

BOROUGH OF DEMAREST
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2021

BOROUGH OF DEMAREST

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PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

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, 2021 and 2020, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2021, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, 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, 2021 and 2020, 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 various funds for the year ended December 31, 2021 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.

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 section of our report, 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, 2021 and 2020, or changes in financial position.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Demarest and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2021 and 2020. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 32 percent and 38 percent of the assets and liabilities of the Borough's Trust Funds as of December 31, 2021 and 2020, respectively.

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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Demarest's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough of Demarest's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Demarest's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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, and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Demarest. 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.

Other Information

Management is responsible for the other information included in the report of audit. The other information comprises the supplementary data and letter of comments and recommendation section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2022 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 & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
August 18, 2022

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2021 AND 2020

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Cash	A-4	\$ 4,578,202	\$ 4,470,745
Cash - Change Funds	A	300	300
Grants Receivable	A-5	<u>38,875</u>	<u>38,875</u>
		<u>4,617,377</u>	<u>4,509,920</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-7	198,773	84,075
Property Acquired for Taxes - Assessed Value	A-8	67,444	67,444
Revenue Accounts Receivable	A-9	2,601	2,598
Due from Animal Control Fund	B-14	4,346	
Due from Other Trust Fund	B-8	<u>91,897</u>	<u>-</u>
		<u>365,061</u>	<u>154,117</u>
Deferred Charges:			
Expenditure Without Appropriation	A-21	182,500	285,000
Overexpenditure of Appropriation Reserves	A-21	<u>-</u>	<u>1,563</u>
		<u>182,500</u>	<u>286,563</u>
Total Assets		<u>\$ 5,164,938</u>	<u>\$ 4,950,600</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-10	\$ 631,858	\$ 1,203,911
Due to State - Senior Citizens and Veterans	A-6	9,836	8,836
Encumbrances Payable	A-11	274,084	138,142
Accounts Payable	A-12	5,055	89,901
Prepaid Taxes	A-13	264,002	280,860
County Taxes Payable	A-14	10,279	30,932
Due to General Capital Fund	C-7	465,398	284,648
Due to Other Trust Fund	B-8		7,465
Due to Municipal Open Space Trust Fund	B-12	68,223	79
Tax Overpayments	A-22	12,627	
Reserve for Tax Appeals	A-20	336,630	274,729
Due to State of NJ	A-19	7,673	4,314
Reserve for Grants			
Appropriated	A-17	240,261	216,764
Unappropriated	A-18	<u>294,124</u>	<u>11,652</u>
		<u>2,620,050</u>	<u>2,552,233</u>
Reserve for Receivables and Other Assets	A	365,061	154,117
Fund Balance	A-1	<u>2,179,827</u>	<u>2,244,250</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,164,938</u>	<u>\$ 4,950,600</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DEMAREST
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,500,000	\$ 1,530,000
Miscellaneous Revenue Anticipated	1,017,671	907,077
Receipts from Delinquent Taxes	84,075	93,438
Receipts from Current Taxes	37,446,768	36,713,715
Non-Budget Revenue	333,093	61,628
Other Credits to Income		
Cancelled Payables	63,657	
Animal Control Statutory Excess	4,346	
Unexpended Balance of Appropriation Reserves	746,154	412,333
Prior Year Interfunds Returned	-	352
	<u>41,195,764</u>	<u>39,718,543</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	3,910,263	3,766,335
Other Expenses	4,679,722	4,327,778
Deferred Charges and Statutory Expenditures	1,174,757	865,067
Capital Improvements	106,250	511,250
Municipal Debt Service	659,841	828,333
County Taxes	4,131,634	4,145,949
Local District School Taxes	15,532,428	15,238,993
Regional High School District Tax	9,581,774	9,237,205
Open Space Tax	68,144	
Other Debits		
Interfund Advance	96,243	
Refund of Prior Year Revenue	1,631	27
Overexpenditure of Appropriation Reserves	-	1,563
	<u>39,942,687</u>	<u>38,922,500</u>
Excess in Revenue	1,253,077	796,043
Adjustments to Income Before Surplus:		
Expenditures Included Above Which Are By Statute		
Deferred Charges to Budgets of Succeeding Years	182,500	286,563
Statutory Excess to Surplus	1,435,577	1,082,606
Fund Balance, January 1	<u>2,244,250</u>	<u>2,691,644</u>
	3,679,827	3,774,250
Decreased by:		
Utilization as Anticipated Revenue	<u>1,500,000</u>	<u>1,530,000</u>
Fund Balance, December 31	<u>\$ 2,179,827</u>	<u>\$ 2,244,250</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DEMAREST
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
FUND BALANCE ANTICIPATED	\$ 1,500,000	\$ 1,500,000	-
MISCELLANEOUS REVENUES			
Licenses			
Alcoholic Beverages	4,000	2,000	\$ (2,000)
Fees and Permits	16,000	37,663	21,663
Fines and Costs			
Municipal Court	35,000	23,402	(11,598)
Interest and Cost on Taxes	33,000	40,555	7,555
Interest on Investments and Deposits	20,000	21,855	1,855
Energy Receipts Tax	405,840	405,840	-
Uniform Construction Code Fees	180,000	285,588	105,588
Borough of Hillsdale - Leaf Removal	25,000		(25,000)
Public and Private Revenues Offset With			
Appropriations			
Clean Communities	9,893	9,893	-
Body Armor Grant	1,759	1,759	-
Sewer User Fees	26,000	19,857	(6,143)
General Capital Surplus	38,000	38,000	-
Sale of Municipal Assets	17,000	17,000	-
Reimbursement - Trash Collection	11,400	5,700	(5,700)
Construction Resales	15,000	14,720	(280)
Cable TV Franchise Fees	69,095	69,095	-
Crossing Guards - NVRHS	19,000	24,744	5,744
Total Miscellaneous Revenues	<u>925,987</u>	<u>1,017,671</u>	<u>91,684</u>
RECEIPTS FROM DELINQUENT TAXES	<u>102,788</u>	<u>84,075</u>	<u>(18,713)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET			
Local Tax for Municipal Purposes	7,794,550	8,107,450	312,900
Minimum Library Tax	<u>545,338</u>	<u>545,338</u>	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>8,339,888</u>	<u>8,652,788</u>	<u>312,900</u>
Total General Revenues	<u>\$ 10,868,663</u>	11,254,534	<u>\$ 385,871</u>
Non-Budget Revenues		<u>333,093</u>	
		<u>\$ 11,587,627</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF DEMAREST
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections	
Revenue from Collections	\$ 37,446,768
Allocated to	
School, County and Open Space Taxes	<u>29,313,980</u>
	8,132,788
Add: Appropriation for Reserve for Uncollected Taxes	<u>520,000</u>
Balance for Supporting Municipal Budget Appropriations	<u><u>\$ 8,652,788</u></u>

ANALYSIS OF NON-BUDGET REVENUE

Sale of Assets	\$ 101,905
Police NVRHS Specials	62,918
Other Miscellaneous	61,532
Police Rebill 2020	37,495
FEMA (Tropical Storm Isaias)	28,178
Insurance Reimbursement - Chevy Tahoe	17,862
FEMA (Coronavirus)	8,118
PILOT	6,000
Uniform Fire Safety LEA Rebates	4,945
FEMA (Snowstorm Quinn)	2,455
JIF Safety Incentive	1,000
Senior Citizen and Veteran Admin Fee	385
DMV Inspection fines	<u>300</u>
	<u><u>\$ 333,093</u></u>

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Appropriated</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Expenditure Without Appropriation</u>
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Reserved</u>	<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries and Wages	\$ 114,550	\$ 129,731	\$ 129,731			
Other Expenses	3,500	1,070	588	\$ 482		
Mayor and Council						
Salaries and Wages	1,000	1,000	1,000	-		
Other Expenses	4,600	4,600	1,300	3,300		
Municipal Clerk						
Salaries and Wages	79,200	81,949	81,949	-		
Other Expenses	88,500	63,500	59,753	3,747		
Elections						
Other Expenses	8,000	5,500	4,720	780		
Financial Administration						
Salaries and Wages	67,400	86,604	86,604	-		
Other Expenses	45,450	56,950	55,428	1,522		
Audit Services						
Other Expenses	41,800	41,800	3,239	38,561		
Revenue Administration						
Salaries and Wages	67,700	69,439	69,439	-		
Other Expenses	5,800	5,800	5,027	773		
Assessment of Taxes						
Salaries and Wages	22,400	23,038	23,038	-		
Other Expenses	1,600	962	940	22		
Legal Services and Costs						
Other Expenses	220,000	125,000	87,023	37,977		
Engineering Services and Costs						
Other Expenses	130,000	150,000	146,950	3,050		
Municipal Land Use Law						
Planning Board						
Salaries and Wages	3,500	3,000	2,661	339		
Other Expenses	8,250	3,250	1,743	1,507		
Zoning Board of Adjustment						
Salaries and Wages	7,300	7,300	4,064	3,236		
Other Expenses	9,600	4,600	3,834	766		
Insurance						
Other Insurance						
Liability	106,000	106,000	77,322	28,678		
Worker's Compensation	106,000	106,000	77,322	28,678		
Health Benefits	506,000	611,761	611,761	-		
Health Benefit Waiver	13,000	5,000	5,000	-		
PUBLIC SAFETY						
Fire Department						
Other Expenses	151,375	158,875	156,651	2,224		
Fire Hydrant Services	95,000	95,000	94,002	998		
Municipal Prosecutor						
Salaries and Wages	7,100	7,100	7,094	6		
Police Department						
Salaries and Wages	2,410,455	2,427,955	2,349,836	78,119		
Other Expenses	234,269	210,269	203,894	6,375		
Contribution to First Aid Organization	54,000	39,000	28,783	10,217		
Office of Emergency Management						
Other Expenses	6,500	6,990	6,990	-		

