Collections	
Revenue from Collections	\$ 36,713,715
Allocated to	
School, County and Open Space Taxes	<u>28,622,147</u>
	8,091,568
Add: Appropriation for Reserve for Uncollected Taxes	<u>580,000</u>
Balance for Supporting Municipal Budget Appropriations	<u><u>\$ 8,671,568</u></u>

**ANALYSIS OF NON-BUDGET REVENUE**

Police Outside Duty Fees	\$ 27,676
Summer Recreation Fees	6,875
Knickerbocker PILOT	6,000
Miscellaneous	9,486
BJIF Dividend	5,264
BCUA Reimbursement	2,486
DMV Inspections	1,978
Uniform Fire Safety Fees	1,483
Senior Citizen/Veteran Admin. Fee	<u>380</u>
	<u><u>\$ 61,628</u></u>

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Administrative and Executive					
Salaries and Wages	\$ 94,163	\$ 94,163	\$ 80,143	\$ 14,020	
Other Expenses	8,500	8,500	5,500	3,000	
Mayor and Council					
Salaries and Wages	1,000	1,000	1,000	-	
Other Expenses	9,200	9,200	450	8,750	
Municipal Clerk					
Salaries and Wages	77,200	77,200	77,175	25	
Other Expenses	83,500	83,500	65,121	18,379	
Elections					
Other Expenses	6,000	6,000	4,629	1,371	
Financial Administration					
Salaries and Wages	64,400	64,400	59,009	5,391	
Other Expenses	68,750	68,750	8,423	60,327	
Audit Services					
Other Expenses	40,900	40,900	4,500	36,400	
Revenue Administration					
Salaries and Wages	64,700	64,700	59,309	5,391	
Other Expenses	2,800	2,800	25	2,775	
Assessment of Taxes					
Salaries and Wages	21,800	21,800	21,769	31	
Other Expenses	1,600	1,600	1,167	433	
Legal Services and Costs					
Other Expenses	185,000	185,000	145,968	39,032	
Engineering Services and Costs					
Other Expenses	110,000	110,000	101,183	8,817	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	3,500	3,500	1,877	1,623	
Other Expenses	8,750	8,750	3,363	5,387	
Zoning Board of Adjustment					
Salaries and Wages	4,800	6,300	5,625	675	
Other Expenses	8,100	6,600	2,608	3,992	
Insurance					
Other Insurance					
Liability	106,000	106,000	103,372	2,628	
Worker's Compensation	106,000	106,000	103,372	2,628	
Health Benefits	495,000	495,000	449,888	45,112	
Health Benefit Waiver	13,000	13,000	9,791	3,209	
<b>PUBLIC SAFETY</b>					
Fire Department					
Other Expenses	171,375	171,375	149,128	22,247	
Fire Hydrant Services	96,000	96,000	94,264	1,736	
Municipal Prosecutor					
Salaries and Wages	7,100	7,100	7,094	6	
Police Department					
Salaries and Wages	2,397,870	2,397,870	2,111,073	286,797	
Other Expenses	232,200	232,200	198,939	33,261	
Contribution to First Aid Organization	50,000	50,000	48,490	1,510	
Office of Emergency Management					
Other Expenses	6,000	6,000	4,889	1,111	

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS" (Cont'd)</b>					
<b>PUBLIC WORKS FUNCTIONS</b>					
Solid Waste Collection					
Salaries and Wages	\$ 2,500	\$ 2,500	\$ 2,500		
Sanitation-Contractual	495,000	495,000	434,481	\$ 60,519	
Sewerage Processing and Disposal					
Salaries and Wages	1,500	1,500	1,500	-	
Other Expenses	3,000	3,000		3,000	
Public Buildings and Grounds					
Other Expenses	192,500	155,500	116,817	38,683	
Streets and Roads Maintenance					
Salaries and Wages	773,867	773,867	725,048	48,819	
Other Expenses	113,250	113,250	71,407	41,843	
Shade Tree Commission					
Other Expenses	42,000	79,000	77,546	1,454	
Vehicle Maintenance					
Salaries and Wages	59,740	59,740	44,654	15,086	
Other Expenses	164,200	164,200	152,761	11,439	
Fire Prevention					
Salaries and Wages	7,225	7,225	7,225	-	
Other Expenses	500	500	180	320	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Board of Health					
Other Expenses	24,495	24,495	21,711	2,784	
Environmental Comm.					
Other Expenses	7,500	7,500	570	6,930	
Occupational Safety and Health Act	15,045	15,045	8,048	6,997	
Recreation					
Other Expenses	17,000	17,000	3,151	13,849	
Parks and Playgrounds					
Other Expenses	14,000	14,000	7,753	6,247	
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	4,500	4,500	500	4,000	
Municipal Court					
Salaries and Wages	54,520	54,520	47,383	7,137	
Other Expenses	3,075	3,075	582	2,493	
Public Defender					
Other Expenses	3,500	3,500	785	2,715	
<b>UNIFORM CONSTRUCTION CODE</b>					
<b>APPROPRIATIONS OFFSET BY</b>					
<b>DEDICATED REVENUES</b>					
Construction Code Official					
Salaries and Wages	89,300	89,300	84,063	5,237	
Other Expenses	6,400	6,400	4,406	1,994	
Sub-Code Officials					
Plumbing Sub-Code Officials					
Salaries and Wages	15,450	15,450	15,450		
Fire Protection Sub-Code Official					
Salaries and Wages	7,475	7,475	7,471	4	
Electrical Sub-Code Official					
Salaries and Wages	16,725	16,725	16,723	2	

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS" (Cont'd)</b>					
<b>UNCLASSIFIED:</b>					
Gasoline	\$ 77,500	\$ 77,500	\$ 40,935	\$ 36,565	
Telephone Services	61,000	61,000	57,937	3,063	
Electricity	40,000	38,000	36,390	1,610	
Water	6,300	6,300	4,810	1,490	
Gas	26,000	26,000	14,535	11,465	
Telecommunication Costs	2,000	2,000	175	1,825	
Street Lighting	78,000	80,000	79,713	287	-
	<u>6,970,275</u>	<u>6,970,275</u>	<u>6,016,354</u>	<u>953,921</u>	<u>-</u>
Total Operations Within "CAPS"					
Detail:					
Salaries and Wages	3,764,835	3,766,335	3,376,091	390,244	
Other Expenses (Including Contingent)	3,205,440	3,203,940	2,640,263	563,677	-
	<u>3,205,440</u>	<u>3,203,940</u>	<u>2,640,263</u>	<u>563,677</u>	<u>-</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</b>					
<b>STATUTORY CHARGES</b>					
Social Security System	186,000	186,000	152,181	33,819	
Police and Fireman's Retirement System of NJ	539,000	539,000	538,967	33	
Public Employees Retirement System	140,067	140,067	132,700	7,367	-
	<u>140,067</u>	<u>140,067</u>	<u>132,700</u>	<u>7,367</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>865,067</u>	<u>865,067</u>	<u>823,848</u>	<u>41,219</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>7,835,342</u>	<u>7,835,342</u>	<u>6,840,202</u>	<u>995,140</u>	<u>-</u>
Maintenance of Free Public Library	548,487	548,487	539,787	8,700	
Length of Service Awards Program	75,000	75,000		75,000	
NJPDES Stormwater Permit					
Street Division - Other Expenses	2,500	2,500	1,050	1,450	
NJPDES Landfill Discharge					
Landfill Division - Other Expenses	200	200		200	
Sewer Charges					
Bergen County Utilities Authority					
Operations and Maintenance	356,499	356,499	356,499	-	
Debt Service	138,101	138,101	138,080	-	\$ 21
Borough of Cresskill	27,000	27,000	9,473	17,527	
Recycling Tax	7,500	7,500	6,574	926	
Reserve for State Tax Appeals	80,000	80,000	80,000	-	-
	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,235,287</u>	<u>1,235,287</u>	<u>1,131,463</u>	<u>103,803</u>	<u>21</u>
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>					
Recycling Tonnage Grant	10,679	10,679		10,679	
Monitoring Surveillance Grant	5,000	5,000		5,000	
Clean Communities	10,973	10,973	\$ 2,743	8,230	-
	<u>10,973</u>	<u>10,973</u>	<u>\$ 2,743</u>	<u>8,230</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>26,652</u>	<u>26,652</u>	<u>2,743</u>	<u>23,909</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,261,939</u>	<u>1,261,939</u>	<u>1,134,206</u>	<u>127,712</u>	<u>\$ 21</u>
Detail:					
Other Expenses (Including Contingent)	1,261,939	1,261,939	1,134,206	127,712	-
	<u>1,261,939</u>	<u>1,261,939</u>	<u>1,134,206</u>	<u>127,712</u>	<u>-</u>

