

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 18, 2026

**NEW ISSUE
BOOK-ENTRY ONLY**

NOT RATED

In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, assuming continuing compliance by the Borough of Demarest (the "Borough") with certain covenants described herein, under current law, interest on the Notes is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. No opinion is expressed regarding other federal tax consequences arising with respect to the Notes. Further, in the opinion of Bond Counsel, under current law interest on the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$10,486,000
BOROUGH OF DEMAREST
IN THE COUNTY OF BERGEN, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2026
(Non-Callable)
Interest Rate: _____%
Yield: _____%
CUSIP*: _____

DATED: Date of Delivery

DUE: March 10, 2027

The \$10,486,000 aggregate principal amount of Bond Anticipation Notes, Series 2026 (the "Notes") are general obligations of the Borough of Demarest, in the County of Bergen, New Jersey (the "Borough"), and are secured by a pledge of the full faith and credit of the Borough for payment of the principal thereof and interest thereon. The Notes are payable, if not paid from other sources, from ad valorem taxes which may be assessed upon all the taxable property within the Borough without limitation as to rate or amount.

The Notes shall be issued in the form of one certificate in the aggregate principal amount of the Notes and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Notes may be in book-entry from only on the records of DTC and its Participants and only in the principal amount of \$1,000 or any integral multiple thereof with a minimum of \$5,000 required. Beneficial Owners of the Notes will not receive certificates representing their interests in the Notes. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and delivered to the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Paramus, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by Deena B. Rosendahl, Esq., Cleary Giacobbe Alfieri Jacobs LLC, Oakland, New Jersey, Borough Attorney. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery to DTC on or about March 10, 2026.

BIDS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY THE BOROUGH, ON FEBRUARY 25, 2026, ELECTRONICALLY VIA THE PARITY ELECTRONIC BID SUBMISSION SYSTEM OR BY EMAIL (AINVERSO@MUNIADVISORS.COM). FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the Borough does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

**BOROUGH OF DEMAREST
118 SERPENTINE ROAD
DEMAREST, NEW JERSEY 07627**

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No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. The information contained herein has been obtained from the Borough, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the Borough. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Borough from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Notes described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Borough.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement. If given or made, such other information or representation must not be relied upon as having been authorized by the Borough or the Purchaser. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used in whole or in part for any other purpose.

DeCotiis, FitzPatrick, Cole & Giblin, LLP, has not participated in the preparation of the financial statements or statistical information contained in this official statement, nor has it verified the accuracy, completeness, or fairness thereof, and accordingly, express no opinion with respect thereto.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOROUGH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF DEMAREST
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$10,486,000
BOND ANTICIPATION NOTES, SERIES 2026
(TAX-EXEMPT)**

INTRODUCTION

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Demarest (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”), to provide certain information in connection with the sale and issuance by the Borough of its \$10,486,000 aggregate principal amount of Bond Anticipation Notes, Series 2026 (the “Notes”) dated the date of delivery thereof.

This Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”).

THE NOTES

General Description

The Notes shall be dated and shall bear interest from their date of delivery and shall mature as shown on the cover hereof. The Notes shall bear interest at the rate set forth on the cover hereof, which interest is payable at maturity. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as Securities Depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificate in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its Direct Participants and transfers of the interests among its Direct Participants. The Direct Participants and Indirect Participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to Direct Participants, which will in turn remit such payments to the Beneficial owners of the Notes.

Prior Redemption

The Notes are not subject to redemption prior to their stated maturity.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the Notes, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of the Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge

of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Borough as Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Borough as Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, note certificates will be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

NEITHER THE BOROUGH NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Discontinuation of Book-Entry Only System

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Notes at any time, the Borough will attempt to locate another qualified Securities Depository. If the Borough fails to find such Securities Depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Borough shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Notes is discontinued upon receipt of the Note certificates from DTC and the Participant information, the Borough will authenticate (or cause to be authenticated) and deliver definitive Notes to the holders thereof, and the principal of and interest on the Notes will be payable and the Notes may thereafter be transferred or exchanged in the manner described in the note certificates so provided.

AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), and the various bond ordinances of the Borough, as set forth below. The bond ordinances were published in full or by summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

The proceeds of the Notes, along with other available funds of the Borough in the amount of \$606,000, will be used to: (i) refund, on a current basis, the \$8,080,000 bond anticipation notes of the Borough issued on March 11, 2025 and maturing on March 11, 2026; (ii) provide \$3,012,000 in new money to temporarily finance various capital improvements in and for the Borough; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes. The ordinances to be funded by the Notes are included in the table below.

Ordinance No.	Purpose	Amount of Notes
1087/1125-23	Various Capital Improvements	\$2,949,000
1104	Various Paving Projects	805,706
1106	Various Road Improvements	402,500
1107	Acquisition of SUV for Fire Department	52,250
1123	Various Capital Improvements	1,068,750
1148	Various Capital Improvements	2,195,794
1161	Improvements to Leaf Composting Facility	1,500,000
1166	Road Improvements	97,000
1167	Road Improvements	1,115,000

Ordinance No.	Purpose	Amount of Notes
1168	Various Capital Improvements	300,000
Total:		<u>\$10,486,000</u>

SECURITY AND SOURCE OF PAYMENT

The Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. The Notes are direct obligations of the Borough and, to the extent that other monies are not available, the Borough is required by law to levy ad valorem taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Notes without limitation as to rate or amount.

NO DEFAULT

The Borough has never defaulted in the payment of any bonds or notes, nor are any payments of principal of or interest on the Borough's indebtedness past due.

CERTAIN RISK FACTORS

Climate Change

The State is naturally susceptible to the effects of extreme weather events and natural disasters including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as "climate change"), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to Borough as well as resulting in economic impacts such as loss of ad valorem tax revenue, interruption of municipal services and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of Borough.

Cybersecurity

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of

usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized. All bonds and notes issued by the Borough are general full faith and credit obligations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

The annual audit report is filed with the Borough Clerk and is available for review during business hours.

Debt Limits

The authorized bonded indebtedness of a municipality in the State of New Jersey is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limits-Extensions of Credit

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency (the "Local Finance Board"). If all or any part of a proposed debt authorization would exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the Borough to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain bonds and notes, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The Borough may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Borough, may be issued for a period not exceeding one year. Generally, bond anticipation notes may not be outstanding longer than 10 years. Additionally, beginning in the third year, the amount of outstanding notes that may be renewed is decreased by not less than the minimum amount required for the first year principal payment of bonds in anticipation of which such notes are issued.

School Debt Subject to Voter Approval

State Law permits the school district, upon approval of the voters, to authorize school district debt, including, debt in excess of its independent debt limit by using the available borrowing capacity of the Borough. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. The Borough must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division (the “Director”) prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a “cash basis”. No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of Borough revenues are real estate taxes and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of the fiscal year.

Real Estate Taxes

The general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to delinquent property taxes. N.J.S.A. 40A:4-29 delineates anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

Section 41 of the Local Budget Law provides with regard to current taxes that: “Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year.”

The provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the

combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser %)}} = \text{Total Taxes to be Levied}$$

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: “no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.” The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Municipal Appropriations and Tax Levy

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “cost-of-living adjustment”. The cost-of-living adjustment is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the cost-of-living adjustment subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the cost-of-living adjustment is 2.5% or less.

Additionally, P.L 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district, or solid waste collection district, with certain exclusions and allowing waivers by the Local Finance Board, and on July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for capital expenditures, including debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

Deferral of Current Expense

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation of real property, codification of ordinances, master plan preparations and contractually required severance liabilities, which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval by the governing body.