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Appropriated</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Expenditure Without Appropriation</u>
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Reserved</u>	<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC WORKS						
Solid Waste Collection						
Salaries and Wages	\$ 2,500	\$ 2,500		\$ 2,500		
Sanitation-Contractual	554,000	554,000	\$ 506,159	47,841		
Sewerage Processing and Disposal						
Salaries and Wages	1,500	4,000	4,000	-		
Other Expenses	3,000	500		500		
Public Buildings and Grounds						
Other Expenses	180,500	80,500	70,562	9,938		
Streets and Roads Maintenance						
Salaries and Wages	826,123	826,123	812,310	13,813		
Other Expenses	155,850	155,850	123,970	31,880		
Tropical Storm IDA			182,500			\$ 182,500
Shade Tree Commission						
Other Expenses	55,000	77,000	52,681	24,319		
Vehicle Maintenance						
Salaries and Wages	34,000	38,906	38,906	-		
Other Expenses	174,200	219,200	201,315	17,885		
Fire Prevention						
Salaries and Wages	7,500	7,648	7,648	-		
Other Expenses	500	200	35	165		
HEALTH AND HUMAN SERVICES						
Board of Health						
Other Expenses	25,000	27,000	26,795	205		
Environmental Comm.						
Other Expenses	7,700	5,700	384	5,316		
Occupational Safety and Health Act	15,045	15,045	13,235	1,810		
Recreation						
Other Expenses	8,000	5,000	4,913	87		
Parks and Playgrounds						
Other Expenses	20,500	20,500	19,732	768		
OTHER COMMON OPERATING						
Celebration of Public Events						
Other Expenses	3,500	500	-	500		
Municipal Court						
Salaries and Wages	49,864	50,254	50,254	-		
Other Expenses	3,400	3,010	2,458	552		
Public Defender						
Other Expenses	2,000	2,000	1,822	178		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY						
DEDICATED REVENUES						
Construction Code Official						
Salaries and Wages	94,364	101,712	101,712	-		
Other Expenses	6,400	3,400	2,433	967		
Sub-Code Officials						
Plumbing Sub-Code Official						
Salaries and Wages	15,900	16,351	16,351	-		
Fire Protection Sub-Code Official						
Salaries and Wages	7,700	7,905	7,905	-		
Electrical Sub-Code Official						
Salaries and Wages	17,200	17,748	17,748	-		

**BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Appropriated</u>		<u>Expended</u>		<u>Expenditure</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Without</u>
		<u>Modification</u>	<u>Charged</u>		<u>Appropriation</u>
				<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
UNCLASSIFIED:					
Gasoline	\$ 67,000	\$ 67,000	\$ 57,658	\$ 9,342	
Telephone Services	61,000	68,500	66,551	1,949	
Electricity	38,400	42,900	41,214	1,686	
Water	5,200	7,700	6,628	1,072	
Gas	22,000	19,500	16,965	2,535	
Telecommunication Costs	2,000	2,000	690	1,310	
Street Lighting	83,800	81,300	79,160	2,140	-
	<u>7,170,495</u>	<u>7,170,495</u>	<u>6,922,380</u>	<u>430,615</u>	<u>-</u>
Total Operations Within "CAPS"					\$ 182,500
Total Operations Including Contingent - Within "CAPS"	<u>7,170,495</u>	<u>7,170,495</u>	<u>6,922,380</u>	<u>430,615</u>	<u>-</u>
					<u>182,500</u>
Detail:					
Salaries and Wages	3,837,256	3,910,263	3,812,250	98,013	-
Other Expenses (Including Contingent)	3,333,239	3,260,232	3,110,130	332,602	-
					<u>182,500</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System	168,000	178,000	177,360	640	
Police and Fireman's Retirement System of NJ	558,750	553,750	553,659	91	
Public Employees Retirement System	161,444	156,444	155,645	799	-
DEFERRED CHARGES					
Overexpenditure of Appropriation Reserves	1,563	1,563	1,563	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>889,757</u>	<u>889,757</u>	<u>888,227</u>	<u>1,530</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>8,060,252</u>	<u>8,060,252</u>	<u>7,810,607</u>	<u>432,145</u>	<u>-</u>
					<u>182,500</u>
Maintenance of Free Public Library	545,338	545,338	474,708	70,630	
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	353,833	353,833	353,665	168	
Debt Service	133,967	133,967	133,967	-	
Borough of Cresskill	27,000	27,000	15,636	11,364	
Recycling Tax	7,500	7,500	6,065	1,435	
Reserve for State Tax Appeals	80,000	80,000	80,000	-	-
Total Other Operations Excluded from "CAPS"	<u>1,225,338</u>	<u>1,225,338</u>	<u>1,065,091</u>	<u>160,247</u>	<u>-</u>
					<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Police Body Armor	1,759	1,759		1,759	
Clean Communities	9,893	9,893	4,645	5,248	-
Total Public and Private Programs Offset by Revenues	<u>11,652</u>	<u>11,652</u>	<u>4,645</u>	<u>7,007</u>	<u>-</u>
					<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,236,990</u>	<u>1,236,990</u>	<u>1,069,736</u>	<u>167,254</u>	<u>-</u>
					<u>-</u>
Detail:					
Other Expenses (Including Contingent)	1,236,990	1,236,990	1,069,736	167,254	-
					<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Appropriated</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Expenditure</u>
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Without</u>
						<u>Appropriation</u>
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 50,000	\$ 50,000	\$ 50,000	-		
Fire Department Equipment	46,250	46,250	23,791	\$ 22,459		
Acquisition of Computer Equipment - Administration	10,000	10,000	-	10,000	-	-
Total Capital Improvements						
Excluded from "CAPS"	106,250	106,250	73,791	32,459	-	-
MUNICIPAL DEBT SERVICE						
Payment of Bond Principal	410,000	410,000	410,000			
Payment of Bond Anticipation Notes Principal	101,021	101,021	101,021			
Interest on Bonds	106,650	106,650	106,620		\$ 30	
Interest on Notes	42,500	42,500	42,200	-	300	-
Total Municipal Debt Service						
Excluded from "CAPS"	660,171	660,171	659,841	-	330	-
DEFERRED CHARGES						
Emergency Authorizations	285,000	285,000	285,000	-	-	-
Total Deferred Charges Excluded from "CAPS"	285,000	285,000	285,000	-	-	-
Total General Appropriations for Municipal Purposes						
Excluded from "CAPS"	2,288,411	2,288,411	2,088,368	199,713	330	-
Subtotal General Appropriations	10,348,663	10,348,663	9,898,975	631,858	330	182,500
Reserve for Uncollected Taxes	520,000	520,000	520,000	-	-	-
Total General Appropriations	\$ 10,868,663	\$ 10,868,663	\$ 10,418,975	\$ 631,858	\$ 330	\$ 182,500
Cash Disbursed			\$ 9,208,328			
Deferred Charges			286,563			
Encumbrances Payable			274,084			
Due to General Capital Fund			50,000			
Reserve for Tax Appeals			80,000			
Reserve for Uncollected Taxes			520,000			
			\$ 10,418,975			

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2021 AND 2020

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 14,798	\$ 10,929
		<u>14,798</u>	<u>10,929</u>
OTHER TRUST FUND			
Cash	B-1	3,286,689	2,064,589
Due from Unemployment Insurance Trust Fund	B-8	3,935	3,935
Due from Current Fund	B	<u>-</u>	<u>7,465</u>
		<u>3,290,624</u>	<u>2,075,989</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>31,190</u>	<u>33,371</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-1	334,649	333,813
Due from Current Fund	B-12	<u>68,223</u>	<u>79</u>
		<u>402,872</u>	<u>333,892</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	1,743,028	1,521,437
Contribution Receivable	B	<u>-</u>	<u>-</u>
		<u>1,743,028</u>	<u>1,521,437</u>
Total Assets		<u>\$ 5,482,512</u>	<u>\$ 3,975,618</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, 2021 AND 2020

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-2	\$ 44	\$ 48
Due to Current Fund	B-14	4,346	
Reserve for Animal Control Expenditures	B-3	<u>10,408</u>	<u>10,881</u>
		<u>14,798</u>	<u>10,929</u>
OTHER TRUST FUND			
Miscellaneous Reserves	B-4	452,014	458,879
Escrow Deposits	B-5	1,181,002	774,932
Due to Current Fund	B-8	91,897	
Payroll Deductions Payable	B-10	65,103	14,716
Reserve for Affordable Housing	B-13	1,498,054	824,908
Reserve for Community Development	B	<u>2,554</u>	<u>2,554</u>
		<u>3,290,624</u>	<u>2,075,989</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Compensation Claims	B-6	27,255	23,559
Due to State of New Jersey	B-7		5,877
Due to Other Trust Fund	B-9	<u>3,935</u>	<u>3,935</u>
		<u>31,190</u>	<u>33,371</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Expenditures	B-11	<u>402,872</u>	<u>333,892</u>
		<u>402,872</u>	<u>333,892</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Reserve for Length of Service Awards Program	B	<u>1,743,028</u>	<u>1,521,437</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$ 5,482,512</u></u>	<u><u>\$ 3,975,618</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DEMAREST
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	\$ 67,975	\$ 68,144	\$ 169
	<u>\$ 67,975</u>	<u>\$ 68,144</u>	<u>\$ 169</u>
Non-Budget Revenue - Interest Earned		<u>836</u>	
		<u>\$ 68,980</u>	

EXHIBIT B-2

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Reserve for Future Use	<u>\$ 67,975</u>	<u>\$ -</u>	<u>\$ 67,975</u>

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2021 AND 2020

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Cash	C-2,C-3	\$ 1,374,308	\$ 1,642,039
Deferred Charges to Future Taxation			
Funded	C-4	3,349,000	3,759,000
Unfunded	C-5	15,081,226	15,350,997
Grants Receivable	C-6	502,534	502,534
Due from Current Fund	C-7	<u>465,398</u>	<u>284,648</u>
 Total Assets		 <u>\$ 20,772,466</u>	 <u>\$ 21,539,218</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Improvement Authorizations			
Funded	C-8	\$ 567,734	\$ 1,141,140
Unfunded	C-8	10,388,733	10,775,163
Contracts Payable	C-9	460,379	394,883
Bond Anticipation Notes Payable	C-11	5,546,324	5,061,723
Serial Bonds Payable	C-12	3,349,000	3,759,000
Reserve for Grants Receivable	C-6	272,784	272,784
Capital Improvement Fund	C-10	51,990	1,990
Fund Balance	C-1	<u>135,522</u>	<u>132,535</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 20,772,466</u>	 <u>\$ 21,539,218</u>

There were bonds and notes authorized but not issued of \$9,703,652 and \$10,463,652 on December 31, 2021 and 2020, respectively. (Exhibit C-13).