**BOROUGH OF DEMAREST**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>CAPITAL IMPROVEMENTS -</b>					
Capital Improvement Fund	\$ 95,000	\$ 380,000	\$ 380,000		
Road Improvements	60,000	60,000	5,850	\$ 54,150	
Fire Department Equipment	46,250	46,250	23,263	22,987	
Acquisition of Computer Equipment - Administration	25,000	25,000	21,078	3,922	-
Total Capital Improvements					
Excluded from "CAPS"	<u>226,250</u>	<u>511,250</u>	<u>430,191</u>	<u>81,059</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE -</b>					
Payment of Bond Principal	410,000	410,000	410,000		
Debt Service Ban Principal	101,021	101,021	101,021		
Interest on Bonds	118,920	118,920	118,920		
Interest on Notes	60,650	60,650	60,312	-	\$ 338
Total Municipal Debt Service					
Excluded from "CAPS"	<u>690,591</u>	<u>690,591</u>	<u>690,253</u>	<u>-</u>	<u>338</u>
Total General Appropriations for Municipal Purposes					
Excluded from "CAPS"	<u>2,178,780</u>	<u>2,463,780</u>	<u>\$ 2,254,650</u>	<u>208,771</u>	<u>\$ 359</u>
Subtotal General Appropriations	10,014,122	10,299,122	9,094,852	1,203,911	359
Reserve for Uncollected Taxes	<u>580,000</u>	<u>580,000</u>	<u>580,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 10,594,122</u>	<u>\$ 10,879,122</u>	<u>\$ 9,674,852</u>	<u>\$ 1,203,911</u>	<u>\$ 359</u>
Adopted Budget		\$ 10,594,122			
Added by Emergency Authorization		<u>285,000</u>			
		<u>\$ 10,879,122</u>			
Cash Disbursed			\$ 8,591,710		
Deferred Charges Emergency Appropriation			285,000		
Encumbrances Payable			138,142		
Reserve for Tax Appeals			80,000		
Reserve for Uncollected Taxes			<u>580,000</u>		
			<u>\$ 9,674,852</u>		

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 10,929	\$ 10,642
<b>OTHER TRUST FUND</b>			
Cash	B-1	2,064,589	2,589,433
Due from Unemployment Insurance Trust Fund	B-8	3,935	3,056
Due from Current Fund	B	<u>7,465</u>	<u>7,465</u>
		<u>2,075,989</u>	<u>2,599,954</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-1	<u>33,371</u>	<u>28,333</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Cash	B-1	333,813	497,761
Due from Current Fund	B-11	<u>79</u>	<u>79</u>
		<u>333,892</u>	<u>497,840</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>			
Investments	B	1,521,437	1,209,822
Contribution Receivable	B	<u>-</u>	<u>63,557</u>
		<u>1,521,437</u>	<u>1,273,379</u>
Total Assets		<u>\$ 3,975,618</u>	<u>\$ 4,410,148</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, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-2	\$ 48	
Reserve for Animal Control Expenditures	B-3	<u>10,881</u>	<u>\$ 10,642</u>
		<u>10,929</u>	<u>10,642</u>
<b>OTHER TRUST FUND</b>			
Miscellaneous Reserves	B-4	458,879	536,074
Escrow Deposits	B-5	774,932	603,475
Payroll Deductions Payable	B-9	14,716	(6,562)
Reserve for Affordable Housing	B-12	824,908	1,464,413
Reserve for Community Development	B	<u>2,554</u>	<u>2,554</u>
		<u>2,075,989</u>	<u>2,599,954</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Reserve for Unemployment Compensation Claims	B-6	23,559	25,277
Due to State of New Jersey	B-7	5,877	
Due to Other Trust Fund	B-8	<u>3,935</u>	<u>3,056</u>
		<u>33,371</u>	<u>28,333</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Reserve for Open Space Expenditures	B-10	<u>333,892</u>	<u>497,840</u>
		<u>333,892</u>	<u>497,840</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>			
Reserve for Length of Service Awards Program	B	<u>1,521,437</u>	<u>1,273,379</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 3,975,618</u>	 <u>\$ 4,410,148</u>

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 1,642,039	\$ 841,077
Deferred Charges to Future Taxation			
Funded	C-4	3,759,000	4,169,000
Unfunded	C-5	15,350,997	5,339,002
Due from Current Fund	C-7	284,648	
Grants Receivable	C-6	<u>502,534</u>	<u>193,034</u>
 Total Assets		 <u>\$ 21,539,218</u>	 <u>\$ 10,542,113</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Improvement Authorization			
Funded	C-8	\$ 1,141,140	\$ 842,497
Unfunded	C-8	10,775,163	2,404,348
Contracts Payable	C-9	394,883	122,786
Due to Current Fund	C-7		352
Bond Anticipation Notes Payable	C-11	5,061,723	2,687,994
Serial Bonds Payable	C-12	3,759,000	4,169,000
Reserve for Grants Receivable	C-6	272,784	118,034
Capital Improvement Fund	C-13	1,990	163,490
Fund Balance	C-1	<u>132,535</u>	<u>33,612</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 21,539,218</u>	 <u>\$ 10,542,113</u>

There were bonds and notes authorized but not issued of \$10,463,652 and \$2,651,008 on December 31, 2020 and 2019, respectively. (Exhibit C-15).

**BOROUGH OF DEMAREST**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ <u>33,612</u>	\$ <u>18,521</u>
Increased by:		
Cancellation of Improvement Authorizations	202,970	
Premium on Bond Anticipation Notes	10,853	15,027
Cancellation of Reserve for Payment of Debt	<u>-</u>	<u>64</u>
	<u>213,823</u>	<u>15,091</u>
	247,435	33,612
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>114,900</u>	<u>-</u>
Balance, December 31	<u>\$ 132,535</u>	<u>\$ 33,612</u>

**BOROUGH OF DEMAREST  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Land	\$ 32,572,150	\$ 32,572,150
Buildings and Building Improvements	3,368,183	3,275,812
Machinery and Equipment	6,979,049	6,474,570
Construction in Progress	<u>226,535</u>	<u>25,695</u>
	<u>\$ 43,145,917</u>	<u>\$ 42,348,227</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 43,145,917</u>	<u>\$ 42,348,227</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget, bond ordinances, confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. 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 first aid organization, 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, 2020 AND 2019**

**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.

*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 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, 2020 AND 2019**

**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 may have been made to the December 31, 2019 balances to conform to the December 31, 2020 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, 2020 AND 2019**

**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 December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

**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.

**BOROUGH OF DEMAREST  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

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

General Fixed Assets purchased after December 31, 1992 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

**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
- General Capital Fund

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2020, the Borough Council increased the original amount by \$285,000 and in 2019 the Borough Council did not increase the original budget. The increase in the 2020 original budget was attributable to an emergency resolution for a down payment on capital improvements. In addition, the governing body approved several budget transfers during 2020 and 2019.

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2020</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
Appropriation Reserves			
Sanitation – Contractual	\$12,103	\$13,666	\$1,563

**NOTE 3 CASH 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. Cash Deposits**

The Borough’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 or NCUSIF.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2020 and 2019, the book value of the Borough's deposits were \$8,555,786 and \$8,416,140 and bank and brokerage firm balances of the Borough's deposits amounted to \$8,819,974 and \$8,625,331, 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>2020</u>	<u>2019</u>
Insured	\$ 8,819,974	\$ 8,625,331

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. As of December 31, 2020 and 2019, 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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2020 and 2019, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Investments:		
Lincoln Financial-Length of Service Awards Program (Unaudited)	<u>\$ 1,521,437</u>	<u>\$ 1,209,822</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**B. Investments (Continued)**

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, 2020 and 2019, \$1,521,437 and \$1,209,822 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	
	<u>2020</u>	<u>2019</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department in the Borough's name (Unaudited)	<u>\$ 1,521,437</u>	<u>\$ 1,209,822</u>

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 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2020 and 2019, 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, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Property Taxes	<u>\$84,075</u>	<u>\$93,689</u>

In 2020 and 2019, the Borough collected \$93,438 and \$124,037 from delinquent taxes, which represented 100% of the prior year delinquent taxes receivable balance in both 2020 and 2019

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>2020</u>		<u>2019</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		\$ 292,192	\$ 352	\$ 7,544
Trust Fund:				
Open Space Preservation Trust Fund	\$ 79		79	
Other Trust Fund	11,400		10,521	
Unemployment Insurance Trust Fund		3,935		3,056
General Capital Fund	<u>284,648</u>	<u>-</u>	<u>-</u>	<u>352</u>
 Total	 <u>\$ 296,127</u>	 <u>\$ 296,127</u>	 <u>\$ 10,952</u>	 <u>\$ 10,952</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues earned in one fund due to another.

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

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

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 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>
<b><u>2020</u></b>			
N.J.S.A. 40A:4-46 Emergency Appropriation	\$ 285,000	\$ 285,000	
Overexpenditure of 2019 Appropriation Reserves	<u>1,563</u>	<u>1,563</u>	<u>-</u>
	 <u>\$ 286,563</u>	 <u>\$ 286,563</u>	 <u>\$ -</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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:

	2020		2019	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,918,812	\$ 1,500,000	\$ 2,652,769	\$ 1,530,000
Non-Cash Surplus	<u>325,438</u>	<u>-</u>	<u>38,875</u>	<u>-</u>
	<u>\$ 2,244,250</u>	<u>\$ 1,500,000</u>	<u>\$ 2,691,644</u>	<u>\$ 1,530,000</u>

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2020 and 2019.