Fiscal Year

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of New Jersey required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 35% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

TAX MATTERS

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Notes under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, to be delivered at the time of original issuance of the Notes, assuming continuing compliance by the Borough with certain covenants described herein, under current law, interest on the Notes is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Notes.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Notes in order to assure that the interest on the Notes will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Notes be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such

noncompliance occurs or is discovered. The Borough has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Notes will be and will remain excluded from gross income for federal income tax purposes. The Borough will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Notes, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Borough. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Notes, and Bond Counsel has assumed compliance by the Borough with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law interest on the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Notes.

Bank Qualification. The Notes will not be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by the financial institutions to purchase or to carry tax exempt obligations.

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Notes received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax exempt notes, such as the Notes, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Notes should be aware that the ownership of tax exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax exempt obligations. Owners of the Notes should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Notes involving either the Notes or other tax-exempt obligations will not have an adverse effect on the tax-exempt status or market price of the Notes.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

LITIGATION

To the knowledge of the Borough Attorney, Deena B. Rosendahl, Esquire, Cleary Giacobbe Alfieri Jacobs LLC, Oakland, New Jersey (the “Borough Attorney”), there is no litigation of any nature now pending or threatened that seeks to restrain or enjoin the issuance or the delivery of the Notes, the levy or the collection of any taxes to pay the principal of or the interest on the Notes or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of the taxes, affecting the validity of the Notes or the levy or the collection of taxes or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers of the Borough to their respective offices.

Additionally, there is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bond or note holders. All of the Borough's tort actions are being defended by either an insurance company or insurance underwriters. Pending municipal real estate tax appeals are limited in number. The Borough would fund the ultimate liability arising from tax appeals from amounts currently reserved, succeeding years' budgets or, after obtaining the approval of the Local Finance Board, the issuance of tax appeal refunding bonds or notes. Such resolution would not in any way endanger the Borough's ability to pay its bond or note holders.

THE FEDERAL BANKRUPTCY ACT

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditor's rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 thru 52:27-45.11, which provides that any county, municipality, or other political subdivision of the State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the

Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, sale, issuance and delivery of the Bonds are subject to the approval of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Paramus, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be substantially in the form provided in Appendix C. Certain legal matters will be passed on for the Borough by the Borough Attorney.

CONTINUING DISCLOSURE

The Borough has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events. The event notices will be provided to the Municipal Securities Rulemaking Board (the “MSRB”) and will be in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. The specific nature of the information to be contained in the event notices is set forth in “APPENDIX D – Form of Continuing Disclosure Certificate”. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, the remedy of the beneficial owners of the Notes being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Borough from time to time, without the consent of the Noteholders or the beneficial owners of the Notes, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Borough has previously entered into secondary market disclosure undertakings in accordance with SEC Rule 15c2-12. The Borough appointed Phoenix Advisors, Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its prior secondary market disclosure undertakings.

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending December 31, 2024 have been prepared by Lerch, Vinci & Bliss, LLP, Fair Lawn, New Jersey, an independent auditor, as stated in its report appearing in Appendix B to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor

has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the Audited Financial Statements appearing in Appendix B hereto) and, accordingly, will express no opinion with respect thereto. *See “APPENDIX B - Financial Statements of the Borough of Demarest, in the County of Bergen, New Jersey”.*

RATING

The Notes have not been rated. The Borough maintains a long-term rating of “AA+” from S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC, recently affirmed in July of 2024. Such long-term rating is neither assigned nor applicable to the Notes.

PURCHASER

The Notes have been purchased from the Borough at a public sale by _____ (the “Purchaser”) at a price of \$_____ (the “Purchase Price”). The Purchaser has purchased the Notes in accordance with the Notice of Sale. The Purchase Price reflects the par amount of the Notes plus a bid premium of \$_____.

The Purchaser intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Purchaser reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Purchaser may offer and sell Notes to certain dealers (including dealers depositing Notes into investment trusts) at a yield higher than the public offering yield set forth on the cover page, and such public offering yield may be changed, from time to time, by the Purchaser without prior notice.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Purchaser, by certificate signed by the Chief Financial Officer, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

DeCotis, FitzPatrick, Cole & Giblin, LLP, Paramus, New Jersey has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to Andrea Diekmann Johe, Chief Financial Officer, Borough of Demarest, 118 Serpentine Road, Demarest, New Jersey 07627, telephone (201) 768-0167 ext. 142, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

MISCELLANEOUS

All quotations from summaries and explanations of the provisions of the laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the Borough, the County, the State or any of their agencies or authorities, since the date hereof.

This Official Statement has been duly executed and delivered on behalf of the Borough by the Chief Financial Officer.

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

By: _____
Andrea Diekmann Johe,
Chief Financial Officer

Dated: February __, 2026

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE BOROUGH OF DEMAREST, IN THE COUNTY OF BERGEN, NEW JERSEY

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

The Borough is a picturesque residential community located in the northern valley section of Bergen County. It is approximately 2 square miles in size. The Borough is surrounded by the Borough's of Alpine, Closter, Cresskill, Dumont and Haworth.

Form of Government

The Borough was incorporated under the borough form of government. There is a Mayor and a six-member Council. The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the municipal Public Library.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

Transportation

Because of its close proximity to New York City, many residents are employed in the City of New York and commute through access of mass transportation. There are bus lines throughout the Borough to the Port Authority and the George Washington Bridge Terminals. NJ Transit commuter trains provide access to New York City in the nearby town of Oradell.

Public Safety

The police department employs full-time officers. Police headquarters is maintained in the municipal complex and the police department is furnished with modern police equipment. The vehicle fleet is comprised of marked and unmarked automobiles. The Borough is served by a volunteer fire department which is equipped with modern fire apparatus which is purchased and owned by the Borough.

Sanitation

The Borough provides garbage collection for all homes on a weekly basis. The Borough contracts with a private scavenger for these services. Payment for such garbage collection services is part of the general property tax levy. Sewerage disposal is provided under contract by the Bergen County Utilities Authority. For this service the Borough pays an annual service charged based on the metered flow of sewerage. This service charge is part of the general property tax levy.

Utilities

Electricity and gas are supplied by Public Service Electric and Gas and Rockland Electric. Veolia Water New Jersey supplies the Borough's water.

Recreation

The recreation commission operates a full recreation program for all age groups, offering adult and youth sports, year round trips, summer day camps and tennis at the Community Center.

Education

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a seven-member Board of Education elected by the voters of the school district. The school district provides for kindergarten through 8th grade in one school building. The local school district is authorized by law to issue debt for school purposes upon vote of the electorate. The Borough belongs to the Northern Valley Regional High School District (grades 9 through 12), along with six other towns (the "Regional School District"). The Borough's students attend the Demarest campus.

Labor Contracts

The Borough's contracts with the Police Department and the Department of Public Works expire on December 31, 2028.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Population trends for the Borough, County and the State of New Jersey are shown below:

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2024</u>
Borough of Demarest	4,800	4,845	4,881	4,981	4,941
County of Bergen	825,380	884,118	905,116	955,732	978,641
State of New Jersey	7,730,188	8,414,350	8,791,894	9,288,994	9,500,851

Source: U.S. Census Bureau

Income as of 2024

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Demarest	\$208,036	\$250,000	\$115,608
County of Bergen	124,884	152,200	63,735
State of New Jersey	103,556	127,025	54,253

Source: U.S. Census Bureau, 2020-2024 American Community Survey.

Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Demarest the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Demarest</u>				
2024	2,409	2,329	80	3.3%
2023	2,391	2,312	79	3.3%
2022	2,321	2,258	63	2.7%
2021	2,221	2,119	102	4.6%
2020	2,209	2,062	147	6.7%
<u>County of Bergen</u>				
2024	541,844	521,596	20,248	3.7%
2023	536,776	517,682	19,094	3.6%
2022	519,799	502,401	17,398	3.3%
2021	499,794	468,726	31,068	6.2%
2020	494,538	449,149	45,389	9.2%
<u>State of New Jersey</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Source: Borough of Demarest

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Anticipated Revenues					
Fund Balance	\$ 850,000	\$ 1,200,000	\$ 100,000	\$ 1,480,000	\$ 1,500,000
Miscellaneous Revenues	1,942,703	1,561,390	2,826,539	1,279,298	925,987
Receipts from Delinquent Taxes	225,000	200,000	150,000	150,000	102,788
Amount to be Raised by Taxes for Support of Municipal Budget	<u>10,631,884</u>	<u>9,822,276</u>	<u>9,210,851</u>	<u>8,527,830</u>	<u>8,339,888</u>
	<u><u>\$ 13,649,587</u></u>	<u><u>\$ 12,783,666</u></u>	<u><u>\$ 12,287,390</u></u>	<u><u>\$ 11,437,128</u></u>	<u><u>\$ 10,868,663</u></u>
Appropriations					
Salaries and Wages	\$ 4,681,050	\$ 4,518,132	\$ 4,370,344	\$ 4,354,377	\$ 3,875,256
Other Expenses	5,456,168	5,283,464	4,815,288	4,490,250	4,532,229
Deferred Charges and Statutory Expenditures	1,566,369	1,217,375	1,453,350	1,387,718	1,174,757
Capital Improvement Fund	86,000	120,000	30,600	30,000	106,250
Municipal Debt Service	1,280,000	1,099,695	1,087,808	654,783	660,171
Reserve for Uncollected Taxes	<u>580,000</u>	<u>545,000</u>	<u>530,000</u>	<u>520,000</u>	<u>520,000</u>
	<u><u>\$ 13,649,587</u></u>	<u><u>\$ 12,783,666</u></u>	<u><u>\$ 12,287,390</u></u>	<u><u>\$ 11,437,128</u></u>	<u><u>\$ 10,868,663</u></u>

Source: Borough of Demarest Annual Budgets

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>December 31</u>	<u>of Succeeding Year</u>
2024	\$ 1,534,577	\$ 850,000
2023	1,438,917	1,200,000
2022	735,406	100,000
2021	2,179,827	1,480,000
2020	2,244,250	1,500,000

Source: Borough of Demarest's Annual Audit Reports

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2024	\$ 42,700,027	\$ 42,354,905	99.19%
2023	40,552,507	40,108,842	98.91%
2022	38,836,224	38,485,837	99.10%
2021	37,738,612	37,446,768	99.23%
2020	36,908,897	36,713,715	99.47%

Source: Borough of Demarest's Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Percentage of Levy</u>
2024	\$ 262,129	0.61%
2023	280,223	0.69%
2022	213,672	0.55%
2021	198,773	0.55%
2020	84,075	0.25%

Source: Borough of Demarest's Annual Audit Reports

**Assessed Valuation of Property Owned by
the Borough Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2024	\$ 67,444
2023	67,444
2022	67,444
2021	67,444
2020	67,444

Source: Borough of Demarest's Annual Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2025 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Alpine Country Club	\$ 40,797,500
JCP I LLC Trustee	5,815,100
Resident	5,788,400
Resident	5,628,100
Resident	5,497,900
Resident	5,416,000
Resident	5,268,200
Resident	5,261,300
Resident	5,227,000
Resident	5,207,400
	<hr/>
	\$ 89,906,900

Source: Tax Assessor.

**Assessed Valuation
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Total</u>
2026	\$ 8,482,500	\$ 2,469,859,800	\$ 52,166,700	\$ 2,645,100	\$ 2,533,154,100
2025 (1)	7,454,400	2,424,610,700	52,166,700	2,645,100	2,486,876,900
2024	6,912,400	1,357,228,500	23,455,600	1,350,000	1,388,946,500
2023	8,155,200	1,349,148,900	23,455,600	1,350,000	1,382,109,700
2022	11,144,600	1,316,741,700	23,455,600	1,350,000	1,352,691,900

(1) Reassessment

Source: Tax Duplicate

Assessed Valuations
Net Valuation Taxable

Year	Real Property	Business	Net	Ratio of	Total True Value
		Personal	Valuation	Assessed Value to True Value of	
		Property	Taxable	Real Property	of Assessed
2026	\$ 2,533,154,100	\$ 110,000	\$ 2,533,264,100	N/A	N/A
2025 (1)	2,486,876,900	100,000	2,486,976,900	106.66%	2,332,679,285
2024	1,388,946,500	82,810	1,389,029,310	69.40%	2,002,298,205
2023	1,382,109,700	82,810	1,382,192,510	76.68%	1,803,359,244
2022	1,352,691,900	82,810	1,352,774,710	81.22%	1,666,401,533

Source: Tax Duplicate, Abstract of Ratables

(1) Reassessment

Components of Real Estate Tax Rate
(per \$100 of Assessment)

Year	Total	Municipal⁽²⁾	Local	Regional	
			School	High School	County⁽³⁾
2025 (1)	\$1.805	\$0.435	\$0.742	\$0.408	\$0.220
2024	3.057	0.716	1.272	0.733	0.336
2023	2.918	0.670	1.218	0.725	0.305
2022	2.839	0.630	1.184	0.728	0.297
2021	2.769	0.618	1.143	0.705	0.303

Source: Tax Collector

(1) Reassessment

(2) Includes Open Space and Free Public Library

(3) Includes Open Space

Apportionment of Tax Levy
(Including School and County Purposes)

Year	Total	Municipal⁽¹⁾	Local	Regional	
			School	High School	County⁽²⁾
2025	\$ 44,882,660	\$ 10,880,572	\$ 18,428,826	10,134,163	\$ 5,439,099
2024	42,700,027	10,180,926	17,667,885	10,170,907	4,680,309
2023	40,552,507	9,478,327	16,832,635	10,017,811	4,223,734
2022	38,836,224	8,923,889	16,007,672	9,849,659	4,055,004
2021	37,738,612	8,492,776	15,532,428	9,581,774	4,131,634

Source: Tax Collector

(1) Includes Open Space and Free Public Library

(2) Includes Open Space

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the “Division”). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2025 (Unaudited)

Municipal		
Equalized Valuation Basis (last 3 years average)		\$ 2,201,081,257
3 1/2% Borrowing Margin	77,037,844	
Net Debt Issued, Outstanding and Authorized	22,664,028	
Remaining Municipal Borrowing Capacity	54,373,816	
Regional School		
3% Borrowing Margin	66,032,438	
Debt, Issued, Outstanding and Authorized	1,134,252	
Remaining School Borrowing Capacity	64,898,185	
Local School		
3% Borrowing Margin	66,032,438	
Debt, Issued, Outstanding and Authorized	590,000	
Remaining School Borrowing Capacity	65,442,438	

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2025 (Unaudited)	\$ 24,652,706	\$ 22,664,028	1.030%
2024	24,481,540	21,914,443	1.111%
2023	23,013,051	19,636,682	1.056%
2022	23,383,824	19,409,932	1.148%
2021	23,314,610	18,430,226	1.126%

Source: Borough of Demarest Audit Reports and 2025 Annual Debt Statement

BOROUGH OF DEMAREST
Statement of Indebtedness
As of December 31, 2025 (Unaudited)

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 5,944,000
Bond Anticipation Notes	8,080,000
Bonds and Notes Authorized But Not Issued	<u>8,904,454</u>
	<u>\$ 22,928,454</u>