BOROUGH OF DEMAREST
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Balance, January 1	\$ 132,535	\$ 33,612
Increased by:		
Cancellation of Improvement Authorizations		202,970
Premium on Bond Anticipation Notes	<u>40,987</u>	<u>10,853</u>
	<u>40,987</u>	<u>213,823</u>
	<u>173,522</u>	<u>247,435</u>
Decreased by:		
Anticipated as Current Fund Revenue	38,000	
Appropriated to Finance Improvement Authorizations	<u>-</u>	<u>114,900</u>
	<u>38,000</u>	<u>114,900</u>
Balance, December 31	<u>\$ 135,522</u>	<u>\$ 132,535</u>

**BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Land	\$ 32,572,150	\$ 32,572,150
Buildings and Building Improvements	3,658,335	3,368,183
Machinery and Equipment	7,031,884	6,979,049
Construction in Progress	<u>-</u>	<u>226,535</u>
	<u>\$ 43,262,369</u>	<u>\$ 43,145,917</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 43,262,369</u>	<u>\$ 43,145,917</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021 AND 2020**

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, 2021 AND 2020**

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, 2020 balances to conform to the December 31, 2021 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, 2021 AND 2020**

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 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

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

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021 AND 2020**

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.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 budget by \$285,000. The increases in 2020 original budget was attributable to an emergency resolution for a down payments on capital improvements. The Governing Body did not increase the original 2021 budget. In addition, the governing body approved several budget transfers during 2021 and 2020.

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>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>2021</u>			
Streets and Roads Maintenance			
Tropical Storm IDA		\$182,500	\$182,500
<u>2020</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, 2021 AND 2020**

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, 2021 and 2020, the book value of the Borough's deposits were \$9,620,136 and \$8,555,786 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,114,917 and \$8,819,974, 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>2021</u>	<u>2020</u>
Insured	<u>\$ 11,114,917</u>	<u>\$ 8,819,974</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2021 and 2020, 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, 2021 and 2020, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2021</u>	<u>2020</u>
Investments:		
Lincoln Financial-Length of Service Awards Program (Unaudited)	<u>\$ 1,743,028</u>	<u>\$ 1,521,437</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, \$1,743,028 and \$1,521,437 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2021</u>	<u>2020</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department in the Borough's name (Unaudited)	<u>\$ 1,743,028</u>	<u>\$ 1,521,437</u>

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. 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 – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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, 2021 and 2020, the Borough’s investment in Lincoln Financial was rated Baa1 by Moody’s Investor Services.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough’s investment in a single issuer. 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.

Fair Value of Investments. The Borough of Demarest measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments are valued based on price data obtained from observed transactions and market price quotations provided by Lincoln Financial Group. Since the value is not obtained from a quoted price in an active market the investments held by the Borough at December 31, 2021 and 2020 are categorized as Level 2.

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Property Taxes	<u>\$198,773</u>	<u>\$84,075</u>

In 2021 and 2020, the Borough collected \$84,075 and \$93,438 from delinquent taxes, which represented 100% of the prior year delinquent taxes receivable balances in both 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>2021</u>		<u>2020</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	\$ 96,243	\$ 533,621		\$ 292,192
Trust Fund:				
Municipal Open Space Preservation Trust Fund	68,223		\$ 79	
Other Trust Fund	3,935	91,897	11,400	
Animal Control Trust Fund		4,346		
Unemployment Insurance Trust Fund		3,935		3,935
General Capital Fund	<u>465,398</u>	<u>-</u>	<u>284,648</u>	<u>-</u>
	<u>\$ 633,799</u>	<u>\$ 633,799</u>	<u>\$ 296,127</u>	<u>\$ 296,127</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>
<u>2021</u>			
Expenditure Without Appropriation	\$ 182,500	\$ 182,500	\$ -
	<u>\$ 182,500</u>	<u>\$ 182,500</u>	<u>\$ -</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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:

	2021		2020	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,958,452	\$ 1,480,000	\$ 1,918,812	\$ 1,500,000
Non-Cash Surplus	<u>221,375</u>	<u>-</u>	<u>325,438</u>	<u>-</u>
	<u>\$ 2,179,827</u>	<u>\$ 1,480,000</u>	<u>\$ 2,244,250</u>	<u>\$ 1,500,000</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, 2021 and 2020.

<u>2021</u>	Balance, December 31, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance, December 31, <u>2021</u>
Land	\$ 32,572,150				\$ 32,572,150
Buildings and Building Improvements	3,368,183	\$ 63,617		\$ 226,535	3,658,335
Machinery and Equipment	6,979,049	391,835	\$ 339,000		7,031,884
Construction in Progress	<u>226,535</u>	<u>-</u>	<u>-</u>	<u>(226,535)</u>	<u>-</u>
	<u>\$ 43,145,917</u>	<u>\$ 455,452</u>	<u>\$ 339,000</u>	<u>\$ -</u>	<u>\$ 43,262,369</u>
<u>2020</u>	Balance, December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</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>-</u>	<u>226,535</u>
	<u>\$ 42,348,227</u>	<u>\$ 895,732</u>	<u>\$ 98,042</u>	<u>\$ -</u>	<u>\$ 43,145,917</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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>2021</u>	<u>2020</u>
Issued		
General		
Bonds, Notes and Loans	\$ 8,895,324	\$ 8,820,723
Less Funds Temporarily Held to Pay Bonds and Notes	<u>168,750</u>	<u>174,378</u>
Net Debt Issued	8,726,574	8,646,345
Authorized But Not Issued		
General		
Bonds and Notes	<u>9,703,652</u>	<u>10,463,652</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 18,430,226</u>	<u>\$ 19,109,997</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 1.126% and 1.180% at December 31, 2021 and 2020, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2021</u>			
General Debt	\$ 18,598,976	\$ 168,750	\$ 18,430,226
School Debt	<u>4,715,634</u>	<u>4,715,634</u>	<u>-</u>
Total	<u>\$ 23,314,610</u>	<u>\$ 4,884,384</u>	<u>\$ 18,430,226</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2020</u>			
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>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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>2021</u>	<u>2020</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 57,809,093	\$ 57,205,856
Less: Net Debt	<u>18,430,226</u>	<u>19,109,997</u>
Remaining Borrowing Power	<u>\$ 39,378,867</u>	<u>\$ 38,095,859</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>2021</u>	<u>2020</u>
2014 General Improvement Bonds, due in annual installments of \$410,000 to \$420,000 through February 1, 2029, interest at 2.00% to 3.00%	<u>\$ 3,349,000</u>	<u>\$ 3,759,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2021 is as follows:

Calendar Year	General		Total
	Principal	Interest	
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	420,000	44,070	464,070
2027-2029	<u>1,259,000</u>	<u>56,625</u>	<u>1,315,625</u>
Total	<u>\$ 3,349,000</u>	<u>\$ 402,825</u>	<u>\$ 3,751,825</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020 were as follows:

	Balance, December 31, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>	Due Within <u>One Year</u>
<u>2021</u>					
General Capital Fund Bonds Payable	\$ 3,759,000	\$ -	\$ 410,000	\$ 3,349,000	\$ 410,000
	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<u>2020</u>					
General Capital Fund Bonds Payable	\$ 4,169,000	\$ -	\$ 410,000	\$ 3,759,000	\$ 410,000

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2021 and 2020 was as follows:

Bond Anticipation Notes

<u>2021</u> Purpose	Rate (%)	Maturity Date	Balance, December 31, <u>2020</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2021</u>
Acquisition of Police and Fire Equip	1.00%	6/24/2022		\$ 60,161		\$ 60,161
	0.85%	6/25/2021	\$ 66,644		\$ 66,644	
Acquisition of Fire Truck	1.00%	6/24/2022		500,000		500,000
	0.85%	6/25/2021	531,250		531,250	
Various Road Improvements	1.00%	6/24/2022		2,595,330		2,595,330
	0.85%	6/25/2021	1,248,607		1,248,607	
	0.463%	6/25/2021	788,500		788,500	
Acquisition of Ambulance	1.00%	6/24/2022		215,333		215,333
	0.85%	6/25/2021	251,222		251,222	
Acquisition of Hooklift Truck with Plow	1.00%	6/24/2022		299,250		299,250
	0.85%	6/25/2021	299,250		299,250	
Demarest Pond Hydro-Raking Project	1.00%	6/24/2022		190,000		190,000

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2021</u> <u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2020</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2021</u>
Improvements to Municipal Buildings	1.00%	6/24/2022		\$ 1,349,000		\$ 1,349,000
	0.85%	6/25/2021	\$ 1,349,000		\$ 1,349,000	
Various Capital Improvements	1.00%	6/24/2022		337,250		337,250
	0.85%	6/25/2021	<u>337,250</u>	<u>-</u>	<u>337,250</u>	<u>-</u>
Total			<u>\$ 5,061,723</u>	<u>\$ 5,546,324</u>	<u>\$ 5,061,723</u>	<u>\$ 5,546,324</u>
<u>2020</u> <u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2019</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <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
	0.463%	6/25/2021		788,500		788,500
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
Improvements to Municipal Buildings	0.85%	6/25/2021		\$ 1,349,000		\$ 1,349,000
Acquisition of DPW Vehicles	0.463%	6/25/2021	<u>-</u>	<u>337,250</u>	<u>-</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>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for 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.