	Balance December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>
Land	\$ 32,572,150			\$ 32,572,150
Buildings and Building Improvements	3,275,812	\$ 92,371		3,368,183
Machinery and Equipment	6,474,570	576,826	\$ 72,347	6,979,049
Construction in Progress	<u>25,695</u>	<u>226,535</u>	<u>25,695</u>	<u>226,535</u>
	<u>\$ 42,348,227</u>	<u>\$ 895,732</u>	<u>\$ 98,042</u>	<u>\$ 43,145,917</u>
	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Land	\$ 32,572,150			\$ 32,572,150
Buildings and Building Improvements	3,275,812			3,275,812
Machinery and Equipment	5,864,887	\$ 784,489	\$ 174,806	6,474,570
Construction in Progress	<u>-</u>	<u>25,695</u>	<u>-</u>	<u>25,695</u>
	<u>\$ 41,712,849</u>	<u>\$ 810,184</u>	<u>\$ 174,806</u>	<u>\$ 42,348,227</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 9 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects and acquisitions or other purposes permitted by the Local Bond Law, 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>2020</u>	<u>2019</u>
Issued		
General		
Bonds, Notes and Loans	\$ 8,820,723	\$ 6,856,994
Less Funds Temporarily Held to Pay Bonds and Notes	<u>174,378</u>	<u>-</u>
Net Debt Issued	8,646,345	6,856,994
Authorized But Not Issued		
General		
Bonds and Notes	<u>10,463,652</u>	<u>2,651,008</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 19,109,997</u>	<u>\$ 9,508,002</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 1.180% and .588% at December 31, 2020 and 2019, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2020</u></b>			
General Debt	\$ 19,284,375	\$ 174,378	\$ 19,109,997
School Debt	<u>5,607,726</u>	<u>5,607,726</u>	<u>-</u>
Total	<u>\$ 24,892,101</u>	<u>\$ 5,782,104</u>	<u>\$ 19,109,997</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2019</u></b>			
General Debt	\$ 9,508,002		\$ 9,508,002
School Debt	<u>6,445,981</u>	<u>\$ 6,445,981</u>	<u>-</u>
Total	<u>\$ 15,953,983</u>	<u>\$ 6,445,981</u>	<u>\$ 9,508,002</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>2020</u>	<u>2019</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 57,205,856	\$ 56,627,117
Less: Net Debt	<u>19,109,997</u>	<u>9,508,002</u>
Remaining Borrowing Power	<u>\$ 38,095,859</u>	<u>\$ 47,119,115</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>2020</u>	<u>2019</u>
2014 General Improvement Bonds, due in annual installments of \$410,000 to \$420,000 through February 1, 2029, interest 2.00-3.00%	<u>\$ 3,759,000</u>	<u>\$ 4,169,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2020 is as follows:

Calendar Year	General		Total
	Principal	Interest	
2021	\$ 410,000	\$ 106,620	\$ 516,620
2022	410,000	94,320	504,320
2023	420,000	81,870	501,870
2024	420,000	69,270	489,270
2025	420,000	56,670	476,670
2026-2029	<u>1,679,000</u>	<u>100,695</u>	<u>1,779,695</u>
Total	<u>\$ 3,759,000</u>	<u>\$ 509,445</u>	<u>\$ 4,268,445</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 9 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, 2020 and 2019 were as follows:

	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<b><u>2020</u></b>					
General Capital Fund Bonds Payable	\$ 4,169,000	\$ -	\$ 410,000	\$ 3,759,000	\$ 410,000
	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
General Capital Fund Bonds Payable	\$ 4,578,000	\$ -	\$ 409,000	\$ 4,169,000	\$ 410,000

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2020 and 2019 was as follows:

**Bond Anticipation Notes**

<u>2020</u> <u>Purpose</u>	Rate (%)	Maturity Date	Balance, December 31, <u>2019</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2020</u>
Acquisition of Police and Fire Equip	2.25%	6/26/2020	\$ 73,127		\$ 73,127	
	0.85%	6/25/2021		\$ 66,644		\$ 66,644
Acquisition of Fire Truck	2.25%	6/26/2020	562,500		562,500	
	0.85%	6/25/2021		531,250		531,250
Various Road Improvements	2.25%	6/26/2020	1,276,006		1,276,006	
	0.85%	6/25/2021		1,248,607		1,248,607
Acquisition of Ambulance	2.25%	6/26/2020	287,111		287,111	
	0.85%	6/25/2021		251,222		251,222
Acquisition of Hooklift Truck with Plow	2.25%	6/26/2020	299,250		299,250	
	0.85%	6/25/2021		299,250		299,250
Demarest Pond Hydro-Raking Project	2.25%	6/26/2020	190,000		190,000	
	0.85%	6/25/2021		190,000		190,000

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

<u>2020</u> <u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, December 31, <u>2019</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	Balance, December 31, <u>2020</u>
Improvements to Municipal Buildings	0.85%	6/25/2021		\$ 1,349,000		\$ 1,349,000
Various Road Improvements	0.463%	6/25/2021		788,500		788,500
Acquisition of DPW Vehicles	0.463%	6/25/2021	-	<u>337,250</u>	-	<u>337,250</u>
Total			<u>\$ 2,687,994</u>	<u>\$ 5,061,723</u>	<u>\$ 2,687,994</u>	<u>\$ 5,061,723</u>
<u>2019</u> <u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, December 31, <u>2018</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	Balance, December 31, <u>2019</u>
Acquisition of Police and Fire Equip	1.98%	6/28/2019	\$ 79,610		\$ 79,610	
	2.25%	6/26/2020		\$ 73,127		\$ 73,127
Acquisition of Fire Truck	1.98%	6/28/2019	593,750		593,750	
	2.25%	6/26/2020		562,500		562,500
Various Road Improvements	1.98%	6/28/2019	370,584		370,584	
	2.25%	6/26/2020		1,276,006		1,276,006
Acquisition of Ambulance	1.98%	6/28/2019	323,000		323,000	
	2.25%	6/26/2020		287,111		287,111
Acquisition of Hooklift Truck with Plow	2.25%	6/26/2020		299,250		299,250
Demarest Pond Hydro-Raking Project	2.25%	6/26/2020	-	<u>190,000</u>	-	<u>190,000</u>
Total			<u>\$ 1,366,944</u>	<u>\$ 2,687,994</u>	<u>\$ 1,366,944</u>	<u>\$ 2,687,994</u>

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 general 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.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>Capital Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2020</u></b>		
Road Improvements - Riverside Co-op	\$ 63,382	2021
Road Improvements - NJDOT 2018 Unimproved Roads	243,671	2021
Re-cladding and Roof Replacement on Fire Dept.	72,223	2021
<b><u>2019</u></b>		
DPW Building Overhead Doors	\$ 37,305	2020
Acquisition of DPW Vehicle	88,874	2020

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

The Police Department bargaining unit agreement allows the policemen to accumulate unused vacation time, personal days, compensatory time, or sick leave in a leave bank or to be paid at the end of each respective year for such unused time. The maximum unused leave portion of this bank cannot exceed one thousand eighty hours. Upon completion of an employee's service with the Borough the time in the leave bank may be used as "Transition Time". Transition Time is defined as the time period in which the employee remains a member of the Demarest Police Department in an inactive status.

**B. Capital Lease Agreement**

The Borough entered into an agreement for the leasing of one (1) 2020 Chevy Tahoe Police SUV totaling \$49,334 under capital lease. The capital lease agreement is for a term of 3 years. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2020.

<u>Years Ended December 31,</u>	<u>Amount</u>
2021	\$ 16,445
2022	<u>16,444</u>
Total	32,889
Less: Amounts Representing Interest	<u>3,116</u>
Present Value of Net Minimum Lease Payments	<u>\$ 29,773</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Capital Lease Agreement (Continued)**

The Borough's capital lease activity for the year 2020 was as follows:

	<u>2020</u>
Balance, January 1	
Additions	\$ 49,334
Reductions	<u>16,445</u>
Balance, December 31	<u>\$ 32,889</u>
Due Within One Year	<u>16,445</u>

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>
<b><u>2020</u></b>				
Net Pension Liability				
PERS	\$ 2,789,117		\$ 150,583	\$ 2,638,534
PFRS	<u>6,529,761</u>	<u>-</u>	<u>126,081</u>	<u>6,403,680</u>
Total Other Long-Term Liabilities	<u>\$ 9,318,878</u>	<u>\$ -</u>	<u>\$ 276,664</u>	<u>\$ 9,042,214</u>
	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
<b><u>2019</u></b>				
Net Pension Liability				
PERS	\$ 2,970,062		\$ 180,945	\$ 2,789,117
PFRS	<u>6,840,543</u>	<u>-</u>	<u>310,782</u>	<u>6,529,761</u>
Total Other Long-Term Liabilities	<u>\$ 9,810,605</u>	<u>\$ -</u>	<u>\$ 491,727</u>	<u>\$ 9,318,878</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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 December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

**Public Employees’ Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

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

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

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

**Other Pension Funds**

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

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

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

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

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2020 and 2019 is \$16.4 billion and \$18.1 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 58.32% and 56.27%, respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2020 and 2019 is \$14.9 billion and \$14.2 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 63.52% and 65.00%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 and 2018 which were rolled forward to June 30, 2020 and 2019, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2019 and 2018 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 for 2020 and 2019 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2020, 2019 and 2018 were equal to the required contributions.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Employer and Employee Pension Contributions (Contributions)**

During the years ended December 31, 2020, 2019 and 2018, 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>	<u>DCRP</u>
2020	\$ 538,967	\$ 150,568	\$ 7,254
2019	494,222	150,042	6,470
2018	426,287	146,735	1,695

In addition for the years ended December 31, 2020, 2019 and 2018 the Borough contributed for long-term disability insurance premiums (LTDI) \$499, \$394 and \$1,238, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2020 and 2019. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2020 and 2019, the Borough reported a liability of \$2,638,534 and \$2,789,117, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough's proportionate share was .01617 percent, which was an increase of .00070 percent from its proportionate share measured as of June 30, 2019 of .01547 percent.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough's pension expense to be \$178,894 and \$169,634, respectively, for PERS based on the actuarial valuations which are more than the actual contribution reported in the Borough's financial statements of \$150,568 and \$150,042, respectively. At December 31, 2020 and 2019, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 48,043	\$ 9,331	\$ 50,061	\$ 12,321
Changes of Assumptions	85,597	1,104,779	278,504	968,094
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,187			44,027
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>263,089</u>	<u>79,536</u>	<u>289,876</u>	<u>149,536</u>
Total	<u>\$ 486,916</u>	<u>\$ 1,193,646</u>	<u>\$ 618,441</u>	<u>\$ 1,173,978</u>