LOCAL SCHOOL

Bonds Issued and Outstanding	590,000
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REGIONAL SCHOOL

Bonds Issued and Outstanding	<u>1,134,252</u>
	<u>24,652,706</u>

STATUTORY DEDUCTIONS

Municipal Purpose	264,426
Local School	590,000
Regional School	<u>1,134,252</u>
	<u>1,988,678</u>

TOTAL NET DEBT	<u><u>\$ 22,664,028</u></u>
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OVERLAPPING DEBT (as of December 31, 2024)

County of Bergen (Note 1)	\$ 14,866,473
Bergen County Utilities Authority (Note 2)	<u>1,364,038</u>
	<u><u>\$ 16,230,511</u></u>

GROSS DEBT

Per Capita (2024 Estimate - 4,941)	\$ 4,989
Percent of Net Valuation Taxable (2025 - \$2,486,976,900)	0.99%
Percent of Estimated True Value of Real Property (2025 - \$2,332,679,285)	1.06%

NET MUNICIPAL DEBT

Per Capita (2024 Estimate - 4,941)	\$ 4,587
Percent of Net Valuation Taxable (2025 - \$2,486,976,900)	0.91%
Percent of Estimated True Value of Real Property (2025 - \$2,332,679,285)	0.97%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2024 Estimate - 4,941)	\$ 8,274
Percent of Net Valuation Taxable (2025 - \$2,486,976,900)	1.64%
Percent of Estimated True Value of Real Property (2025 - \$2,332,679,285)	1.75%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2025 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.
Source: Borough of Demarest.

APPENDIX B

**FINANCIAL STATEMENTS OF THE BOROUGH OF DEMAREST,
IN THE COUNTY OF BERGEN, NEW JERSEY**

DIETER P. LERCH, CPA, RMA, PSA

GARY J. VINCI, CPA, RMA, PSA

JEFFREY C. BLISS, CPA, RMA, PSA

PAUL J. LERCH, CPA, RMA, PSA

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ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA

MARK SACO, CPA

ROBERT LERCH, CPA, PSA, RMA

CHRISTOPHER VINCI, CPA, PSA

CHRISTINA CUIFFO, CPA, PSA, RMA

JOHN CUIFFO, CPA, PSA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
 Members of the Borough Council
 118 Serpentine Road
 Demarest, New Jersey 07627

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Borough of Demarest which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024 and 2023, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year ended December 31, 2024, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, the accompanying 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, 2024 and 2023, 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, 2024 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 accompanying 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, 2024 and 2023, or changes in financial position for the years then ended.

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, 2024 and 2023. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 21 percent of the assets and liabilities of the Borough's Trust Funds as of December 31, 2024 and 2023, 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.

By/s/

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

Fair Lawn, New Jersey
July 10, 2025

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 3,973,895	\$ 5,086,332
Cash - Change Funds	300	300
Grants Receivable	<u>38,875</u>	<u>38,875</u>
	<u>4,013,070</u>	<u>5,125,507</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes Receivable	262,129	280,223
Property Acquired for Taxes - Assessed Value	67,444	67,444
Revenue Accounts Receivable	2,234	1,768
Prepaid Items	5,127	-
Other Accounts Receivable	16,850	16,850
Due from Animal Control Fund	18,060	12,103
Due from Other Trust Fund	<u>858,428</u>	<u>393,101</u>
	<u>1,230,272</u>	<u>771,489</u>
Deferred Charges:		
Emergency Appropriation	15,000	-
Special Emergency Appropriation	305,000	140,000
Overexpenditure of Appropriations	259,908	117,935
Overexpenditure of Appropriation Reserves	<u>41,071</u>	<u>33,277</u>
	<u>620,979</u>	<u>291,212</u>
Total Assets	<u>\$ 5,864,321</u>	<u>\$ 6,188,208</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities		
Appropriation Reserves	\$ 560,622	\$ 516,729
Due to State - Senior Citizens and Veterans	9,836	9,836
Encumbrances Payable	357,806	422,614
Accounts Payable	62,713	-
Prepaid Taxes	221,495	216,509
County Taxes Payable	26,063	23,010
Due to General Capital Fund	935,348	1,358,536
Due to Municipal Open Space Trust Fund	277,385	137,715
Reserve for Grants		
Appropriated	293,456	275,030
Unappropriated	52,431	80,057
Due to State of New Jersey	4,124	4,072
Tax Overpayments	65,013	1,636
Miscellaneous Reserves	229,680	932,058
Unearned Revenue	<u>3,500</u>	<u>-</u>
	<u>3,099,472</u>	<u>3,977,802</u>
Reserve for Receivables and Other Assets	1,230,272	771,489
Fund Balance	<u>1,534,577</u>	<u>1,438,917</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 5,864,321</u>	<u>\$ 6,188,208</u>

BOROUGH OF DEMAREST
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,200,000	\$ 100,000
Miscellaneous Revenue Anticipated	1,880,287	3,031,380
Receipts from Delinquent Taxes	280,223	213,778
Receipts from Current Taxes	42,354,905	40,108,842
Non-Budget Revenue	199,219	240,903
Other Credits to Income		
Animal Control Statutory Excess	5,957	5,249
Cancellation of Grant Reserve	372,839	
Unexpended Balance of Appropriation Reserves	<u>375,678</u>	<u>284,653</u>
	46,669,108	43,984,805
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	4,590,570	4,416,344
Other Expenses	5,557,799	4,922,710
Deferred Charges and Statutory Expenditures	1,217,375	1,453,350
Capital Improvements	135,000	30,600
Municipal Debt Service	1,099,295	1,087,808
County Taxes	4,680,309	4,223,734
Local District School Taxes	17,667,885	16,832,635
Regional High School District Tax	10,170,907	10,017,811
Open Space Tax	139,670	69,471
Other Debits		
Interfund Advance	471,284	227,810
Prior Year Senior Citizen Disallowed	-	106
Establish Reserve for Other Accounts Receivable	-	16,850
Establish Reserve for Prepaid Items	5,127	
Overexpenditure of Appropriation Reserves	<u>27,812</u>	<u>33,277</u>
	45,763,033	43,332,506
Excess in Revenues	906,075	652,299
Adjustments to Income Before Surplus:		
Expenditures Included Above Which Are By Statute		
Deferred Charges to Budgets of Succeeding Years	<u>389,585</u>	<u>151,212</u>
Statutory Excess to Surplus	1,295,660	803,511
Fund Balance, January 1	<u>1,438,917</u>	<u>735,406</u>
Decreased by:		
Utilization as Anticipated Revenue	<u>1,200,000</u>	<u>100,000</u>
Fund Balance, December 31	<u>\$ 1,534,577</u>	<u>\$ 1,438,917</u>