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>
<u>2021</u>		
Road Improvements - Riverside Co-op	\$ 63,382	2022
Road Improvements - NJDOT 2018 Unimproved Roads	203,564	2022
Re-cladding and Roof Replacement on Fire Dept.	20,600	2022
Western Star Single-Axle Dump Truck	111,940	2022
<u>2020</u>		
Road Improvements - Riverside Co-op	\$ 63,382	2021
Road Improvements - NJDOT 2018 Unimproved Roads	243,671	2022
Re-cladding and Roof Replacement on Fire Dept.	72,223	2021

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

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, 2021.

<u>Years Ended December 31,</u>	<u>Amount</u>
2022	\$ <u>16,445</u>
Total	16,445
Less: Amounts Representing Interest	<u>1,062</u>
Present Value of Net Minimum Lease Payments	<u>\$ 15,383</u>

The Borough's capital lease activity for the year 2021 was as follows:

	<u>2021</u>
Balance, January 1	\$ 32,889
Reductions	<u>16,444</u>
Balance, December 31	<u>\$ 16,445</u>
Due Within One Year	<u>\$ 16,445</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

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, 2021 and 2020 were as follows:

<u>2021</u>	Balance, December 31, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>
Capital Lease	\$ 32,889		\$ 16,444	\$ 16,445
Net Pension Liability				
PERS (1)	2,638,534			2,638,534
PFRS (1)	<u>6,403,680</u>	<u>-</u>	<u>-</u>	<u>6,403,680</u>
 Total Other Long-Term Liabilities	 <u>\$ 9,075,103</u>	 <u>\$ -</u>	 <u>\$ 16,444</u>	 <u>\$ 9,058,659</u>
<u>2020</u>	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>
Capital Lease	\$ 49,333		\$ 16,444	\$ 32,889
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>\$ 9,368,211</u>	 <u>\$ -</u>	 <u>\$ 293,108</u>	 <u>\$ 9,075,103</u>

(1) GASB Statement Numbers 68 Pension and 75 OPEB financial information was not provided by the State's Division of Pensions and Benefits as of the date of the audit.

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.

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.

**BOROUGH OF DEMAREST
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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.

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

Service retirement benefits of 1/55th 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 1/60th 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.

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.us/treasury/doinvest.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2021 was not available and for June 30, 2020 is \$16.4 billion and the plan fiduciary net position as a percentage of the total pension liability is 58.32% at June 30, 2020. The collective net pension liability of the participating employers for local PFRS at June 30, 2021 was not available and for June 30, 2020 is \$14.9 billion and the plan fiduciary net position as a percentage of total pension liability is 63.52% at June 30, 2020.

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

Actuarial Methods and Assumptions

In the July 1, 2019 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 2021 and 2020 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2021 and 2020 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 2021, 2020 and 2019 were equal to the required contributions.

During the years ended December 31, 2021, 2020 and 2019, 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>
2021	\$ 553,659	\$ 155,645	\$ 3,541
2020	538,967	150,568	7,254
2019	494,222	150,042	6,470

In addition for the years ended December 31, 2021, 2020 and 2019 the Borough contributed for long-term disability insurance premiums (LTDI) \$0, \$499, and \$394, respectively, for PERS.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2021 for the measurement date of June 30, 2021 was not available as of the date of audit. Accordingly, the State’s Division of Local Government Services issued Local Finance Notice 2022-12 which authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2021 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan 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, the Borough reported a liability of \$2,638,534 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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.

For the year ended December 31, 2020, the pension system has determined the Borough’s pension expense to be \$178,894, for PERS based on the actuarial valuations which is more than the actual contribution reported in the Borough’s financial statements of \$155,645. At December 31, 2020, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 48,043	\$ 9,331
Changes of Assumptions	85,597	1,104,779
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,187	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>263,089</u>	<u>79,536</u>
Total	<u>\$ 486,916</u>	<u>\$ 1,193,646</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

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:

Year Ending <u>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>

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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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.

The actuarial assumptions used in the July 1, 2019 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, 2021 AND 2020**

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, as reported for the year ended December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
US Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
High Yield	2.00%	5.95%
Real Assets	3.00%	9.73%
Private Credit	8.00%	7.59%
Real Estate	8.00%	9.56%
Private Equity	13.00%	11.42%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was 7.00% for calendar year 2020 with a measurement date of June 30, 2020.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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>
Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	All Periods

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2020 calculated using the discount rate of 7.00%, 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% or 1-percentage-point higher 8.00% than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,321,474</u>	<u>\$ 2,638,534</u>	<u>\$ 2,059,041</u>

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

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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2020 the Borough reported a liability of \$6,403,680 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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 year ended December 31, 2020, the pension system has determined the Borough pension expense (benefit) to be \$379,387 for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$553,659. At December 31, 2020, 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	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 64,560	\$ 22,982
Changes of Assumptions	16,115	1,716,788
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	375,478	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>565,621</u>	<u>501,986</u>
Total	<u>\$ 1,021,774</u>	<u>\$ 2,241,756</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2020</u>
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.

The actuarial assumptions used in the July 1, 2019 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, 2021 AND 2020**

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, as reported for the year ended December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
US Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
High Yield	2.00%	5.95%
Real Assets	3.00%	9.73%
Private Credit	8.00%	7.59%
Real Estate	8.00%	9.56%
Private Equity	13.00%	11.42%

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was 7.00% for calendar year 2020 with a measurement date of June 30, 2020.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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>
Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	All Periods

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2020 calculated using the discount rate of 7.00% 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% or 1-percentage-point higher 8.00% than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
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>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2020. 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, 2021 AND 2020**

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, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$993,822. For the year ended December 31, 2020, 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, which is more than the actual contribution the State made on behalf of the Borough of \$76,474. 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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. 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2020, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$5,845,866. For the year ended December 31, 2020 the plan has determined the State's proportionate share of the OPEB benefit attributable to the Borough for the OPEB special funding situation is \$291,009. At December 31, 2020, (measurement date June 30, 2020), the State's share of the OPEB liability attributable to the Borough was .10702 percent, which was an increase of .08721 percent from its proportionate share measured as of December 31, 2019 (measurement date June 30, 2019) of .01981 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 14 RISK MANAGEMENT

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

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

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

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

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>
2021	\$ 3,696		\$ 27,255
2020	4,783	\$ 6,501	23,559
2019	5,567	161	25,277

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, 2021 AND 2020**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2021 and 2020. 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, 2021 and 2020, the Borough reserved \$336,630 and \$274,729, 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, 2021 and 2020, 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, 2021 and 2020, 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 2021 and contributed \$1,643 for 2020 for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The Borough did not contribute to the plan for 2021 as of the date of the audit, and contributed \$52,527 for 2020.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 five (5) 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, 2021 and 2020, 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, 2021 and 2020 the Borough abated property taxes totaling \$10,583 and \$10,335, respectively, under the NJHMFA program. The Borough received \$6,000 in PILOT payments under this program for both years ended December 31, 2021 and 2020, respectively.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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. 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 declared a public health emergency on March 9, 2020 and 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. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022, but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 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.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020 c. 74 ("Chapter 74") on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): (1) direct COVID-19 response expenses; and (2) deficits in prior year's operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19.

The Borough of Demarest's finances and operations may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of property taxes, which are the Borough of Demarest's primary revenue source for supporting its budget. The Borough of Demarest cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain its facilities, or costs to operate remotely and support Borough functions and critical government actions during an outbreak or any resulting impact such costs could have on the operations of the Borough. However, as of the date of audit, even though the Borough finances and operations had certain reduced revenue streams due to the COVID-19 outbreak, the overall finances and operations of the Borough have not been materially and adversely affected due to the COVID-19 outbreak.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

The degree of any such impact on the operations and finances of the Borough cannot be predicted due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Borough and its economy. The Borough is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations.

The American Rescue Plan Act of 2021, H.R. 1319 (the “Plan”), signed into law by President Biden on March 11, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to a \$1,400 increase in direct stimulus payment to individuals and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Borough.

The Borough will receive \$512,248 from the Plan in two equal payments. On May 24, 2021, the Borough received its first installment of funds under the Plan in the amount of \$256,124. The Borough utilized this first installment in the 2022 budget to replace lost public sector revenue. The Borough has not yet determined how it will spend the second installment to be received. The deadline to obligate the funds is December 31, 2024 and to spend them is December 31, 2026.

NOTE 20 SUBSEQUENT EVENTS

Tax Appeal Settlement

On January 31, 2022, the Borough Council approved a multi-year tax appeal settlement with Alpine Country Club (Block 120, Lot 13). The tax refund due to the Plaintiff is \$949,025. The Borough paid \$300,000 towards this appeal in February, 2022 and will apply a credit to the taxpayer’s quarterly tax bill of \$32,451 beginning with the first quarter, 2022 and will continue for five years. The last credit will be applied against the November 1, 2026 tax bill.

Serial Bonds

On May 23, 2022 the Borough adopted a resolution for the issuance of \$5,280,000 General Obligation Bonds, Series 2022, for the purpose of funding various capital improvements of the Borough. On May 17, 2022 the Borough awarded the sale of said bonds to Roosevelt & Cross at interest rates ranging from 2.00-4.00%. These bonds dated June 9, 2022 will mature over 11 years with the first maturity due May 1, 2023.