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ (225,579)
2022	(278,271)
2023	(149,286)
2024	(42,431)
2025	(11,163)
Thereafter	<u>-</u>
	<u>\$ (706,730)</u>

**BOROUGH OF DEMAREST  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2057
Municipal Bond Rate *	Not Applicable	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.00% and 6.28%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% and 5.28%, respectively or 1-percentage-point higher 8.00% and 7.28%, respectively than the current rate:

<u>2020</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 3,321,474	\$ 2,638,534	\$ 2,059,041
	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 3,523,108	\$ 2,789,117	\$ 2,170,626

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Police and Firemen’s Retirement System (PFRS)**

At December 31, 2020 and 2019, the Borough reported a liability of \$6,403,680 and \$6,529,761, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough’s proportionate share was .04955 percent, which was a decrease of .00381 percent from its proportionate share measured as of June 30, 2019 of .05336 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough pension expense to be \$379,387 and \$543,190, respectively, for PFRS based on the actuarial valuations which are less than the actual contribution reported in the Borough’s financial statements of \$538,967 for 2020, more than the actual contribution reported in 2019 of \$494,222. At December 31, 2020 and 2019, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 64,560	\$ 22,982	\$ 55,120	\$ 41,341
Changes of Assumptions	16,115	1,716,788	223,745	2,110,359
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	375,478			88,476
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>565,621</u>	<u>501,986</u>	<u>807,312</u>	<u>114,174</u>
Total	<u>\$ 1,021,774</u>	<u>\$ 2,241,756</u>	<u>\$ 1,086,177</u>	<u>\$ 2,354,350</u>

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ (480,492)
2022	(355,602)
2023	(157,433)
2024	(99,540)
2025	(126,915)
Thereafter	<u>-</u>
	<u>\$ (1,219,982)</u>

***Actuarial Assumptions***

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

**2020 and 2019**

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through	All Future Years 3.25%-15.25% Based on Years of Service
Thereafter	Not Applicable
Investment Rate of Return	7.00%
Mortality Rate Table	Pub - 2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.85%

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2076
Municipal Bond Rate *	Not Applicable	From July 1, 2076 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.00% and 6.85%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% and 5.85%, respectively or 1-percentage-point higher 8.00% and 7.85%, respectively than the current rate:

<u>2020</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,515,576</u>	\$ <u>6,403,680</u>	\$ <u>4,649,589</u>
<u>2019</u>	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,825,857</u>	\$ <u>6,529,761</u>	\$ <u>4,629,410</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2020 and 2019, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$993,822 and \$1,031,062, respectively. For the years ended December 31, 2020 and 2019, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$112,630 and \$119,801, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$76,474 and \$69,472, respectively. At December 31, 2020 (measurement date June 30, 2020) the State's share of the PFRS net pension liability attributable to the Borough was .04955 percent, which was a decrease of .00381 percent from its proportionate share measured as of December 31, 2019 (measurement date June 30, 2019) of .05336 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

**State Health Benefit Program Fund – Local Government Retired (the Plan)** (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

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 the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

***Special Funding Situation***

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2019, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$4,819,145. For the year ended December 31, 2019 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$63,879. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .08721 percent, which was a decrease of .00077 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .08798 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, SBJIF 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.

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</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2020	\$ 4,783	\$ 6,501	\$ 23,559
2019	5,567	161	25,277
2018	7,167	2,440	19,871

**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.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 15 CONTINGENT LIABILITIES (Continued)**

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2020 and 2019. 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. As of December 31, 2020 and 2019, the Borough reserved \$274,729 and \$214,335, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget, from fund balance or a refunding bond ordinance.

**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, 2020 and 2019, 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.

**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, 2020 and 2019, 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 not contributed to the LOSAP Trust Fund for 2020 and contributed \$1,630 for 2019 for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The total Borough did contribute to the plan as of the date of the audit and contributed \$63,557 for 2019.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

**Vesting and Benefits**

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

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the Borough.

**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 TAX ABATEMENTS**

For the years ended December 31, 2020 and 2019, the Borough provided property tax abatements through certain programs authorized under State statutes. The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2020 and 2019 the Borough abated property taxes totaling \$10,335 and \$10,037, respectively, under the NJHMFA program. The Borough received \$6,000 and \$6,030 in PILOT payments under this program for the years ended December 31, 2020 and 2019, respectively.

**BOROUGH OF DEMAREST  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Pandemic”). On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey’s economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor’s pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

**NOTE 20 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On June 24, 2021 the Borough issued bond anticipation notes in the amount of \$5,546,324 to currently refund the Borough’s outstanding Bond Anticipation Notes together with a principal reduction payment of \$101,021 included in the 2021 Municipal Budget. The Chief Financial Officer has awarded the sale of said notes to Piper Sandler at an interest rate of 1.00%. These notes dated June 24, 2021 will mature on June 24, 2022.

**SUPPLEMENTARY SCHEDULES**

**CURRENT FUND**

**BOROUGH OF DEMAREST  
STATEMENT OF CURRENT CASH**

Balance, December 31, 2019		\$ 4,448,594
Increased by Receipts:		
Taxes Receivable	\$ 36,570,917	
Non-Budget Revenue	61,628	
Due from State of New Jersey - Senior Citizens' and Veterans'	19,000	
Revenue Accounts Receivable	880,425	
Prepaid Taxes	280,860	
Petty Cash Returned	250	
Due to State of New Jersey - Marriage Licenses and DCA Training Fees	13,055	
Unappropriated Grant Reserves	<u>11,652</u>	
		<u>37,837,787</u>
		42,286,381
Decreased by Disbursements:		
Budget Appropriations	8,591,710	
Appropriation Reserves	380,547	
Encumbrances Payable	205,651	
Accounts Payable	1,133	
County Taxes Payable	4,131,719	
Local District School Taxes Payable	15,238,993	
Regional High School District Taxes Payable	9,237,205	
Reserve for Tax Appeals	19,606	
State of New Jersey	8,791	
Appropriated Grant Reserves	4	
Refund of Prior Year Revenue	27	
Petty Cash Advanced	<u>250</u>	
		<u>37,815,636</u>
Balance, December 31, 2020		<u>\$ 4,470,745</u>

**BOROUGH OF DEMAREST  
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2019</u>	Balance, December 31, <u>2020</u>
NJ DOT - Improvements to Everett Road	\$ 38,875	\$ 38,875

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

Balance, December 31, 2019		\$ 9,336
Increased by:		
Received in Cash from State of New Jersey	\$ 19,000	
Senior Citizens' Deductions Disallowed Per Tax Collector	<u>500</u>	
		<u>19,500</u>
		28,836
Decreased by:		
Senior Citizens' Deductions Allowed Per Tax Billings	1,500	
Senior Citizens' Deductions Allowed Per Tax Collector	250	
Veterans' Deductions Allowed Per Tax Billings	17,250	
Veterans' Deductions Allowed Per Tax Collector	<u>1,000</u>	
		<u>20,000</u>
Balance, December 31, 2020		\$ <u>8,836</u>

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

Year	Balance, December 31, 2019	Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collected In		Senior Citizens' and Veterans' Deductions Allowed	Abated or Cancelled	Balance, December 31, 2020
				2019	2020			
2019	\$ 93,689			\$ 93,438		\$ 250	\$ 1	
2020	-	\$ 36,908,897	\$ 500	\$ 216,736	36,477,479	20,000	111,107	\$ 84,075
	<u>\$ 93,689</u>	<u>\$ 36,908,897</u>	<u>\$ 500</u>	<u>\$ 216,736</u>	<u>\$ 36,570,917</u>	<u>\$ 20,250</u>	<u>\$ 111,108</u>	<u>\$ 84,075</u>

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax	\$ 36,633,738
Added Taxes (R.S. 54:4-36.12 et seq.)	<u>275,159</u>
	<u>\$ 36,908,897</u>

Tax Levy

Regional High School Tax (Abstract)	\$ 9,237,205
Local District School Tax (Abstract)	15,238,993
County Tax (Abstract)	\$ 3,949,123
County Open Space Tax (Abstract)	165,894
Added County Taxes (54:4-63.1 et seq.)	<u>30,932</u>
	4,145,949
Local Tax for Municipal Purposes (Abstract)	7,489,418
Minimum Library Tax (Abstract)	548,487
Additional Tax Levied	<u>248,845</u>
	<u>8,286,750</u>
	<u>\$ 36,908,897</u>

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

Balance, December 31, 2019	<u>\$ 67,444</u>
Balance, December 31, 2020	<u>\$ 67,444</u>

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2019</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2020</u>
Clerk				
Licenses				
Alcoholic Beverages		\$ 4,000	\$ 4,000	
Construction Code Official				
Fees and Permits		169,015	169,015	
Municipal Court				
Fines and Costs	\$ 6,143	29,688	33,233	\$ 2,598
Fees and Permits		20,863	20,863	
Interest and Costs on Taxes		26,846	26,846	
Interest on Investments and Deposits		19,074	19,074	
Energy Receipts Tax		405,840	405,840	
Sewer User Fees		26,397	26,397	
Borough of Hillsdale - Leaf Removal		55,000	55,000	
Cable TV Franchise		73,145	73,145	
Construction Resales		15,302	15,302	
Crossing Guards - NVRHS		20,310	20,310	
Reimbursement - Trash Collection	-	11,400	11,400	-
	<u>\$ 6,143</u>	<u>\$ 876,880</u>	<u>\$ 880,425</u>	<u>\$ 2,598</u>