BOROUGH OF DEMAREST
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>		
	Budget After <u>Modification</u>	<u>Actual</u>	Budget After <u>Modification</u>	<u>Actual</u>	Added by: <u>Actual</u>
FUND BALANCE ANTICIPATED	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages					
Other					
Fees and Permits	\$ 45,000	\$ 53,584	\$ 45,000	\$ 66,006	
Fines and Costs					
Municipal Court	18,000	35,523	20,000	18,243	
Interest and Cost on Taxes	42,000	83,522	40,000	62,101	
Interest on Investments and Deposits	50,000	294,362	15,000	145,041	
Sewer User Fees	19,000	20,527	19,000	19,286	
Energy Receipts Tax	410,679	410,679	408,645	408,645	
Municipal Relief	42,331	42,331	21,170	21,170	
Uniform Construction Code Fees	400,000	379,244	425,000	421,771	
Public and Private Revenues Offset With					
Appropriations					
Body Armor Grant	1,459	1,459	2,494	2,494	
Body-Worn Police Cameras Grant	-	-	8,520	8,520	
Stormwater Grant			-	15,000	15,000
Clean Communities	-	-	11,967	11,967	
Recycling Tonnage Grant	6,833	6,833	9,087	9,087	
FEMA - SAFER Grant	26,088	26,088			
General Capital Surplus			38,000	38,000	
American Rescue Plan			256,124	256,124	
Construction Resales	10,000	11,155	10,000	11,519	
Cable TV Franchise Fees	60,000	62,773	65,000	64,387	
Northern Valley Regional High School - SRO	80,000	102,207			
Reserve for Payment of Debt	50,000	50,000			
Reserve for Prepaid Taxes			1,247,019	1,247,019	
FEMA Reimbursement - Ida	300,000	300,000	205,000	205,000	
Total Miscellaneous Revenues	<u>1,561,390</u>	<u>1,880,287</u>	<u>2,862,026</u>	<u>3,031,380</u>	
RECEIPTS FROM DELINQUENT TAXES	<u>200,000</u>	<u>280,223</u>	<u>150,000</u>	<u>213,778</u>	
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	9,158,412	9,577,270	8,622,799	8,907,139	
Minimum Library Tax	663,864	663,864	588,052	588,052	
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>9,822,276</u>	<u>10,241,134</u>	<u>9,210,851</u>	<u>9,495,191</u>	
Total General Revenues	<u>\$ 12,783,666</u>	<u>\$ 13,601,644</u>	<u>\$ 12,322,877</u>	<u>\$ 12,840,349</u>	

2024 STATEMENT OF EXPENDITURES

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries and Wages	\$ 90,000	\$ 89,500	\$ 87,936	\$ 1,564		
Other Expenses	5,000	726	680	46		
Mayor and Council						
Salaries and Wages	1,000	3,000	3,000	-		
Other Expenses	6,000	5,183	5,674	-	\$ 491	
Municipal Clerk						
Salaries and Wages	155,300	195,800	195,583	217		
Other Expenses	107,900	80,631	80,330	301		
Elections						
Other Expenses	5,500	6,188	6,188	-		
Financial Administration						
Salaries and Wages	182,000	293,000	291,761	1,239		
Other Expenses	117,000	112,257	134,604	-	22,347	
Audit Services						
Other Expenses	41,000	63,545	63,545	-		
Revenue Administration						
Salaries and Wages	95,000	1,000		1,000		
Other Expenses	6,200	5,471	5,200	271		
Assessment of Taxes						
Salaries and Wages	24,000	7,000	-	7,000		
Other Expenses	1,300	1,300	1,496	-	196	
Other Expenses - Revaluation of Property		200,000	200,000	-		
Legal Services and Costs						
Other Expenses	140,000	99,248	136,534	-	37,286	
Engineering Services and Costs						
Other Expenses	100,000	132,128	126,643	5,485	-	
Municipal Land Use Law						
Planning Board						
Salaries and Wages	10,000	-		-		
Other Expenses	7,500	12,403	11,313	1,090		
Zoning Board of Adjustment						
Salaries and Wages	10,000	-		-		
Other Expenses	6,500	7,045	3,868	3,177		
Insurance						
Other Insurance						
Liability	144,858	152,317	141,554	10,763		
Worker's Compensation	133,176	145,712	133,176	12,536		
Health Benefits	753,369	758,910	758,910	-		
Health Benefit Waiver	40,000	40,000	40,432	-	432	
PUBLIC SAFETY						
Fire Department						
Salaries and Wages			37,217	-	37,217	
Other Expenses	127,500	128,864	117,660	11,204		
Fire Hydrant Services		94,500	94,500	109,679	-	15,179
Municipal Prosecutor						
Salaries and Wages	7,200	7,200	-	7,200		
Police Department						
Salaries and Wages	2,610,000	2,700,000	2,663,093	36,907	-	
Other Expenses	335,500	291,042	299,193	-	8,151	
Contribution to First Aid Organization		34,500	31,047	30,460	587	
Office of Emergency Management						
Other Expenses	4,000	2,500	2,989	-	489	

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC WORKS FUNCTIONS						
Solid Waste Collection						
Salaries and Wages	\$ 2,500	\$ 2,500			\$ 2,500	
Other Expenses - Sanitation-Contractual	587,362	587,362	\$ 587,233		129	
Recycling						
Salaries and Wages	4,000	4,000			4,000	
Other Expenses	500	500			500	
Sewerage Processing and Disposal						
Salaries and Wages	4,000	4,000			4,000	
Public Buildings and Grounds						
Other Expenses	134,000	135,789	108,463		27,326	
Streets and Roads Maintenance						
Salaries and Wages	963,132	963,132	903,076		60,056	
Other Expenses	289,100	239,182	244,645		- \$ 5,463	
Shade Tree Commission						
Other Expenses	33,000	33,000	34,197		- 1,197	
Vehicle Maintenance						
Salaries and Wages	-	-	-		-	
Other Expenses	113,500	116,291	125,979		- 9,688	
Community Services Act					25,000 3,629 21,371	
Stormwater Management	-	1,050	1,050		-	
Fire Prevention						
Salaries and Wages	10,000	10,000	17,006		- 7,006	
Other Expenses	200	1,994	1,934		60	
HEALTH AND HUMAN SERVICES FUNCTIONS						
Board of Health						
Other Expenses	30,350	34,918	34,842		76	
Environmental Comm.						
Other Expenses	3,600	3,600	850		2,750	
Occupational Safety and Health Act					15,000 8,411 6,589	
Nature and Environmental					-	
Other Expenses	7,200	6,050	50		6,000	
Recreation						
Other Expenses	25,000	25,000	15,982		9,018	
Parks and Playgrounds						
Other Expenses	21,500	21,500	12,781		8,719	
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events						
Other Expenses	5,000	5,490	5,490		-	
Salary and Wage Adjustments		47,000	-		-	
Municipal Court						
Salaries and Wages	55,000	55,000	45,146		9,854	
Other Expenses	2,900	2,900	5		2,895	
Public Defender						
Other Expenses	2,500	2,500	810		1,690	
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY						
DEDICATED REVENUES						
Construction Code Official						
Salaries and Wages	208,000	208,000	181,204		26,796	
Other Expenses	10,000	17,096	11,848		5,248	