Debt Authorized

On June 27 and July 23, 2022, the Borough Council adopted bond ordinances appropriating \$2,333,806 and authorizing the issuance \$1,654,706 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has issued and awarded the sale of said bonds.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF DEMAREST
STATEMENT OF CURRENT CASH**

Balance, December 31, 2020		\$ 4,470,745
Increased by Receipts:		
Taxes Receivable	\$ 37,231,733	
Non-Budget Revenue	333,093	
Due from State of New Jersey - Senior Citizens' and Veterans'	19,250	
Revenue Accounts Receivable	968,019	
Prepaid Taxes	264,002	
Due to General Capital Fund	168,750	
Due to State of New Jersey - Marriage Licenses and DCA Training Fees	16,333	
Tax Overpayments	23,962	
Unappropriated Grant Reserves	<u>294,124</u>	
		<u>39,319,266</u>
		43,790,011
Decreased by Disbursements:		
Budget Appropriations	9,208,328	
Appropriation Reserves	428,793	
Encumbrances Payable	138,142	
Accounts Payable	26,244	
County Taxes Payable	4,152,287	
Local District School Taxes Payable	15,532,428	
Regional High School District Taxes Payable	9,581,774	
Reserve for Tax Appeals	18,099	
State of New Jersey	12,974	
Tax Overpayments	11,335	
Payments to Other Trust Fund	99,362	
Appropriated Grant Reserves	412	
Refund of Prior Year Revenue	<u>1,631</u>	
		<u>39,211,809</u>
Balance, December 31, 2021		<u>\$ 4,578,202</u>

**BOROUGH OF DEMAREST
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2020</u>	Balance, December 31, <u>2021</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, 2020		\$ 8,836
Increased by:		
Received in Cash from State of New Jersey	\$ 19,250	
Senior Citizens' Deductions Disallowed Per Tax Collector	<u>125</u>	
		<u>19,375</u>
		28,211
Decreased by:		
Senior Citizens' Deductions Allowed Per Tax Billings	1,250	
Senior Citizens' Deductions Allowed Per Tax Collector	125	
Veterans' Deductions Allowed Per Tax Billings	16,750	
Veterans' Deductions Allowed Per Tax Collector	<u>250</u>	
		<u>18,375</u>
Balance, December 31, 2021		<u>\$ 9,836</u>

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

<u>Year</u>	<u>Balance,</u> <u>December 31,</u> <u>2020</u>	<u>Levy</u>	<u>Senior</u> <u>Citizens' and</u> <u>Veterans'</u> <u>Deductions</u> <u>Disallowed</u>	<u>2020</u>	<u>Collected In</u> <u>2021</u>	<u>Senior</u> <u>Citizens' and</u> <u>Veterans'</u> <u>Deductions</u> <u>Allowed</u>	<u>Abated</u> <u>or</u> <u>Cancelled</u>	<u>Balance,</u> <u>December 31,</u> <u>2021</u>
2020	\$ 84,075				\$ 84,075			
2021	-	\$ 37,738,612	\$ 125	\$ 280,860	37,147,658	\$ 18,375	\$ 93,071	\$ 198,773
	<u>\$ 84,075</u>	<u>\$ 37,738,612</u>	<u>\$ 125</u>	<u>\$ 280,860</u>	<u>\$ 37,231,733</u>	<u>\$ 18,375</u>	<u>\$ 93,071</u>	<u>\$ 198,773</u>

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax	\$ 37,644,683
Added Taxes (R.S. 54:4-36.12 et seq.)	<u>93,929</u>
	<u>\$ 37,738,612</u>

Tax Levy

Regional High School Tax	\$ 9,581,774
Local District School Tax	15,532,428
County Tax	\$ 3,957,098
County Open Space Tax	164,257
Added County Taxes	<u>10,279</u>
	4,131,634
Local Tax for Municipal Purposes	7,794,550
Minimum Library Tax	545,338
Municipal Open Space	67,975
Municipal Open Space - Added	169
Additional Tax Levied	<u>84,744</u>
	<u>8,492,776</u>
	<u>\$ 37,738,612</u>

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

Balance, December 31, 2020	\$ <u>67,444</u>
Balance, December 31, 2021	\$ <u><u>67,444</u></u>

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2020</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2021</u>
Licenses				
Alcoholic Beverages		\$ 2,000	\$ 2,000	
Fees and Permits		37,663	37,663	
Fines and Costs				
Municipal Court		23,402	23,402	
Interest and Cost on Taxes		40,555	40,555	
Interest on Investments and Deposits	\$ 2,598	21,858	21,855	\$ 2,601
Energy Receipts Tax		405,840	405,840	
Uniform Construction Code Fees		285,588	285,588	
Sewer User Fees		19,857	19,857	
Sale of Municipal Assets		17,000	17,000	
Reimbursement - Trash Collection		5,700	5,700	
Construction Resales		14,720	14,720	
Cable TV Franchise Fees		69,095	69,095	
Crossing Guards - NVRHS	-	24,744	24,744	-
	<u>\$ 2,598</u>	<u>\$ 968,022</u>	<u>\$ 968,019</u>	<u>\$ 2,601</u>

**BOROUGH OF DEMAREST
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, <u>2020</u>	<u>Transfers</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages					
Administrative and Executive	\$ 14,020	\$ (6,500)	\$ 7,520	\$ 1,708	\$ 5,812
Municipal Clerk	25	2,500	2,525	1,997	528
Financial Administration	5,391		5,391	1,432	3,959
Revenue Administration	5,391		5,391	1,432	3,959
Assessment of Taxes	31	1,000	1,031	544	487
Planning Board	1,623		1,623	26	1,597
Zoning Board of Adjustment	675		675	138	537
Municipal Prosecutor	6		6		6
Police Department	286,797		286,797	129,729	157,068
Streets and Roads	48,819		48,819	21,590	27,229
Borough Mechanic	15,086		15,086	-	15,086
Fire Prevention		500	500	181	319
Municipal Court	7,137		7,137	2,390	4,747
Construction Code Official	5,237		5,237	2,300	2,937
Plumbing Sub-Code Official		1,000	1,000	386	614
Fire Protection Sub-Code Official	4	500	504	187	317
Electrical Sub-Code Official	2	1,000	1,002	418	584
Other Expenses					
Administrative and Executive	3,000		3,000		3,000
Mayor and Council	8,750		8,750		8,750
Municipal Clerk	18,379		18,379	343	18,036
Elections	1,371		1,371		1,371
Financial Administration	60,327	(38,000)	22,327	3,575	18,752
Audit Services	36,400		36,400	34,650	1,750
Revenue Administration	2,775		2,775		2,775
Assessment of Taxes	433		433	34	399
Legal Services	39,032		39,032	19,222	19,810
Engineering Services and Costs	8,817	18,000	26,817	23,113	3,704
Planning Board	5,387		5,387	1,319	4,068
Zoning Board of Adjustment	3,992		3,992		3,992
Police Department	33,261		33,261	2,802	30,459
Contribution to First Aid Organization	1,510		1,510	388	1,122
Fire Department	22,247		22,247	4,907	17,340
Fire Hydrant Services	1,736		1,736		1,736
Office of Emergency Management	1,111		1,111	1,100	11
Borough Mechanic	11,439		11,439	7,122	4,317
Fire Prevention	320		320		320
Board of Health	2,784		2,784	182	2,602
Construction Code Official	1,994		1,994		1,994
Sanitation-Contractual	60,519		60,519	47,161	13,358
Streets and Roads	41,843		41,843	34,924	6,919
Public Buildings and Grounds	38,683		38,683	7,756	30,927
Shade Tree Commission	1,454	20,000	21,454	12,587	8,867
Municipal Court	2,493		2,493		2,493
Public Defender	2,715		2,715		2,715
Recreation	13,849		13,849	62	13,787
Parks and Playgrounds	6,247		6,247		6,247
Celebration of Public Events	4,000		4,000		4,000
Utilities					
Gasoline	36,565		36,565	4,333	32,232
Telephone	3,063		3,063		3,063
Electricity	1,610		1,610		1,610
Water	1,490		1,490		1,490
Gas (Natural)	11,465		11,465	1,350	10,115
Telecommunication Costs	1,825		1,825		1,825
Street Lighting	287		287		287
Sewerage Processing and Disposal	3,000		3,000		3,000

**BOROUGH OF DEMAREST
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, <u>2020</u>	<u>Transfers</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Insurance					
Liability	\$ 2,628		\$ 2,628		\$ 2,628
Worker's Compensation	2,628		2,628		2,628
Health Benefits	45,112		45,112	\$ 4,578	40,534
Health Benefit Waiver	3,209		3,209		3,209
Environmental	6,930		6,930	5,285	1,645
Occupational Safety and Health Act	6,997		6,997	1,690	5,307
Social Security System	33,819		33,819		33,819
Police and Fireman's Retirement System	33		33		33
Public Employees Retirement System	7,367		7,367	3,269	4,098
Maintenance of Free Public Library	8,700		8,700		8,700
Length of Service Awards Program	75,000		75,000	47,638	27,362
NJPDES Stormwater Permit - Street Division	1,450		1,450		1,450
NJPDES Stormwater Permit - Landfill Division	200		200		200
Sewer Charges					
Borough of Cresskill	17,527		17,527		17,527
Recycling Tax	926		926		926
Road Improvements	54,150		54,150		54,150
Fire Department Equipment	22,987		22,987		22,987
Acquisition of Computer Equipment - Administration	3,922		3,922		3,922
Recycling Tonnage Grant	10,679		10,679	10,679	-
Monitoring Surveillance Grant	5,000		5,000	5,000	-
Clean Communities	8,230	-	8,230	8,230	-
	<u>\$ 1,203,911</u>	<u>\$ -</u>	<u>\$ 1,203,911</u>	<u>\$ 457,757</u>	<u>\$ 746,154</u>
				\$ 428,793	
				23,909	
				<u>5,055</u>	
				<u>\$ 457,757</u>	

**BOROUGH OF DEMAREST
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2020		\$ 138,142
Increased by:		
Charges to Budget Appropriations		<u>274,084</u>
		412,226
Decreased by:		
Cash Disbursements		<u>138,142</u>
Balance, December 31, 2021		<u><u>\$ 274,084</u></u>

EXHIBIT A-12

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2020		\$ 89,901
Increased by:		
Transferred from Appropriation Reserves		<u>5,055</u>
		94,956
Decreased by:		
Cash Disbursements	\$ 26,244	
Cancellations	<u>63,657</u>	
		<u>89,901</u>
Balance, December 31, 2021		<u><u>\$ 5,055</u></u>