**BOROUGH OF DEMAREST  
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, <u>2019</u>	Restored Encumbrances <u>Payable</u>	Budget After <u>Modification</u>	<u>Expended</u>	Transfer to Approp. Grant <u>Reserves</u>	Balance <u>Lapsed</u>	<u>Overexpenditure</u>
<b>Salaries and Wages</b>							
Administrative and Executive	\$ 307		\$ 307			\$ 307	
Municipal Clerk	674		674			674	
Financial Administration	1,249		1,249			1,249	
Revenue Administration	1,199		1,199			1,199	
Assessment of Taxes	931		931			931	
Planning Board	2,281		2,281			2,281	
Zoning Board of Adjustment	442		442			442	
Municipal Prosecutor	324		324			324	
Police Department	183,225		183,225	\$ 156,652		26,573	
Streets and Roads	885		885	90		795	
Borough Mechanic	7,154		7,154			7,154	
Fire Prevention	252		252			252	
Board of Health	1,100		1,100			1,100	
Municipal Court	422		422			422	
Construction Code Official	6,651		6,651			6,651	
Plumbing Sub-Code Official	550		550			550	
Fire Protection Sub-Code Official	452		452			452	
Electrical Sub-Code Official	577		577			577	
<b>Other Expenses</b>							
Administrative and Executive	2,000		2,000			2,000	
Mayor and Council	2,929		2,929	179		2,750	
Municipal Clerk	9,942		9,942	694		9,248	
Elections	1,831		1,831			1,831	
Financial Administration	7,049	\$ 3,605	10,654			10,654	
Audit Services	35,400		35,400	35,350		50	
Revenue Administration	1,796		1,796			1,796	
Assessment of Taxes	321		321			321	
Legal Services	20,313		20,313	20,244		69	
Engineering Services and Costs	20,868		20,868	15,897		4,971	
Planning Board	2,160		2,160			2,160	
Zoning Board of Adjustment	5,131		5,131			5,131	
Police Department	6,805		6,805	603		6,202	
Contribution to First Aid Organization	9,444		9,444	9,339		105	
Fire Department	8,136		8,136	775		7,361	
Fire Hydrant Services	2,372		2,372			2,372	
Office of Emergency Management	3,705		3,705			3,705	
Borough Mechanic	2,660		2,660	1,371		1,289	
Fire Prevention	405		405			405	
Board of Health	2,207		2,207			2,207	
Construction Code Official	2,850		2,850			2,850	
Sanitation-Contractual	12,103		12,103	13,666		-	\$ 1,563
Streets and Roads	4,720		4,720	3,842		878	
Public Buildings and Grounds	32,048		32,048	2,103		29,945	
Shade Tree Commission	41,955		41,955	23,100		18,855	
Municipal Court	2,888	33	2,921			2,921	
Public Defender	1,960		1,960			1,960	
Recreation	2,358		2,358			2,358	
Parks and Playgrounds	2,665		2,665			2,665	
Celebration of Public Events	8,445		8,445			8,445	
<b>Utilities</b>							
Gasoline	3,390		3,390			3,390	
Telephone	6,490		6,490			6,490	
Electricity	4,943		4,943			4,943	
Water	522		522			522	
Gas (Natural)	6,523		6,523			6,523	
Telecommunication Costs	2,000		2,000			2,000	
Street Lighting	9,226		9,226			9,226	
Sewerage Processing and Disposal	3,000		3,000			3,000	

**BOROUGH OF DEMAREST  
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, <u>2019</u>	Restored Encumbrances Payable	Budget After Modification	Expended	Transfer to Approp. Grant Reserves	Balance Lapsed	Overexpenditure
Insurance							
Liability	\$ 4,175		\$ 4,175			\$ 4,175	
Worker's Compensation	4,176		4,176			4,176	
Health Benefits	96,272		96,272	\$ 40,065		56,207	
Health Benefit Waiver	3,298		3,298			3,298	
Environmental	-	\$ 223	223			223	
Occupational Safety and Health Act	5,925		5,925			5,925	
Social Security System	29,410		29,410			29,410	
Police and Fireman's Retirement System	78		78			78	
Public Employees Retirement System	7,493		7,493	1,959		5,534	
Maintenance of Free Public Library	26,645		26,645	14,143		12,502	
Length of Service Awards Program	75,000		75,000	63,557		11,443	
NJPDES Stormwater Permit - Street Division	1,450		1,450			1,450	
NJPDES Stormwater Permit - Landfill Division	200		200			200	
Sewer Charges							
Bergen County Utilities Authority	1		1			1	
Borough of Cresskill	10,879		10,879	10,874		5	
Recycling Tax	2,179		2,179			2,179	
Road Improvements	5,899		5,899			5,899	
Fire Department Equipment	21,097		21,097			21,097	
Acquisition of Computer Equipment - Administration	25,000		25,000			25,000	
Alcohol Rehab Fund	220		220		\$ 220		
Police Body Armor	240		240		240		
Recycling Tonnage Grant	7,560	-	7,560	-	7,560	-	-
	<u>\$ 829,432</u>	<u>\$ 3,861</u>	<u>\$ 833,293</u>	<u>\$ 414,503</u>	<u>\$ 8,020</u>	<u>\$ 412,333</u>	<u>\$ 1,563</u>

Cash Disbursements	\$ 380,547
Accounts Payable	<u>33,956</u>
	<u>\$ 414,503</u>

**BOROUGH OF DEMAREST  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2019		\$ 209,512
Increased by:		
Charges to Budget Appropriations		<u>138,142</u>
		347,654
Decreased by:		
Cash Disbursements	\$ 205,651	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>3,861</u>	
		<u>209,512</u>
Balance, December 31, 2020		<u>\$ 138,142</u>

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2019		\$ 57,078
Increased by:		
Transferred from Appropriation Reserves		<u>33,956</u>
		91,034
Decreased by:		
Cash Disbursements		<u>1,133</u>
Balance, December 31, 2020		<u>\$ 89,901</u>

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2019		\$ 216,736
Increased by:		
Collection of 2021 Taxes		<u>280,860</u>
		497,596
Decreased by:		
Applied to 2020 Taxes Receivable		<u>216,736</u>
Balance, December 31, 2020		<u>\$ 280,860</u>

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

Balance, December 31, 2019		\$ 16,702
Increased by:		
County Levy	\$ 3,949,123	
County Open Space Tax	165,894	
Due to County for Added and Omitted Taxes	<u>30,932</u>	
		<u>4,145,949</u>
		4,162,651
Decreased by:		
Payments		<u>4,131,719</u>
Balance, December 31, 2020		<u>\$ 30,932</u>

**STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Increased by:		
Levy, Calendar Year		<u>\$ 9,237,205</u>
Decreased by:		
Payments		<u>\$ 9,237,205</u>

**STATEMENT OF LOCAL SCHOOL DISTRICT TAXES PAYABLE**

Increased by:		
Levy, Calendar Year		<u>\$ 15,238,993</u>
Decreased by:		
Payments		<u>\$ 15,238,993</u>

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

	Balance, December 31, <u>2019</u>	Transferred from Appropriation <u>Reserves</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2020</u>
Alcohol Education	\$ 1,050	\$ 220		\$ 1,270
Recycling Tonnage Grant	37,893	7,560		45,453
Body Armor Grant	2,027	240	\$ 4	2,263
NJ Transportation Trust Fund Authority Act - Improvements to Everett Road	155,500			155,500
Municipal Recycling Assistance	<u>12,278</u>	<u>-</u>	<u>-</u>	<u>12,278</u>
	<u>\$ 208,748</u>	<u>\$ 8,020</u>	<u>\$ 4</u>	<u>\$ 216,764</u>

EXHIBIT A-18

**STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2019</u>	Cash <u>Receipts</u>	Anticipated as Revenue	Balance, December 31, <u>2020</u>
Body Armor Grant		\$ 1,759		\$ 1,759
Monitoring Surveillance Enforcement	\$ 5,000		\$ 5,000	-
Clean Communities Grant	10,973	9,893	10,973	9,893
Recycling Tonnage Grant	<u>10,679</u>	<u>-</u>	<u>10,679</u>	<u>-</u>
	<u>\$ 26,652</u>	<u>\$ 11,652</u>	<u>\$ 26,652</u>	<u>\$ 11,652</u>

EXHIBIT A-19

**STATEMENT OF DUE TO STATE OF NEW JERSEY**

	Balance, December 31, <u>2019</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2020</u>
Marriage Licenses	\$ 50	\$ 200	\$ 150	\$ 100
DCA Training Fees	<u>-</u>	<u>12,855</u>	<u>8,641</u>	<u>4,214</u>
	<u>\$ 50</u>	<u>\$ 13,055</u>	<u>\$ 8,791</u>	<u>\$ 4,314</u>

**BOROUGH OF DEMAREST  
STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2019	\$	214,335
Increased by:		
2020 Budget Appropriation		80,000
		294,335
Decreased by:		
Payments		19,606
Balance, December 31, 2020	\$	274,729

**STATEMENT OF DEFERRED CHARGES**

	Balance, December 31, <u>2019</u>	Added in <u>2020</u>		Balance, December 31, <u>2020</u>
N.J.S.A. 40A:4-46 Emergency Appropriation		\$ 285,000	\$	285,000
Overexpenditure of 2019 Appropriation Reserves	-	1,563		1,563
	-	\$ 286,563	\$	286,563
	-	\$ 286,563	\$	286,563