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)						
UNCLASSIFIED:						
Gasoline	\$ 102,000	\$ 102,000	\$ 79,966	\$ 22,034		
Telephone Services	60,000	63,959	39,184	24,775		
Electricity	45,000	45,000	42,924	2,076		
Water	11,000	13,706	15,090	-	\$ 1,384	
Gas	25,000	25,000	23,880	1,120		
Telecommunication Costs	1,500	1,500	-	1,500		
Street Lighting	90,000	90,000	89,225	775		
Total Operations Within "CAPS"	<u>8,329,647</u>	<u>8,529,536</u>	<u>8,323,618</u>	<u>352,444</u>	<u>146,526</u>	<u>-</u>
Detail:						
Salaries and Wages	4,518,132	4,583,132	4,428,237	162,333	7,438	-
Other Expenses	3,811,515	3,946,404	3,895,381	190,111	139,088	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"						
STATUTORY CHARGES						
Social Security System	230,000	230,000	210,941	19,059		
Police and Fireman's Retirement System of NJ	691,272	691,272	691,272			
Public Employees Retirement System	235,285	235,285	234,238	1,047		
Defined Contribution Retirement Plan	1,000	1,000	-	1,000		
DEFERRED CHARGES						
Overexpenditure of Appropriation	20,018	20,018	20,018	-		
Overexpenditure of Appropriation Reserves	4,800	4,800	4,800			
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,182,375</u>	<u>1,182,375</u>	<u>1,161,269</u>	<u>21,106</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,512,022</u>	<u>9,711,911</u>	<u>9,484,887</u>	<u>373,550</u>	<u>146,526</u>	<u>-</u>
OPERATING EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library	663,864	663,864	527,384	136,480		
Length of Service Awards Program (LOSAP)	50,000	50,000	7,700	42,300		
Sewer Charges						
Bergen County Utilities Authority						
Operations and Maintenance	443,722	443,722	443,722	-		
Debt Service	120,843	120,843	120,843	-		
Borough of Cresskill	20,000	20,111	20,111	-		
Insurance						
General Liability	15,913	15,913	15,913	-		
Workers Compensation	1,958	1,958	1,958	-		
Employee Group Health	22,631	22,631	22,631	-		
Public Works						
Other Expenses - Sanitation-Contractual	12,638	12,638	12,638	-		
Recycling Tax	6,000	6,000	6,247	-	247	
Reserve for State Tax Appeals	80,000	80,000	80,000	-		
Total Other Operations Excluded from "CAPS"	<u>1,437,569</u>	<u>1,437,680</u>	<u>1,259,147</u>	<u>178,780</u>	<u>247</u>	<u>-</u>

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>	<u>Cancelled</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET						
BY REVENUES						
Police Body Armor	\$ 1,459	\$ 1,459	\$ 1,459			
Recycling Tonnage Grant	6,833	6,833		6,833		
FEMA - Emergency Response Grant (SAFER)	26,088	26,088	\$ 26,088	-	-	-
Total Public and Private Programs Offset by Revenues	34,380	34,380	26,088	8,292	-	-
Total Operations Excluded from "CAPS"	1,471,949	1,472,060	1,285,235	187,072	\$ 247	-
Detail:						
Other Expenses	1,471,949	1,472,060	1,285,235	187,072	247	-
CAPITAL IMPROVEMENTS -						
Capital Improvement Fund	120,000	135,000	135,000	-	-	-
Total Capital Improvements	120,000	135,000	135,000	-	-	-
MUNICIPAL DEBT SERVICE						
Payment of Bond Principal	755,000	755,000	755,000	-		
Interest on Bonds	236,695	236,695	236,695	-		
Interest on Notes	108,000	108,000	107,600	-	-	\$ 400
Total Municipal Debt Service	1,099,695	1,099,695	1,099,295	-	-	400
DEFERRED CHARGES						
Special Emergency Authorization - 5 years	35,000	35,000	35,000	-	-	-
Total Deferred Charges	35,000	35,000	35,000	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,726,644	2,741,755	2,554,530	187,072	247	400
Subtotal General Appropriations	12,238,666	12,453,666	12,039,417	560,622	146,773	400
Reserve for Uncollected Taxes	545,000	545,000	545,000	-	-	-
Total General Appropriations	\$ 12,783,666	\$ 12,998,666	\$ 12,584,417	\$ 560,622	\$ 146,773	\$ 400
Adopted Budget		\$ 12,783,666				
Special Emergency Appropriation		200,000				
Emergency Appropriation		15,000				
		<u>\$ 12,998,666</u>				

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2023 STATEMENT OF EXPENDITURES

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 245,000	\$ 271,000	\$ 270,689	\$ 311	
Other Expenses	18,000	20,000	4,989	15,011	
Mayor and Council					
Salaries and Wages	1,000	1,000	200	800	
Other Expenses	3,500	4,500	4,251	249	
Municipal Clerk					
Salaries and Wages	120,000	35,000	32,807	2,193	
Other Expenses	75,208	67,208	67,095	113	
Elections					
Other Expenses	8,670	8,670	5,391	3,279	
Financial Administration					
Salaries and Wages	187,000	190,000	189,813	187	
Other Expenses	120,278	120,278	120,255	23	
Audit Services					
Other Expenses	42,636	42,636	27,181	15,455	
Revenue Administration					
Salaries and Wages	29,000	14,000	13,250	750	
Other Expenses	5,304	6,304	6,176	128	
Assessment of Taxes					
Salaries and Wages	24,480	5,480	5,476	4	
Other Expenses	1,326	1,326	1,310	16	
Legal Services and Costs					
Other Expenses	95,700	115,700	115,599	101	
Engineering Services and Costs					
Other Expenses	85,000	70,000	68,637	1,363	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	-	2,000	1,033	967	
Other Expenses	4,590	16,590	15,799	791	
Zoning Board of Adjustment					
Salaries and Wages	-	1,000	407	593	
Other Expenses	5,406	5,406	3,436	1,970	
Insurance					
Other Insurance					
Liability	136,959	139,959	139,610	349	
Worker's Compensation	128,672	128,672	124,119	4,553	
Health Benefits	700,612	665,612	762,091	-	\$ 96,479
Health Benefit Waiver		35,000	30,106	4,894	
PUBLIC SAFETY					
Fire Department					
Other Expenses	144,955	144,955	137,184	7,771	
Fire Hydrant Services					
	96,288	96,288	94,220	2,068	
Municipal Prosecutor					
Salaries and Wages	7,344	2,344	1,773	571	
Police Department					
Salaries and Wages	2,298,876	2,380,876	2,376,758	4,118	
Salaries and Wages - American Rescue Plan	256,124	256,124	256,124	-	
Other Expenses	216,490	216,490	216,153	337	
Contribution to First Aid Organization	38,740	38,740	32,752	5,988	
Office of Emergency Management					
Other Expenses	6,500	1,500	-	1,500	

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC WORKS FUNCTIONS					
Solid Waste Collection					
Salaries and Wages	\$ 2,550	\$ 550		\$ 550	
Other Expenses - Sanitation-Contractual	567,500	567,500	\$ 564,478		3,022
Sewerage Processing and Disposal					
Salaries and Wages	4,080	4,080	-	4,080	
Other Expenses	510	100	-	100	
Public Buildings and Grounds					
Other Expenses	107,610	127,610	126,832		778
Streets and Roads Maintenance					
Salaries and Wages	925,000	900,000	899,083	917	
Other Expenses	249,000	247,000	268,456	-	\$ 21,456
Shade Tree Commission					
Other Expenses	33,150	33,150	31,991	1,159	
Vehicle Maintenance					
Salaries and Wages	-	19,000	18,273	727	
Other Expenses	122,094	92,094	85,629	6,465	
Fire Prevention					
Salaries and Wages	16,340	49,340	48,943	397	
Other Expenses	204	204	140	64	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Other Expenses	30,294	30,294	28,780	1,514	
Environmental Comm.					
Other Expenses	3,200	3,200	2,268	932	
Occupational Safety and Health Act					
Other Expenses	15,300	15,300	2,547	12,753	
Recreation					
Other Expenses	25,000	25,000	7,606	17,394	
Parks and Playgrounds					
Other Expenses	21,500	11,500	11,208	292	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	2,550	2,550	2,344	206	
Municipal Court					
Salaries and Wages	53,550	53,550	53,107	443	
Other Expenses	3,111	3,111	1,420	1,691	
Public Defender					
Other Expenses	3,060	3,060	1,992	1,068	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
Construction Code Official					
Salaries and Wages	200,000	196,000	192,450	3,550	
Other Expenses	5,865	5,865	3,932	1,933	