EXHIBIT A-13

STATEMENT OF PREPAID TAXES

Balance, December 31, 2020		\$ 280,860
Increased by:		
Collection of 2022 Taxes		<u>264,002</u>
		544,862
Decreased by:		
Applied to 2021 Taxes Receivable		<u>280,860</u>
Balance, December 31, 2021		<u><u>\$ 264,002</u></u>

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

Balance, December 31, 2020		\$	30,932
Increased by:			
County Levy	\$	3,957,098	
County Open Space Tax		164,257	
Due to County for Added and Omitted Taxes		<u>10,279</u>	
			<u>4,131,634</u>
			4,162,566
Decreased by:			
Payments			<u>4,152,287</u>
Balance, December 31, 2021		\$	<u>10,279</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:			
Levy, Calendar Year	\$	9,581,774	
Decreased by:			
Payments	\$	<u>9,581,774</u>	

STATEMENT OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

Increased by:			
Levy, Calendar Year	\$	15,532,428	
Decreased by:			
Payments	\$	<u>15,532,428</u>	

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

	Balance, December 31, <u>2020</u>	Transferred from Appropriation <u>Reserves</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2021</u>
Alcohol Education	\$ 1,270		\$ 412	\$ 858
Recycling Tonnage Grant	45,453	\$ 10,679		56,132
Body Armor Grant	2,263			2,263
Clean Communities Grant		8,230		8,230
Monitoring Surveillance Enforcement		5,000		5,000
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>\$ 216,764</u>	<u>\$ 23,909</u>	<u>\$ 412</u>	<u>\$ 240,261</u>

EXHIBIT A-18

STATEMENT OF UNAPPROPRIATED GRANT RESERVES

	Balance, December 31, <u>2020</u>	Cash <u>Receipts</u>	Anticipated <u>as Revenue</u>	Balance, December 31, <u>2021</u>
Body Armor Grant	\$ 1,759	\$ 1,482	\$ 1,759	\$ 1,482
American Rescue Plan (ARP)		256,124		256,124
Clean Communities Grant	9,893	10,527	9,893	10,527
Body-Worn Camera Grant		8,152		8,152
Recycling Tonnage Grant	<u>-</u>	<u>17,839</u>	<u>-</u>	<u>17,839</u>
	<u>\$ 11,652</u>	<u>\$ 294,124</u>	<u>\$ 11,652</u>	<u>\$ 294,124</u>

EXHIBIT A-19

STATEMENT OF DUE TO STATE OF NEW JERSEY

	Balance, December 31, <u>2020</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2021</u>
Marriage Licenses	\$ 100	\$ 275	\$ 375	
DCA Training Fees	<u>4,214</u>	<u>16,058</u>	<u>12,599</u>	<u>\$ 7,673</u>
	<u>\$ 4,314</u>	<u>\$ 16,333</u>	<u>\$ 12,974</u>	<u>\$ 7,673</u>

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

Balance, December 31, 2020	\$	274,729
Increased by:		
2021 Budget Appropriation		80,000
		354,729
Decreased by:		
Payments		18,099
Balance, December 31, 2021	\$	336,630

EXHIBIT A-21

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2020</u>	Added in <u>2021</u>	Raised in <u>2021 Budget</u>	Balance, December 31, <u>2021</u>
Expenditures without Appropriation		\$ 182,500		\$ 182,500
N.J.S.A. 40A:4-46 Emergency Appropriation	\$ 285,000		\$ 285,000	-
Overexpenditure of 2019 Appropriation Reserves	1,563	-	1,563	-
	\$ 286,563	\$ 182,500	\$ 286,563	\$ 182,500

EXHIBIT A-22

STATEMENT OF TAX OVERPAYMENTS

Increased by:		
Overpayments Received	\$	23,962
Decreased by:		
Refunds Paid		11,335
Balance, December 31, 2021	\$	12,627

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, 2020	\$ 10,929	\$ 2,064,589	\$ 33,371	\$ 333,813
Increased by Receipts:				
Animal Control Fees	\$ 8,585			
Due to State of NJ - Animal Control Fees	715			
Escrow Deposits		\$ 761,181		
Miscellaneous Reserves		424,754		
Affordable Housing Fees		695,347		
Payroll Deductions		4,881,925	\$ 3,696	
Interest Income		2,886		\$ 836
Receipts from Current Fund	<u>-</u>	<u>99,362</u>	<u>-</u>	<u>-</u>
	<u>9,300</u>	<u>6,865,455</u>	<u>3,696</u>	<u>836</u>
	20,229	8,930,044	37,067	334,649
Decreased by Disbursements:				
Due to State of NJ	719			
Expenditures Under R.S. 4:19-15.11	4,712			
Prior Year Adjustment				
Escrow Deposits		355,111		
Payroll Deductions		4,831,538		
Miscellaneous Reserves		431,619		
Unemployment Insurance Claims			5,877	
Affordable Housing	<u>-</u>	<u>25,087</u>	<u>-</u>	<u>-</u>
	<u>5,431</u>	<u>5,643,355</u>	<u>5,877</u>	<u>-</u>
Balance, December 31, 2021	<u>\$ 14,798</u>	<u>\$ 3,286,689</u>	<u>\$ 31,190</u>	<u>\$ 334,649</u>

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

Balance, December 31, 2020	\$	48
Increased by:		
State Fees Collected		715
		763
Decreased by:		
Payments to State of NJ		719
Balance, December 31, 2021	\$	44

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2020	\$	10,881
Increased by:		
Dog Licenses Collected	\$	5,336
Cat Licenses Collected		1,012
Late Fees/Miscellaneous		2,237
		8,585
		19,466
Decreased by:		
Due to Current Fund - Statutory Excess		4,346
Expenditures Under R.S. 4:19-15.11		4,712
		9,058
Balance, December 31, 2021	\$	10,408

**STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

Description	Balance, December 31, 2020	Receipts	Payments	Balance, December 31, 2021
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	343,200			343,200
Outside Police Service	7	\$ 367,400	\$ 360,101	7,306
POAA	87	14		101
Public Defender	32			32
Other Deposits		1,300		1,300
Recreation Commission	65,019	56,040	71,518	49,541
	\$ 458,879	\$ 424,754	\$ 431,619	\$ 452,014

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

Balance, December 31, 2020	\$	774,932
Increased by:		
Escrow Deposits		<u>761,181</u>
		1,536,113
Decreased by:		
Escrow Refunded		<u>355,111</u>
Balance, December 31, 2021	\$	<u>1,181,002</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

Balance, December 31, 2020	\$	23,559
Increased by:		
Employee Withholdings		<u>3,696</u>
Balance, December 31, 2021	\$	<u>27,255</u>

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

Balance, December 31, 2020	\$	5,877
Decreased by:		
Payments to State of New Jersey		<u>5,877</u>
Balance, December 31, 2021	\$	<u>-</u>

STATEMENT OF DUE FROM/TO CURRENT FUND

Balance, December 31, 2020 (Due from)	\$	7,465
Decreased by:		
Receipts from Current Fund		<u>99,362</u>
Balance, December 31, 2021 (Due to)	\$	<u>91,897</u>

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

Balance, December 31, 2020	\$ 3,935
Balance, December 31, 2021	<u>\$ 3,935</u>

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

Balance, December 31, 2020	\$ 14,716
Increased by:	
Cash Receipts	<u>4,881,925</u>
	4,896,641
Decreased by:	
Cash Disbursements	<u>4,831,538</u>
Balance, December 31, 2021	<u>\$ 65,103</u>

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

Balance, December 31, 2020	\$ 333,892
Increased by:	
Interest Income	\$ 836
2021 Tax Levy	67,975
Added Tax Levy	<u>169</u>
	<u>68,980</u>
Balance, December 31, 2021	<u>\$ 402,872</u>

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

Balance, December 31, 2020	\$	79
Increased by:		
2021 Tax Levy	\$	67,975
Added Tax Levy		<u>169</u>
		<u>68,144</u>
Balance, December 31, 2021	\$	<u>68,223</u>

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

Balance, December 31, 2020	\$	824,908
Increased by:		
Affordable Housing Fees	\$	695,347
Interest Income		<u>2,886</u>
		<u>698,233</u>
		1,523,141
Decreased by:		
Cash Disbursements		<u>25,087</u>
Balance, December 31, 2021	\$	<u>1,498,054</u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Increased by:		
Statutory Excess	\$	<u>4,346</u>
Balance, December 31, 2021	\$	<u>4,346</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2020		\$ 1,642,040
Increased by Receipts:		
Bond Anticipation Notes	\$ 760,000	
Premium on Sale of Notes	<u>40,987</u>	
		<u>800,987</u>
		2,443,027
Decreased by Disbursements:		
Improvement Authorizations	674,876	
Contracts Payable	219,465	
Bond Anticipation Notes	<u>174,378</u>	
		<u>1,068,719</u>
Balance, December 31, 2021		<u><u>\$ 1,374,308</u></u>

**BOROUGH OF DEMAREST
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2021**

Fund Balance		\$ 135,522
Contracts Payable		460,379
Capital Improvement Fund		51,990
Due from Current Fund		(465,398)
Grants Receivable		(229,750)
Excess Note Proceeds		168,750
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	8,782
1027	Acquisition of Fire Truck	307
1028	Various Road Improvements	4,007
1029	Various Improvements	1,453
1030	Improvement to Athletic Fields	69,132
1032	Acquisition of Ambulance	209
1037	Various Road Improvements	45,465
1045	Installation of Siding on Athletic Association Building	2,200
1046	Road Improvements	448,319
1050	Improvements to Drury Lane	20,530
1051	2018 Road Paving Project	81,326
1054	Acquisition of a Hooklift Truck with Plow	23,056
1055	Demarest Pond Hydro-Raking Project	30,036
1058	Various Capital Improvements	845,619
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	33,841
1082	Riverside Cooperative Road Improvement Project	(379,549)
1087	Various Capital Improvements	(339,090)
		<u>\$ 1,374,308</u>