**TRUST FUNDS**

**BOROUGH OF DEMAREST  
STATEMENT OF TRUST CASH**

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Insurance Trust</u>	<u>Open Space Preservation Trust</u>
Balance, December 31, 2019	\$ 10,642	\$ 2,589,433	\$ 28,333	\$ 497,761
Increased by Receipts:				
Animal Control Fees	\$ 8,278			
Due to State of NJ - Animal Control Fees	770			
Escrow Deposits		\$ 428,271		
Miscellaneous Reserves		250,957		
Affordable Housing Fees		431,346		
Payroll Deductions		4,289,353		
Receipts from Other Trust Fund			\$ 5,662	
Interest Earned	-	4,783	-	\$ 1,302
	<u>9,048</u>	<u>5,404,710</u>	<u>5,662</u>	<u>1,302</u>
	19,690	7,994,143	33,995	499,063
Decreased by Disbursements:				
Due to State of NJ	722			
Expenditures Under R.S. 4:19-15.11	8,039			
Escrow Deposits		256,814		
Payroll Deductions		4,263,292		
Payments to Unemployment Trust Fund		5,662		
Payments to General Capital Fund		1,010,100		165,250
Miscellaneous Reserves		328,152		
Unemployment Insurance Claims			624	
Affordable Housing	-	65,534	-	-
	<u>8,761</u>	<u>5,929,554</u>	<u>624</u>	<u>165,250</u>
Balance, December 31, 2020	<u>\$ 10,929</u>	<u>\$ 2,064,589</u>	<u>\$ 33,371</u>	<u>\$ 333,813</u>

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

Increased by:		
State Fees Collected	\$	770
Decreased by:		
Payments to State of NJ		<u>722</u>
Balance, December 31, 2020	\$	<u>48</u>

EXHIBIT B-3

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2019	\$	10,642
Increased by:		
Dog Licenses Collected	\$	5,935
Cat Licenses Collected		1,254
Late Fees/Miscellaneous		<u>1,089</u>
		<u>8,278</u>
		18,920
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>8,039</u>
Balance, December 31, 2020	\$	<u>10,881</u>

EXHIBIT B-4

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

<u>Description</u>	Balance, December 31, <u>2019</u>	<u>Receipts</u>	<u>Payments</u>	Balance, December 31, <u>2020</u>
Fire Prevention	\$ 11,431			\$ 11,431
Street Opening Deposits	1,050			1,050
911 Memorial	4,740			4,740
Demarest Day	8,375			8,375
Historical Society	9,938			9,938
Snow Removal	15,000			15,000
Tax Sale Premiums	369,300	\$ 18,395	\$ 44,495	343,200
Outside Police Service	41,244	195,900	237,137	7
POAA	45	42		87
Public Defender	262		230	32
Recreation Commission	<u>74,689</u>	<u>36,620</u>	<u>46,290</u>	<u>65,019</u>
	<u>\$ 536,074</u>	<u>\$ 250,957</u>	<u>\$ 328,152</u>	<u>\$ 458,879</u>

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

Balance, December 31, 2019	\$ 603,475
Increased by:	
Escrow Deposits	<u>428,271</u>
	1,031,746
Decreased by:	
Escrow Refunded	<u>256,814</u>
Balance, December 31, 2020	<u>\$ 774,932</u>

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS**

Balance, December 31, 2019	\$ 25,277
Increased by:	
Employee Withholdings	<u>4,783</u>
	30,060
Decreased by:	
Unemployment Insurance Claims	<u>6,501</u>
Balance, December 31, 2020	<u>\$ 23,559</u>

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

Increased by:	
Unemployment Compensation Claims	\$ 6,501
Decreased by:	
Payments to State of New Jersey	<u>624</u>
Balance, December 31, 2020	<u>\$ 5,877</u>

**BOROUGH OF DEMAREST  
STATEMENT OF DUE FROM UNEMPLOYMENT INSURANCE TRUST FUND  
OTHER TRUST FUND - PAYROLL**

Balance, December 31, 2019	\$ 3,056
Increased by:	
Payments to Unemployment Insurance Trust Fund	<u>5,662</u>
	8,718
Decreased by:	
Employees' Payroll Withholdings Due to Unemployment Insurance Trust Fund	<u>4,783</u>
Balance, December 31, 2020	<u>\$ 3,935</u>

EXHIBIT B-9

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

Balance, (Deficit) December 31, 2019	\$ (6,562)
Increased by:	
Cash Receipts	<u>4,289,353</u>
	4,282,791
Decreased by:	
Employee Withholdings Due to Unemployment Trust Fund	\$ 4,783
Cash Disbursements	<u>4,263,292</u>
	<u>4,268,075</u>
Balance, December 31, 2020	<u>\$ 14,716</u>

EXHIBIT B-10

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

Balance, December 31, 2019	\$ 497,840
Increased by:	
Interest Earned	<u>1,302</u>
	499,142
Decreased by:	
2020 Improvement Authorization	<u>165,250</u>
Balance, December 31, 2020	<u>\$ 333,892</u>

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

Balance, December 31, 2019	\$ <u>79</u>
Balance, December 31, 2020	\$ <u><u>79</u></u>

**STATEMENT OF RESERVE FOR AFFORDABLE HOUSING  
OTHER TRUST FUND**

Balance, December 31, 2019	\$ 1,464,413
Increased by:	
Affordable Housing Fees	\$ 431,346
Interest Earned	<u>4,783</u>
	<u>436,129</u>
	1,900,542
Decreased by:	
Cash Disbursements	65,534
Payment to General Capital Fund - 2020 Improvement Authorization	<u>1,010,100</u>
	<u>1,075,634</u>
Balance, December 31, 2020	\$ <u><u>824,908</u></u>

**STATEMENT OF DUE TO GENERAL CAPITAL FUND  
MUNICIPAL OPEN SPACE FUND**

Increased by:	
2020 Improvement Authorization	\$ <u>165,250</u>
Decreased by:	
Payment to General Capital Fund	\$ <u><u>165,250</u></u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2019		\$ 841,077
Increased by Receipts:		
Bond Anticipation Notes	\$ 2,474,750	
Premium on Sale of Notes	10,853	
Grant Receipts	161,250	
Current Fund Budget Appropriation		
Capital Improvement Fund	95,000	
Receipts from Municipal Open Space Trust Fund	165,250	
Receipts from Affordable Housing Trust Fund	<u>1,010,100</u>	
		<u>3,917,203</u>
		4,758,280
Decreased by Disbursements:		
Improvement Authorizations	2,993,455	
Contracts Payable	<u>122,786</u>	
		<u>3,116,241</u>
Balance, December 31, 2020		<u>\$ 1,642,039</u>

**BOROUGH OF DEMAREST  
ANALYSIS OF GENERAL CAPITAL CASH  
AS OF DECEMBER 31, 2020**

Fund Balance		\$ 132,535
Contracts Payable		394,883
Capital Improvement Fund		1,990
Due from Current Fund		(284,648)
Grants Receivable		(229,750)
Excess Note Proceeds		174,378
Ordinance		
<u>Number</u>	<u>Improvement Authorizations</u>	
929/936	Railroad Station Phase II Exterior Renovations	(76,765)
1019	Purchase of Police Body Cameras & Chest Compression System	3,839
1027	Acquisition of Fire Truck	307
1029	Various Improvements	1,453
1030	Improvement to Athletic Fields	66,135
1032	Acquisition of Ambulance	209
1037	Various Road Improvements	45,465
1045	Installation of Siding on Athletic Association Building	2,200
1046	Road Improvements	536,536
1050	Improvements to Drury Lane	16,099
1051	2018 Road Paving Project	81,326
1054	Acquisition of a Hooklift Truck with Plow	23,056
1055	Demarest Pond Hydro-Raking Project	31,574
1058	Various Capital Improvements	846,729
1062	Drury Lane Widening and Sidewalk Improvements	340,182
1063	2019 Road Paving Program	55,691
1064	Various Capital Improvements	38,064
1076	Installation of a Playground Wakelee Field	50,227
1077	Construction and Paving of Woodland Road, Chestnut Street, and Margaret Court	(732,844)
1082	Riverside Cooperative Road Improvement Project	(357,582)
1087	Various Capital Improvements	<u>480,750</u>
		<u>\$ 1,642,039</u>

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

Balance, December 31, 2019	\$ 4,169,000
Decreased by:	
2020 Budget Appropriation:	
Bond Principal	<u>410,000</u>
Balance, December 31, 2020	<u>\$ 3,759,000</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2019	2020 Authorizations	Budget Appropriation	Grant Proceeds	Cancelled by Resolution	Balance, December 31, 2020	Analysis of Balance, December 31, 2020		
								Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorization
860	Funding of Accessory Apartments and Regional Contribution Agreement Units	\$ 98,387					\$ 98,387			\$ 98,387
922	Various Capital Improvements	459				\$ 459				
929/936	Railroad Station Phase II - Exterior Renovations	76,765					76,765		\$ 76,765	
947	Various Capital Improvements	500				500				
984	Curb Retrofitting, Drainage and Road Improvements	147				147				
1007	Columbus Road Project	39,821				13,128	26,693	\$ 26,693		
1010	Acquisition of Various Vehicles and Equipment	73,127		\$ 6,483			66,644	66,644		
1027	Acquisition of Fire Truck	562,500		31,250			531,250	531,250		
1028	Various Road Improvements	343,185		27,399			315,786	315,786		
1032	Acquisition of Ambulance	287,111		35,889			251,222	251,222		
1037	Various Road Improvements	152,000					152,000	152,000		
1050	Improvements to Drury Lane	456,000					456,000	456,000		
1051	2018 Road Paving Project	437,000			\$ 161,250		275,750	275,750		
1054	Acquisition of a Hooklift Truck with Plow	299,250					299,250	299,250		
1055	Demarest Pond Hydro-Raking Project	190,000					190,000	190,000		
1058	Various Capital Improvements	1,349,000					1,349,000	1,349,000		
1062	Drury Lane Widening and Sidewalk Improvements	370,500					370,500	370,500		
1063	2019 Road Paving Program	266,000					266,000	266,000		
1064	Various Capital Improvements	337,250					337,250	337,250		
1077	Construction and Paving of Woodland Road, Chestnut Street and Margaret Court		\$ 760,000				760,000		732,844	27,156
1082	Riverside Cooperative Road Improvement Project		394,250				394,250		357,582	36,668
1087	Various Capital Improvements	-	9,134,250	-	-	-	9,134,250	-	-	9,134,250
		<u>\$ 5,339,002</u>	<u>\$ 10,288,500</u>	<u>\$ 101,021</u>	<u>\$ 161,250</u>	<u>\$ 14,234</u>	<u>\$ 15,350,997</u>	<u>\$ 4,887,345</u>	<u>\$ 1,167,191</u>	<u>\$ 9,296,461</u>