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
UNCLASSIFIED:					
Gasoline	\$ 109,440	\$ 109,440	\$ 85,462	\$ 23,978	-
Telephone Services	66,810	66,810	34,305	32,505	-
Electricity	47,940	47,940	33,861	14,079	-
Water	11,220	11,220	8,774	2,446	-
Gas	28,400	28,400	20,854	7,546	-
Telecommunication Costs	1,530	1,530	309	1,221	-
Street Lighting	95,986	95,986	69,911	26,075	-
Total Operations Within "CAPS"	7,856,452	7,856,042	7,729,639	244,338	\$ 117,935
Total Operations Including Contingent - Within "CAPS"	7,856,452	7,856,042	7,729,639	244,338	117,935
Detail:					
Salaries and Wages	4,370,344	4,416,344	4,390,292	26,052	-
Other Expenses (Including Contingent)	3,486,108	3,439,698	3,339,347	218,286	117,935
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System	215,220	215,220	200,594	14,626	-
Police and Fireman's Retirement System of NJ	746,868	746,868	746,868	-	-
Public Employees Retirement System	228,365	228,365	228,365	-	-
Defined Contribution Retirement Plan	2,754	2,754	608	2,146	-
DEFERRED CHARGES					
Overexpenditure of Appropriation	32,048	32,048	32,048	-	-
Overexpenditure of Appropriation Reserves	23,095	23,095	23,095	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,248,350	1,248,350	1,231,578	16,772	-
Total General Appropriations for Municipal Purposes Within "CAPS"	9,104,802	9,104,392	8,961,217	261,110	117,935
OPERATING EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	588,052	588,052	505,160	82,892	-
Length of Service Awards Program (LOSAP)	53,550	53,550		53,550	-
NJPDES Stormwater Permit					
Street Division - Other Expenses	1,734	1,734	-	1,734	-
Sewer Charges					
Bergen County Utilities Authority					
Operations and Maintenance	455,463	455,773	455,772	1	-
Debt Service	112,280	112,280	112,280	-	-
Borough of Cresskill	19,380	19,480	19,420	60	-
Recycling Tax	7,140	7,140	5,812	1,328	-
Reserve for State Tax Appeals	80,000	80,000	-	80,000	-
Total Other Operations Excluded from "CAPS"	1,317,599	1,318,009	1,098,444	219,565	-

BOROUGH OF DEMAREST
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET					
BY REVENUES					
Police Body Armor	\$ 2,494	\$ 2,494	\$ 2,494	-	-
Body Worn Camera	8,520	8,520	8,520	-	-
Stormwater Assistance Grant	- 15,000	15,000	-	\$ 15,000	-
Recycling Tonnage Grant	9,087	9,087	-	9,087	-
Clean Communities	- 11,967	11,967	-	11,967	-
Total Public and Private Programs Offset by Revenues	11,581	47,068	11,014	36,054	-
Total Operations Excluded from "CAPS"	1,329,180	1,365,077	1,109,458	255,619	-
Detail:					
Other Expenses (Including Contingent)	1,329,180	1,365,077	1,109,458	255,619	-
CAPITAL IMPROVEMENTS -					
Capital Improvement Fund	30,600	30,600	30,600	-	-
Total Capital Improvements Excluded from "CAPS"	30,600	30,600	30,600	-	-
MUNICIPAL DEBT SERVICE					
Payment of Bond Principal	735,000	735,000	735,000	-	-
Interest on Bonds	257,470	257,470	257,470	-	-
Interest on Notes	95,338	95,338	95,338	-	-
Total Municipal Debt Service Excluded from "CAPS"	1,087,808	1,087,808	1,087,808	-	-
DEFERRED CHARGES					
Special Emergency Authorization - 5 years	35,000	35,000	35,000	-	-
Emergency Authorizations	170,000	170,000	170,000	-	-
Total Deferred Charges Excluded from "CAPS"	205,000	205,000	205,000	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,652,588	2,688,485	2,432,866	255,619	-
Subtotal General Appropriations	11,757,390	11,792,877	11,394,083	516,729	\$ 117,935
Reserve for Uncollected Taxes	530,000	530,000	530,000	-	-
Total General Appropriations	\$ 12,287,390	\$ 12,322,877	\$ 11,924,083	\$ 516,729	\$ 117,935
Adopted Budget	\$ 12,287,390				
Added by N.J.S. 40A:4-87	35,487				
	<u>\$ 12,322,877</u>				

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 28,550	\$ 23,020
	<u>28,550</u>	<u>23,020</u>
OTHER TRUST FUND		
Cash	6,552,443	5,491,939
Due from Unemployment Insurance Trust Fund	-	3,935
Other Accounts Receivable	<u>11,422</u>	<u>-</u>
	<u>6,563,865</u>	<u>5,495,874</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Cash	11,045	22,849
Due from Other Trust Fund - Payroll	<u>2,993</u>	<u>-</u>
	<u>14,038</u>	<u>22,849</u>
OPEN SPACE PRESERVATION TRUST FUND		
Cash	295,640	319,644
Due from Current Fund	<u>277,385</u>	<u>137,715</u>
	<u>573,025</u>	<u>457,359</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)		
Investments	<u>1,889,404</u>	<u>1,603,936</u>
	<u>1,889,404</u>	<u>1,603,936</u>
Total Assets	<u>\$ 9,068,882</u>	<u>\$ 7,603,038</u>

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to State of New Jersey	\$ 51	\$ 51
Due to Current Fund	18,060	12,103
Reserve for Animal Control Expenditures	<u>10,439</u>	<u>10,866</u>
	<u>28,550</u>	<u>23,020</u>
OTHER TRUST FUND		
Miscellaneous Reserves	373,651	353,107
Escrow Deposits	1,320,287	1,167,754
Due to General Capital Fund	-	173,708
Due to Current Fund	858,428	393,101
Due to Unemployment Insurance Trust Fund	2,993	
Payroll Deductions Payable	119,513	22,154
Reserve for Affordable Housing Expenditures	3,886,439	3,383,496
Reserve for Community Development Expenditures	<u>2,554</u>	<u>2,554</u>
	<u>6,563,865</u>	<u>5,495,874</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Reserve for Unemployment Compensation Claims	12,647	18,914
Due to State of New Jersey	1,391	
Due to Other Trust Fund	-	3,935
	<u>14,038</u>	<u>22,849</u>
OPEN SPACE PRESERVATION TRUST FUND		
Reserve for Open Space Expenditures	<u>573,025</u>	<u>457,359</u>
	<u>573,025</u>	<u>457,359</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)		
Reserve for Length of Service Awards Program	<u>1,889,404</u>	<u>1,603,936</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,068,882</u>	<u>\$ 7,603,038</u>

BOROUGH OF DEMAREST
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Amount to be Raised by Taxation	\$ 138,902	\$ 139,670	\$ 768
Non-Budget	<u>-</u>	<u>8,487</u>	<u>-</u>
	<u><u>\$ 138,902</u></u>	<u><u>\$ 148,157</u></u>	<u><u>\$ 768</u></u>

STATEMENT OF EXPENDITURES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Other Expenses	\$ 32,491	\$ (32,491)	\$ -
Reserve for Future Use	<u>138,902</u>	<u>106,411</u>	<u>32,491</u>
	<u><u>\$ 138,902</u></u>	<u><u>\$ 138,902</u></u>	<u><u>\$ -</u></u>

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 4,942,089	\$ 449,009
Deferred Charges to Future Taxation		
Funded	6,729,000	7,484,000
Unfunded	15,524,869	12,542,108
Grants Receivable	808,943	773,298
Due from Other Trust Fund	-	173,708
Due from Current Fund	<u>935,348</u>	<u>1,358,536</u>
Total Assets	<u><u>\$ 28,940,249</u></u>	<u><u>\$ 22,780,659</u></u>
LIABILITIES, RESERVES AND FUND BALANCE		
Improvement Authorizations		
Funded	\$ 1,684,241	\$ 1,870,215
Unfunded	10,321,004	9,218,136
Contracts Payable	1,296,466	92,633
Capital Improvement Fund	6,547	2,240
Bond Anticipation Notes Payable	8,200,000	3,200,000
Serial Bonds Payable	6,729,000	7,484,000
Reserve for Payment of Debt	339,426	389,426
Reserve for Grants Receivable	272,784	441,534
Fund Balance	<u>90,781</u>	<u>82,475</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 28,940,249</u></u>	<u><u>\$ 22,780,659</u></u>

There were bonds and notes authorized but not issued of \$7,324,869 and \$9,342,108 on December 31, 2024 and 2023, respectively.