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

Balance, December 31, 2020	\$ 3,759,000
Decreased by:	
2021 Budget Appropriation:	
Bond Principal	<u>410,000</u>
Balance, December 31, 2021	<u>\$ 3,349,000</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2020	Grant Proceeds	Notes Paid by Budget Appropriation	Balance, December 31, 2021	Analysis of Balance, December 31, 2021		Unexpended Improvement Authorization
						Bond Anticipation Notes	Expenditures	
860	Funding of Accessory Apartments and Regional Contribution Agreement Units	\$ 98,387			\$ 98,387			\$ 98,387
929/936	Railroad Station Phase II - Exterior Renovations	76,765			76,765		\$ 76,765	
1007	Columbus Road Project	26,693			26,693	\$ 26,693		
1010	Acquisition of Various Vehicles and Equipment	66,644		\$ 6,483	60,161	60,161		
1027	Acquisition of Fire Truck	531,250		31,250	500,000	500,000		
1028	Various Road Improvements	315,786		27,399	288,387	288,387		
1032	Acquisition of Ambulance	251,222		35,889	215,333	215,333		
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	275,750			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	\$ 168,750		591,250	760,000		
1082	Riverside Cooperative Road Improvement Project	394,250			394,250		379,549	14,701
1087	Various Capital Improvements	9,134,250	-	-	9,134,250	-	339,090	8,795,160
		<u>\$ 15,350,997</u>	<u>\$ 168,750</u>	<u>\$ 101,021</u>	<u>\$ 15,081,226</u>	<u>\$ 5,546,324</u>	<u>\$ 795,404</u>	<u>\$ 8,908,248</u>
	Bond Anticipation Notes Issued					\$ 5,546,324		
	Less: Excess Note Proceeds - Ord. No. 1077					168,750		
						<u>\$ 5,377,574</u>		
								\$ 10,388,733
								Less: Unexpended Proceeds on Notes
						Ord. No. 1027	\$ 307	
						Ord. No. 1032	209	
						Ord. No. 1037	45,465	
						Ord. No. 1050	20,530	
						Ord. No. 1051	81,326	
						Ord. No. 1054	23,056	
						Ord. No. 1055	30,036	
						Ord. No. 1058	845,619	
						Ord. No. 1062	340,182	
						Ord. No. 1063	55,691	
						Ord. No. 1064	38,064	
								<u>1,480,485</u>
								<u>\$ 8,908,248</u>

**BOROUGH OF DEMAREST
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2020</u>	Balance, December 31, <u>2021</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	<u>12,815</u>	<u>12,815</u>
	<u>\$ 502,534</u>	<u>\$ 502,534</u>
	Pledged to Ordinance	\$ 229,750
	Pledged to Reserve	<u>272,784</u>
		<u>\$ 502,534</u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2020		\$ 284,648
Increased by:		
NJDOT Grant Receipts/Deposited in Current Fund	\$ 168,750	
Budget Appropriation - Capital Improvement Fund	<u>50,000</u>	
		<u>218,750</u>
		503,398
Decreased by:		
Anticipated Revenue - Capital Surplus		<u>38,000</u>
Balance, December 31, 2021		<u>\$ 465,398</u>

**BOROUGH OF DEMAREST
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2020		Encumbrances		Balance, December 31, 2021	
			Funded	Unfunded	Cancelled	Expended	Funded	Unfunded
860	Funding of Accessory Apartments and Regional Contribution Agreement Units	\$ 325,000		\$ 98,387				\$ 98,387
1019	Purchase of Police Body Cameras & Chest Compression System	82,000	\$ 3,839		\$ 4,943		\$ 8,782	
1027	Acquisition of Fire Truck	625,000		307				307
1028	Various Road Improvements	670,000			4,007		4,007	
1029	Various Improvements	149,000	1,453				1,453	
1030	Improvement to Athletic Fields	150,000	66,135		2,997		69,132	
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			\$ 88,217	448,319	
1050	Improvements to Drury Lane	480,000		16,099	4,431			20,530
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		31,574		1,538		30,036
1058	Various Capital Improvements	1,420,000		846,729		1,110		845,619
1062	Drury Lane Widening and Sidewalk Improvements	390,000		340,182				340,182
1063	2019 Road Paving Program	280,000		55,691				55,691
1064	Various Capital Improvements	355,000		38,064				38,064
1076	Installation of a Playground Wakelee Field	320,000	50,227			16,386	33,841	
1077	Construction and Paving of Woodland Road, Chestnut Street and Margaret Court	800,000		27,156	159,041	186,197		-
1082	Riverside Cooperative Road Improvement Project	415,000		36,668	-	21,967		14,701
1087	Various Capital Improvements	9,615,000	480,750	9,134,250	-	819,840	-	8,795,160
			<u>\$ 1,141,140</u>	<u>\$ 10,775,163</u>	<u>\$ 175,419</u>	<u>\$ 1,135,255</u>	<u>\$ 567,734</u>	<u>\$ 10,388,733</u>
					Cash Disbursements	\$ 674,876		
					Contracts Payable	460,379		
						<u>\$ 1,135,255</u>		

**BOROUGH OF DEMAREST
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2020		\$ 394,884
Increased by:		
Contracts Awarded		<u>460,379</u>
		855,263
Decreased by:		
Cash Disbursements	\$ 219,465	
Payables Restored to Improvement Authorizations	<u>175,419</u>	
		<u>394,884</u>
Balance, December 31, 2021		<u><u>\$ 460,379</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2020		\$ 1,990
Increased by:		
2021 Budget Appropriation		<u>50,000</u>
Balance, December 31, 2021		<u><u>\$ 51,990</u></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, December 31, 2020	Increased	Decreased	Balance, December 31, 2021
1007	Columbus Road Project	6/27/2019	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	\$ 39,821	\$ 26,693	\$ 39,821	\$ 26,693
1010	Acquisition of Police and Fire Equipment	7/6/2016	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	66,644	60,161	66,644	60,161
1027	Acquisition of Fire Truck	7/6/2016	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	531,250	500,000	531,250	500,000
1028	Various Road Improvements	7/6/2016	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	315,786	288,387	315,786	288,387
1032	Acquisition of Ambulance	7/6/2016	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	251,222	215,333	251,222	215,333
1037	Various Road Improvements	9/1/2020	9/1/2020 6/24/2021	6/25/2021 6/24/2022	0.463% 1.000%	152,000	152,000	152,000	152,000
1050	Improvements to Drury Lane	6/27/2019	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	456,000	456,000	456,000	456,000
1051	2018 Road Paving Project	6/27/2019	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	437,000	275,750	437,000	275,750
1054	Acquisition of a Hooklift Truck with Plow	6/27/2019	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	299,250	299,250	299,250	299,250
1055	Demarest Pond Hydro-Raking Project	6/27/2019	6/25/2020 6/24/2021	6/25/2021 6/24/2022	0.85% 1.000%	190,000	190,000	190,000	190,000
1058	Various Capital Improvements	9/1/2020	9/1/2020 6/24/2021	6/25/2021 6/24/2022	0.463% 1.000%	1,349,000	1,349,000	1,349,000	1,349,000
1062	Drury Lane Widening and Sidewalk Improvements	9/1/2020	9/1/2020 6/24/2021	6/25/2021 6/24/2022	0.463% 1.000%	370,500	370,500	370,500	370,500
1063	2019 Road Paving Project	9/1/2020	9/1/2020 6/24/2021	6/25/2021 6/24/2022	0.463% 1.000%	266,000	266,000	266,000	266,000
1064	Various Capital Improvements	9/1/2020	9/1/2020 6/24/2021	6/25/2021 6/24/2022	0.463% 1.000%	337,250	337,250	337,250	337,250
1077	Road Repaving	6/24/2021	6/24/2021	6/24/2022	1.000%	-	760,000	-	760,000
						<u>\$ 5,061,723</u>	<u>\$ 5,546,324</u>	<u>\$ 5,061,723</u>	<u>\$ 5,546,324</u>

Renewals	\$ 4,786,324	\$ 4,786,324
Notes Issued	760,000	
Paid by Capital Cash		174,378
Paid by Budget Appropriation	-	101,021
	<u>\$ 5,546,324</u>	<u>\$ 5,061,723</u>

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, December 31, 2020	Increased	Decreased	Balance, December 31, 2021
			Date	Amount					
General Improvements	2/14/2014	\$ 5,988,000	2/1/2022	\$ 410,000	2.00% - 3.00%	\$ 3,759,000	\$ -	\$ 410,000	\$ 3,349,000
			2/1/23 - 2/1/28	420,000					
			2/1/2029	419,000					

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance, December 31, 2020	2021 Authorizations	Bond Anticipation Notes Issued	Cancelled	Balance, December 31, 2021
860	Funding of Accessory Apartments and Regional Contrib. Agreement Units	\$ 98,387				\$ 98,387
929/936	Railroad Station Phase II-Exterior Renovations	76,765				76,765
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
		<u>\$ 10,463,652</u>	<u>\$ -</u>	<u>\$ 760,000</u>	<u>\$ -</u>	<u>\$ 9,703,652</u>

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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MARK SACO, CPA
ROBERT LERCH, CPA
CHRISTOPHER VINCI, CPA, PSA
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, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2022. 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.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Demarest's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Demarest's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as item 2021-001.