Bond Anticipation Notes \$ 5,061,723  
 Less: Excess Note Proceeds  
     Ord. No. 1007 13,128  
     Ord. No. 1051 161,250  
\$ 4,887,345

Improvement Authorizations Unfunded \$ 10,775,163  
 Less: Unexpended Proceeds on Notes  
     Ord. No. 1027 \$ 307  
     Ord. No. 1032 209  
     Ord. No. 1037 45,465  
     Ord. No. 1050 16,099  
     Ord. No. 1051 81,326  
     Ord. No. 1054 23,056  
     Ord. No. 1055 31,574  
     Ord. No. 1058 846,729  
     Ord. No. 1062 340,182  
     Ord. No. 1063 55,691  
     Ord. No. 1064 38,064  
1,478,702  
\$ 9,296,461

**BOROUGH OF DEMAREST  
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2019</u>	Grant <u>Awards</u>	Balance, December 31, <u>2020</u>
County of Bergen			
Open Space Preservation			
Athletic Field Improvements - Ord. #1030	\$ 75,000		\$ 75,000
Installation of a Playground Wakelee Field - Ord. #1076		\$ 154,750	154,750
Wakelee Field Improvements and Walking Path - Ord. #1087		122,500	122,500
Historic Preservation Trust Fund			
Wakelee Field Improvements and Walking Path - Ord. #1087		32,250	32,250
Community Development			
Handicap Accessible Bathroom - Ord. #1029	26,629		26,629
State of NJ - Department of Transportation			
Columbus Road Project - Ord. #1007	30,321		30,321
Columbus Road Project - Ord. #1028	48,269		48,269
Road Paving - Ord. #1028	12,815	-	12,815
	<u>\$ 193,034</u>	<u>\$ 309,500</u>	<u>\$ 502,534</u>

Analysis of Balance

Pledged to Ordinance	\$ 229,750
Pledged to Reserve	<u>272,784</u>
	<u>\$ 502,534</u>

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

Balance, December 31, 2019 (Due to)	\$ 352
Increased by:	
Receipts from Current Fund	<u>95,000</u>
	95,352
Decreased by:	
Budget Appropriation - Capital Improvement Fund	<u>380,000</u>
Balance, December 31, 2020 (Due From)	<u>\$ 284,648</u>

**BOROUGH OF DEMAREST  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2019		2020 Authorizations							Cancelled by Resolution	Balance, December 31, 2020												
			Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded	General Capital Surplus	Municipal Open Space Trust Fund	Bergen County Open Space Grant	Affordable Housing Fund	Expended		Funded	Unfunded											
853/858	Construction of DPW Building	\$ 1,150,000	\$ 2,960									\$ 2,960													
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	4,913	459								5,372													
927	Various Capital Improvements		4,879									4,879													
930	Various Capital Improvements	349,226																							
931	Installation of Drainage System - Lincoln and Central		30,000	248								248													
947	Various Capital Improvements	663,000	4,910	500								5,410													
970	Interior Restoration Improvements to Railroad Depot	440,000	37,562									37,562													
976	2011 Road Improvement Program	300,000	13,619									13,619													
984	Various Capital Improvements	200,000	109,727	147								109,874													
990	Various Road Improvement	95,000	3,166									3,166													
991	Road Improvements to Isabella Way	65,000	3									3													
993	Acquisition of Emergency Vehicles and Equipment	103,000	6,045									6,045													
998	Various Capital Improvements	558,490	26									26													
1007	Columbus Road Project	156,000		13,128								13,128													
1016	Various Road Improvements	64,500	14,261									14,261													
1019	Purchase of Police Body Cameras & Chest Compression System	82,000	13,703								\$ 9,864	\$ 3,839													
1027	Acquisition of Fire Truck	625,000		307										307											
1029	Various Improvements	149,000	1,453										1,453												
1030	Improvement to Athletic Fields	150,000	66,135									66,135													
1032	Acquisition of Ambulance	340,000		209										209											
1037	Various Road Improvements	160,000		45,465										45,465											
1045	Installation of Siding on Athletic Association Building	15,000	2,200										2,200												
1046	Road Improvements	701,625	536,536										536,536												
1050	Improvements to Drury Lane	480,000		323,750							307,651			16,099											
1051	2018 Road Paving Project	460,000		81,326										81,326											
1054	Acquisition of a Hooklift Truck with Plow	315,000		23,056										23,056											
1055	Demarest Pond Hydro-Raking Project	200,000		39,003							7,429			31,574											
1058	Various Capital Improvements	1,420,000		1,267,156							420,427			846,729											
1062	Drury Lane Widening and Sidewalk Improvements	390,000	19,500	370,500							49,818			340,182											
1063	2019 Road Paving Program	280,000		57,494							1,803			55,691											
1064	Various Capital Improvements	355,000		83,461							45,397			38,064											
1076	Installation of a Playground Wakelee Field	320,000					\$ 165,250	\$ 154,750			269,773		50,227												
1077	Construction and Paving of Woodland Road, Chestnut Street and Margaret Court	800,000			\$ 40,000	\$ 760,000					772,844			27,156											
1082	Riverside Cooperative Road Improvement Project	415,000			20,750	394,250					378,332			36,668											
1086	Acquisition of Property for Affordable Housing	1,125,000					\$ 114,900			\$ 1,010,100	1,125,000														
1087	Various Capital Improvements	9,615,000	-	-	480,750	9,134,250	-	-	-	-	-	-	480,750	9,134,250											
		\$	842,497	\$	2,404,348	\$	541,500	\$	10,288,500	\$	114,900	\$	165,250	\$	154,750	\$	1,010,100	\$	3,388,338	\$	217,204	\$	1,141,140	\$	10,775,163
											Cash Disbursements	\$	2,993,455												
											Contracts Payable		394,883												
												\$	3,388,338												

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**BOROUGH OF DEMAREST  
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2019	\$ 122,786
Increased by:	
Contracts Awarded	<u>394,883</u>
	517,669
Decreased by:	
Cash Disbursements	<u>122,786</u>
Balance, December 31, 2020	<u>\$ 394,883</u>

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

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance,	Increased	Decreased	Balance,
						December 31, 2019			December 31, 2020
1007	Columbus Road Project	6/27/2019	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	\$ 39,821	\$ 39,821	\$ 39,821	\$ 39,821
1010	Acquisition of Police and Fire Equipment	7/6/2016	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	73,127	66,644	73,127	66,644
1027	Acquisition of Fire Truck	7/6/2016	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	562,500	531,250	562,500	531,250
1028	Various Road Improvements	7/6/2016	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	343,185	315,786	343,185	315,786
1032	Acquisition of Ambulance	7/6/2016	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	287,111	251,222	287,111	251,222
1037	Various Road Improvements	9/1/2020	9/1/2020	6/25/2021	0.463%		152,000		152,000
1050	Improvements to Drury Lane	6/27/2019	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	456,000	456,000	456,000	456,000
1051	2018 Road Paving Project	6/27/2019	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	437,000	437,000	437,000	437,000
1054	Acquisition of a Hooklift Truck with Plow	6/27/2019	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	299,250	299,250	299,250	299,250
1055	Demarest Pond Hydro-Raking Project	6/27/2019	6/27/2019 6/25/2020	6/26/2020 6/25/2021	2.25% 0.85%	190,000	190,000	190,000	190,000
1058	Various Capital Improvements	9/1/2020	9/1/2020	6/25/2021	0.463%		1,349,000		1,349,000
1062	Drury Lane Widening and Sidewalk Improvements	9/1/2020	9/1/2020	6/25/2021	0.463%		370,500		370,500
1063	2019 Road Paving Project	9/1/2020	9/1/2020	6/25/2021	0.463%		266,000		266,000
1064	Various Capital Improvements	9/1/2020	9/1/2020	6/25/2021	0.463%	-	337,250	-	337,250
						<u>\$ 2,687,994</u>	<u>\$ 5,061,723</u>	<u>\$ 2,687,994</u>	<u>\$ 5,061,723</u>
							\$ 2,586,973	\$ 2,586,973	
							2,474,750		
							-	101,021	
							<u>\$ 5,061,723</u>	<u>\$ 2,687,994</u>	

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**STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance,	Increased	Decreased	Balance,
			December 31, 2020			December 31,			December 31,
			Date	Amount		2019			2020
General Improvements	2/14/2014	\$ 5,988,000	2/1/21 - 2/1/22	\$ 410,000	2.00% - 3.00%	\$ 4,169,000	\$ -	\$ 410,000	\$ 3,759,000
			2/1/23 - 2/1/28	420,000					
			2/1/2029	419,000					