We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Demarest in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

Borough of Demarest's Responses to Findings

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

Purpose of this Report

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


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
August 18, 2022

**BOROUGH OF DEMAREST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Grant Award Amount</u>	<u>Grant Year</u>	<u>2021 Grant Receipts</u>	<u>Balance, December 31, 2020</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2021</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Dept. of Homeland Security									
Disaster Grants - Public Assistance (Passed through State Dept. of Law and Public Safety)									
	97.036								
FEMA - Tropical Storm Isaias		\$ 28,178	2021	\$ 28,178		\$ 28,178	\$ 28,178		\$ 28,178
FEMA - Coronavirus		8,118	2021	8,118		8,118	8,118		8,118
FEMA - Snowstorm Quinn		2,455	2021	2,455		2,455	2,455		2,455
U.S. Dept. of Treasury									
COVID-19 American Rescue Plan - State and Local									
Fiscal Recovery Funding - Non-Entitlement Units (Passed through State Division of Local Government Services)									
	21.027	256,124	2021	256,124	-	-	-	-	-
					<u>\$ -</u>	<u>\$ 38,751</u>	<u>\$ 38,751</u>	<u>\$ -</u>	<u>38,751</u>

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, 2021**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Amount</u>	<u>2021 Grant Receipts</u>	<u>Balance, December 31, 2020</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2021</u>	<u>(Memo) Cumulative Expenditures</u>
<u>Department of Transportation</u>									
Improvements to Everett Road	078-6320-480-AMF	2017	\$ 155,500		\$ 155,500			\$ 155,500	
Ord. #1051 - 2018 Unimproved Roads Project		2021	161,250					-	
Ord. #1077 - 2020 Unimproved Roads Project		2022	168,750	\$ 168,750		\$ 168,750		168,750	
<u>Department of Environmental Protection</u>									
(Passed Through County of Bergen)	4910-759-690-50	2005	354		354			354	
Municipal Recycling Assistance Program		2004	2,712		2,712			2,712	
		Prior	2,052		2,052			2,052	
		2007	1,562		1,562			1,562	
		2011	38		38			38	
		2012	5,560		5,560			5,560	
Recycling Tonnage Grant	4900-752-001-042	2005	1,246		1,246			1,246	
		2002	763		763			763	
		2007	316		316			316	
		2008	2,232		2,232			2,232	
		2013	7,122		7,122			7,122	
		2016	8,039		8,039			8,039	
		2017	8,711		8,711			8,711	
		2018	9,464		9,464			9,464	
		2019	8,275		7,560			7,560	\$ 715
		2021	10,679		10,679			10,679	
		2022	17,839	17,839					
Clean Communities Program	4900-765-004-042	2020	10,973		8,230			8,230	2,743
		2021	9,893			9,893	\$ 4,645	5,248	4,645
		2022	10,527	10,527				-	
<u>Department of Law and Public Safety</u>									
Police Body Armor Grant	1020-718-0661020-001	2015	1,595		480			480	1,115
		2017	1,543		1,543			1,543	
		2019	1,774		240			240	1,534
		2021	1,759			1,759		1,759	
		2022	1,482	1,482				-	
Body-Worn Camera Grant Program	BFY21-100-066-1020-495	2022	40,760	8,152				-	
<u>Department of Justice</u>									
Alcohol Education and Rehabilitation Fund	4250-760-050000-63-260	2012	863		440		412	28	835
		2013	270		270			270	
		2014	211		211			211	
		2017	129		129			129	
		2019	220		220			220	
					<u>220</u>	<u>-</u>	<u>-</u>	<u>220</u>	
					<u>\$ 235,673</u>	<u>\$ 180,402</u>	<u>\$ 5,057</u>	<u>\$ 411,018</u>	

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

The Accompanying Notes are an Integral Part of these Schedules

**BOROUGH OF DEMAREST
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2021**

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	\$ 38,751	\$ 11,652	\$ 50,403
General Capital Fund	<u>-</u>	<u>168,750</u>	<u>168,750</u>
	<u>\$ 38,751</u>	<u>\$ 180,402</u>	<u>\$ 219,153</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF DEMAREST
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued on financial statements	<u>Modified - Unaudited LOSAP Trust Fund</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	_____ yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> X </u> yes	_____ none 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, 2021**

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

Finding 2021-001

Our audit of purchasing revealed the following:

- Purchase orders were not always created until the goods or services were rendered or the invoice was received from the vendor.
- Purchase orders were not created or encumbered for certain Current Fund and 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.
- Certain professional contracts were approved without a maximum dollar amount and in one instance were approved prior to the adoption of a General Capital ordinance.
- Vendors were authorized to perform services for the Borough prior to the Governing Body approving their respective contract.

Criteria or Specific Requirements

NJAC 5:30-5.4

Division of Local Government Services Technical Accounting Directive 85-1.

Condition

The Borough did not always comply with the encumbrance accounting system or the requirements of the NJ Local Public Contracts Law. Contracts approved by the Borough Council were not recorded in a timely manner. Vendors performed work for the Borough prior to purchase orders being issued and, in some cases, before Council authorization. At December 31, 2021 the audit revealed \$370,026 of unrecorded Current Fund liabilities. The Borough's 2022 adopted budget included an appropriation of \$187,526 as prior year's bills to fund a portion of these unrecorded liabilities. We also noted that certain General Capital contracts that were not recorded because the ordinances to finance these costs were not adopted until 2022.

Cause

Unknown.

Effect

The Current Fund and General Capital Fund expenditures are understated.

Recommendation

Internal control procedures over purchasing be reviewed and revised to ensure that the Borough complies with the Division of Local Government Services Technical Directives and New Jersey Administrative Code.

Response

Borough personnel will continue to receive training with regards to the encumbrance accounting system.

**BOROUGH OF DEMAREST
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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>2021</u>	<u>2020</u>	<u>2019</u>
<u>Tax Rate</u>	<u>\$2.769</u>	<u>\$2.704</u>	<u>\$2.626</u>

Apportionment of Tax Rate

Municipal	.578	.553	.533
Free Public Library	.040	.040	.040
County	.303	.304	.295
Local School	1.143	1.125	1.110
Regional High School	.705	.682	.648

Assessed Valuation

2021	<u>\$1,359,504,610</u>	
2020		<u>\$1,354,798,010</u>
2019		<u>\$1,344,522,630</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>
2021	\$ 37,738,612	\$ 37,446,768	99.23%
2020	36,908,897	36,713,715	99.47%
2019	35,455,841	35,320,149	99.62%

**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>
2021	\$ 198,773	0.53%
2020	84,075	0.23%
2019	93,689	0.26%

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>
2021	\$67,444
2020	67,444
2019	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	2021	\$2,179,827	\$1,480,000
	2020	2,244,250	1,500,000
	2019	2,691,644	1,530,000

**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
James Powderley III	Borough Administrator (8/30/21-12/31/21)
Susan Crosman	Borough Clerk
Philip Moore	Tax Collector and Chief Financial Officer (1/1/21-6/30/21)
Joseph Luppino	Chief Financial Officer (7/1/21-9/27/21)
Frank Elenio	Chief Financial Officer (9/27/21-12/31/21)
Debra Mati	Tax Collector (7/1/21-12/31/21)
Jason Laliker	Tax Assessor
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 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.

Our audit revealed that the recreation department annual 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.

Our audit revealed prior years' outstanding purchase orders remain open in the Current and General Capital Funds. 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.

Current Year

The unexpended balances of the various General Capital improvement authorizations as reported in the Borough's accounting records was not in agreement with the audit. Balances previously cancelled by the Borough Council were not recorded in the internal accounting records. It is recommended that the general capital improvement authorization balances agree with the municipal audit.

Our audit noted that business registration certificates and political contribution disclosure forms were not always on file and available for audit. It is recommended that the Borough adhere to all requirements contained in the New Jersey Local Public Contracts Law.

Internal Revenue Service (IRS) Form 1099 were not issued to vendors who were paid in excess of \$600 from the Borough. It is recommended the Borough issue at year end IRS Form 1099 as required.

Our audit revealed that an individual hired during 2021 received health benefits from the Borough but did not contribute towards his health insurance premium as required by law. It is recommended that all employees contribute towards their health insurance as required by law.

The Borough's former Chief Financial Officer/Tax Collector retired June 30, 2021. The surety bond coverage for the current Tax Collector was not updated nor in effect for the period July 1, 2021 to December 31, 2021. It is recommended that the Borough secure surety bond coverage for the Tax Collector as required by law.

Our audit of payroll revealed that employee's overtime sheets are not maintained in the payroll department. In addition, the individual's overtime form is not always approved by the person's direct supervisor and/or director. It is recommended that the Borough develop a formal policy that standardizes the processes and required approvals for employee overtime.

The Borough's fixed asset records were not updated in a timely manner. It is recommended that fixed asset records be currently updated and consideration be given to integrate the fixed asset accounting system with the Borough's purchasing system.

Our audit noted that the various bank reconciliations contained invalid reconciling items. Adjustments were required to bring the respective cash balances in agreement with the general ledger and subsidiary records. It is recommended that all reconciling items included on the monthly bank reconciliations be timely reviewed and if necessary adjusted in the Borough's financial accounting records.

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

GENERAL COMMENTS (Continued)

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

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

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

The minutes indicated that bids were requested by public advertising for the 2020 Road Improvement Program.

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, 2021, 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 and appropriated grant reserve balances be reviewed and cleared of record.

The Borough adopt a formal written policy for the use of store credit cards and employee reimbursements when they use a personal credit card.

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

RECOMMENDATIONS

It is recommended that:

- * 1. Construction Code fees be charged in accordance with the Municipal fee ordinance.
- * 2. The detailed escrow sub-ledger be reconciled with the general ledger on a monthly basis.
- * 3. Trust Fund escrow accounts be reviewed to ensure sufficient funds exist prior to the payment of bills.
- * 4. The Borough adhere to all requirements contained in the New Jersey Local Public Contracts Law.
- * 5. The recreation department fee schedule be submitted to the Governing Body for their approval.
- * 6. Continued efforts be made to review prior years' open purchase orders for validity and action be taken to clear of record where appropriate.
- 7. The general capital improvement authorization balances agree with the municipal audit.
- 8. The Borough issue at year end IRS Form 1099 as required.
- 9. All employees contribute towards their health insurance as required by law.
- 10. The Borough secure surety bond coverage for the Tax Collector as required by law.
- 11. The Borough develop a formal policy that standardized the processes and required approvals for employee overtime.
- 12. Fixed asset records be currently updated and consideration be given to integrate the fixed asset accounting system with the Borough's purchasing system.
- 13. Internal control procedures over purchasing be reviewed and revised to ensure that the Borough complies with the Division of Local Government Services Technical Directives and New Jersey Administrative Code.
- 14. All reconciling items included on the monthly bank reconciliations be timely reviewed and if necessary adjusted in the Borough's financial accounting records.

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 (*).