**BOROUGH OF DEMAREST  
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2019	\$ 163,490
Increased by:	
2020 Budget Appropriation	380,000
	543,490
Decreased by:	
Appropriated to Finance Improvement Authorizations	541,500
Balance, December 31, 2020	\$ 1,990

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

Ord. No.	Improvement Description	Balance, December 31, 2019	2020 Authorizations	Bond Anticipation Notes Issued	Cancelled	Balance, December 31, 2020
860	Funding of Accessory Apartments and Regional Contrib. Agreement Units	\$ 98,387				\$ 98,387
922	Various Capital Improvements	459			\$ 459	
929/936	Railroad Station Phase II-Exterior Renovations	76,765				76,765
947	Various Capital Improvements	500			500	
984	Various Capital Improvements	147			147	
1037	Various Road Improvement	152,000		\$ 152,000		
1058	Various Capital Improvements	1,349,000		1,349,000		
1062	Drury Lane Widening and Sidewalk Improvements	370,500		370,500		
1063	2019 Road Paving Program	266,000		266,000		
1064	Various Capital Improvements	337,250		337,250		
1077	Construction and Paving of Woodland Road, Chestnut Street and Margaret Court		\$ 760,000			760,000
1082	Riverside Cooperative Road Improvement Project		394,250			394,250
1087	Providing Various Capital Improvements	-	9,134,250	-	-	9,134,250
		\$ 2,651,008	\$ 10,288,500	\$ 2,474,750	\$ 1,106	\$ 10,463,652

**PART II**  
**GOVERNMENT AUDITING STANDARDS**



# 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  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Demarest as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2021. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared 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 financial reporting 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 financial statements.

#### 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we 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”.

**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 12, 2021

**BOROUGH OF DEMAREST  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Grant Award Amount</u>	<u>2020 Grant Receipts</u>	<u>Balance, December 31, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2020</u>	<u>(Memo) Cumulative Expenditures</u>
Department of Treasury (Passed through County of Bergen) Coronavirus Relief Fund	21.019	\$ 53,762	\$ 53,762	\$ -	\$ 53,762	\$ 53,762	\$ -	53,762

The above schedule is not subject to Federal Single Audit in accordance with requirements of U.S. Uniform Guidance.

**BOROUGH OF DEMAREST  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>State Grant Program</u>	<u>Grant Number</u>	2020 Grant <u>Receipts</u>	Grant <u>Year</u>	Balance, December 31, <u>2019</u>	<u>Revenue</u>	<u>Expended</u>	Balance, December 31, <u>2020</u>	(Memo) Cumulative <u>Expenditures</u>
<u>Department of Transportation</u>								
Improvements to Everett Road	078-6320-480-AMF		2017	\$ 155,500			\$ 155,500	
Ord. #1051 - 2018 Unimproved Roads Project		\$ 161,250	2021					
<u>Department of Environmental Protection</u>								
(Passed Through County of Bergen)			2005	354			354	
Municipal Recycling Assistance Program	4910-759-690-50		2004	2,712			2,712	
			Prior	2,052			2,052	
			2007	1,562			1,562	
			2011	38			38	
			2012	5,560			5,560	
Recycling Tonnage Grant	4900-752-001-042		2005	1,246			1,246	
			2002	763			763	
			2007	316			316	
			2008	2,232			2,232	
			2013	7,122			7,122	
			2016	8,039			8,039	
			2017	8,711			8,711	
			2018	9,464			9,464	
			2019	7,560			7,560	\$ 715
			2021		\$ 10,679		10,679	
Clean Communities Program	4900-765-004-042	\$ 9,893	2020		10,973	\$ 2,743	8,230	2,743
			2021				-	
<u>Department of Law and Public Safety</u>								
Police Body Armor Grant	1020-718-0661020-001		2015	484		4	480	1,115
			2017	1,543			1,543	
			2019	240			240	1,534
		1,759	2021				-	
<u>Department of Justice</u>								
Alcohol Education and Rehabilitation Fund	4250-760-050000-63-260		2012	440			440	423
			2013	270			270	
			2014	211			211	
			2017	129			129	
			2019	220			220	
				<u>216,768</u>	<u>21,652</u>	<u>2,747</u>	<u>235,673</u>	

\* Not Available

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

**BOROUGH OF DEMAREST  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED DECEMBER 31, 2020**

**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	\$ 53,762	\$ 21,652	\$ 75,414

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

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

**BOROUGH OF DEMAREST  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

*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)?	_____ yes	<u> X </u> none reported
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> 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, 2020**

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.

There are none.

**BOROUGH OF DEMAREST  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**

There were none.

**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate</u>	<u>\$2.704</u>	<u>\$2.626</u>	<u>\$2.545</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.553	.533	.522
Free Public Library	.040	.040	.040
Municipal Open Space			.005
County	.292	.284	.282
County Open Space	.012	.011	.012
Local School	1.125	1.110	1.087
Regional High School	.682	.648	.602

Assessed Valuation

2020	<u>\$1,354,798,010</u>
2019	<u>\$1,344,522,630</u>
2018	<u>\$1,333,405,330</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>
2020	\$36,908,897	\$36,713,715	99.47%
2019	\$35,455,841	\$35,320,149	99.62%
2018	\$34,095,823	\$33,879,470	99.37%

**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>
2020	\$ 84,075	0.23%
2019	93,689	0.26%
2018	124,037	0.36%

**Property Acquired by Tax Title Lien Liquidation**

No properties have been acquired in 2020 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>
2020	\$67,444
2019	67,444
2018	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	2020	\$2,244,250	\$1,500,000
	2019	2,691,644	1,530,000
	2018	3,171,042	1,638,000

**BOROUGH OF DEMAREST  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE**

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

<u>Name</u>	<u>Title</u>
Melinda Iannuzzi	Mayor
James M. Carroll	Council President
Rebecca LaPira	Councilmember
Daryl Fox	Councilmember
Janice Kurys	Councilmember
Mary Lynne Hamilton	Councilmember
Bill Connelly	Councilmember
Susan Crosman	Borough Clerk - Coordinator
Philip Moore	Tax Collector and Chief Financial Officer
Crystal Calabrese	Judge
Deborah Zafronte	Court Administrator
Gregg Paster	Attorney
Maser Consulting	Engineer
Christopher Bianchi	Police Chief

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

**GENERAL COMMENTS**

**Prior Year Unresolved**

We noted instances where the Construction Code fees charged did not agree to the respective municipal fee ordinance. It is recommended that all Construction Code fees be charged in accordance with the Municipal fee ordinance.

Our audit noted instances where purchase orders were not created until the goods or services were rendered or the invoice was received from the vendor. It is recommended that purchase orders be encumbered prior to the ordering of goods or services.

Our audit of escrow deposits revealed that the detailed ledger by applicant is not in agreement with the general ledger. It is recommended that the detailed escrow sub-ledger be reconciled with the general ledger on a monthly basis.

Our audit noted that certain Trust Fund escrow accounts were in a deficit position at year-end. It is recommended that the Trust Fund bank escrow accounts be reviewed to ensure sufficient funds exist prior to the payment of bills.

**Current Year**

With respect to purchasing:

- Purchase orders were not created or encumbered for certain General Capital contracts approved by the Borough Council.
- Quotes were not always obtained or documented for purchases that exceeded the quote limit.
- Bids were not obtained for certain accumulated purchases which in the aggregate exceeded the Borough's bid threshold of \$17,500.
- The Borough awarded a contract in excess of \$2.5 million and did not submit a Post Award Notice to the Office of the State Comptroller.

It is recommended that the Borough adhere to all requirements contained in the New Jersey Local Public Contracts Laws and Local Finance Notices.

Our audit revealed that the recreation department 2020 fee schedule was not submitted to the Governing Body for their approval. It is recommended that the recreation department fee schedule be submitted to the Governing Body for their approval.

It was noted that one budget line item in the Borough's appropriation reserve budget was overexpended at year-end. This appears to be an isolated instance. Therefore an audit recommendation is not warranted.

Our audit revealed prior years' outstanding purchase orders remain open in the Current Fund. It is recommended that continued efforts be made to review prior years' open purchase orders for validity and action be taken to clear of record where appropriate.

**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."

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**GENERAL COMMENTS (Continued)**

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

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 indicated that bids were requested by public advertising for the 2020 Road Improvement Program, the NJDOT 2018 Unimproved Roads Program, Re-cladding & roof replacement at the Fire Department, the exhaust system upgrades at the Ambulance building, and for solid waste/recycling collection services.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services". 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 reveal payments were made 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 1, 2020, adopted a resolution authorizing interest to be charged on delinquent taxes.

**Suggestion to Management**

Consideration be given to computerize the record keeping of the various municipal departments.

Prior year grant receivable balances be reviewed and cleared of record.

The Borough adopt a formal written policy for the use of store credit cards.

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**RECOMMENDATIONS**

It is recommended that:

- \* 1. Construction Code fees be charged in accordance with the Municipal fee ordinance.
- \* 2. Purchase orders be encumbered prior to the ordering of goods or services.
- \* 3. The detailed escrow sub-ledger be reconciled with the general ledger on a monthly basis.
- \* 4. Trust Fund escrow accounts be reviewed to ensure sufficient funds exist prior to the payment of bills.
- 5. The Borough adhere to all requirements contained in the New Jersey Local Public Contracts Laws and Local Finance Notices.
- 6. The recreation department fee schedule be submitted to the Governing Body for their approval.
- 7. Continued efforts be made to review prior years' open purchase orders for validity and action be taken to clear of record where appropriate.

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 (\*).