BOROUGH OF DEMAREST
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ 82,475	\$ 111,323
Increased by:		
Premium on Sale of Bond Anticipation Notes	<u>8,306</u>	<u>9,152</u>
	90,781	120,475
Decreased by:		
Anticipated as Current Fund Revenue	<u>-</u>	<u>38,000</u>
Balance, December 31	<u><u>\$ 90,781</u></u>	<u><u>\$ 82,475</u></u>

BOROUGH OF DEMAREST
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Land	\$ 32,572,150	\$ 32,572,150
Buildings and Building Improvements	3,658,335	3,658,335
Machinery and Equipment	<u>7,689,418</u>	<u>7,487,334</u>
	<u><u>\$ 43,919,903</u></u>	<u><u>\$ 43,717,819</u></u>
FUND BALANCE		
Investment in General Fixed Assets	<u><u>\$ 43,919,903</u></u>	<u><u>\$ 43,717,819</u></u>

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 and bond ordinances and confirmation of the Mayor’s appointments, and all executive authority which is not specifically provided to the Mayor, by State law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

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

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

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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.

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, 2023 balances to conform to the December 31, 2024 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Prepaid Items – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

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 NJSAC 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 proprietary funds and government-wide financial statements.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The Borough appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

Other Post-Employment Benefits (OPEB) – The Borough funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

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 Machinery and Equipment	Assessed Value 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

The Borough must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

1977 Appropriation “CAP”: The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall Current Fund appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum. Additionally, municipalities can bank the unused appropriation increases for use in any of the next two (2) succeeding budget years.

2010 Levy “CAP”: The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation for municipal purposes, exclusive of certain appropriations and allowable adjustments and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy. Additionally, municipalities can bank the unused tax levy for use in any of the next three (3) succeeding budget years.

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 2024 and 2023 the Borough Council increased the original budget by \$215,000 and \$35,487. The increases in 2024 were attributable to two (2) emergency authorizations while the increase in 2023 were attributable to two (2) emergency authorizations as well as additional aid allotted to the Borough. In addition, the Governing Body approved several budget transfers during 2024 and 2023.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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>2024</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Budget Appropriations			
Mayor and Council	\$ 5,183	\$ 5,674	\$ 491
Other Expenses			
Financial Administration			
Other Expenses	112,257	134,604	22,347
Assessment of Taxes			
Other Expenses	1,300	1,496	196
Legal Services and Costs			
Other Expenses	99,248	136,534	37,286
Insurance			
Health Benefit Waivers	40,000	40,432	432
Fire Department			
Salaries and Wages	-	37,217	37,217
Fire Hydrant Services	94,500	109,679	15,179
Police Department			
Other Expenses	291,042	299,193	8,151
Office of Emergency Management			
Other Expenses	2,500	2,989	489
Streets and Roads Maintenance			
Other Expenses	239,182	244,645	5,463
Shade Tree Commission			
Other Expenses	33,000	34,197	1,197
Vehicle Maintenance			
Other Expenses	116,291	125,979	9,688
Fire Prevention			
Salaries and Wages	10,000	17,006	7,006
Utilities			
Water	13,706	15,090	1,384
Recycling Tax	6,000	6,247	247
2023 Appropriation Reserves			
Legal Services and Costs			
Other Expenses	101	7,750	7,649
Length of Service Awards Program	53,550	73,713	20,163

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations (Continued)

<u>2023</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Budget Appropriations			
Insurance			
Health Benefits	\$ 665,612	\$ 762,091	\$ 96,479
Streets and Roads Maintenance			
Other Expenses	247,000	268,456	21,456
2022 Appropriation Reserves			
Other Expenses			
Municipal Clerk		7,231	7,231
Zoning Board of Adjustment		150	150
Vehicle Maintenance	4,661	6,414	1,753
Sanitation	97,467	99,474	2,007
Streets and Roads	19,138	27,597	8,459
Utilities			
Gasoline	2,858	9,526	6,668
Natural Gas	4,421	4,611	190
Street Lighting		6,819	6,819

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

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 deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee's salary or funds which may pass to the local government upon the happening of a future condition.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, the book value of the Borough's deposits were \$15,803,962 and \$11,393,093 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,234,107 and \$11,715,598, 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>2024</u>	<u>2023</u>
Insured	\$ 14,384,393	\$ 10,378,399
Uninsured and Collateralized	<u>1,849,714</u>	<u>1,337,199</u>
	<u>\$ 16,234,107</u>	<u>\$ 11,715,598</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, 2024 and 2023, the Borough's bank balances of \$1,849,714 and \$1,337,199 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 1,849,714</u>	<u>\$ 1,337,199</u>

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 Local Government Services in the Department of Community Affairs 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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2024 and 2023 the Borough had the following investments:

<u>Investment Type</u>	<u>Valuation Basis</u>	<u>2024</u>	<u>2023</u>
Lincoln Financial LOSAP Retirement Fund (Unaudited)	Fair Value	\$ <u>1,889,404</u>	\$ <u>1,603,936</u>

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 credit risk. As of December 31, 2024 and 2023, \$1,889,404 and \$1,603,936 of the Borough's investments were exposed to custodial credit risk as follows:

	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>1,889,404</u>	\$ <u>1,603,936</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, 2024 and 2023, the Borough's investment in Lincoln Financial Group, a subsidiary to Lincoln National Life Insurance Company was rated A1 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 National Life Insurance Company. 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, 2024 and 2023 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, 2024 AND 2023

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Property Taxes	\$ <u>262,129</u>	\$ <u>280,223</u>

In 2024 and 2023, the Borough collected \$280,223 and \$213,778 from delinquent taxes, which represented 100% of the prior year delinquent taxes receivable balance at December 31, 2023 and 2022.

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>2024</u>		<u>2023</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund:	\$ 876,488	\$ 1,212,733	\$ 405,204	\$ 1,496,251
Trust Fund:				
Municipal Open Space Preservation Trust Fund	277,385		137,715	
Other Trust Fund	-	861,421	3,935	566,809
Animal Control Trust Fund		18,060		12,103
Unemployment Insurance Trust Fund	2,993	-		3,935
General Capital Fund	<u>935,348</u>	<u>-</u>	<u>1,532,244</u>	<u>-</u>
Total	<u>\$ 2,092,214</u>	<u>\$ 2,092,214</u>	<u>\$ 2,079,098</u>	<u>\$ 2,079,098</u>

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

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

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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>2024</u>			
Special Emergency Appropriation	\$ 305,000	\$ 75,000	\$ 230,000
Emergency Authorization	15,000	15,000	-
Overexpenditure of Appropriations	259,908	208,655	51,253
Overexpenditure of Appropriation Reserves	<u>41,071</u>	<u>41,071</u>	<u>-</u>
	<u>\$ 620,979</u>	<u>\$ 339,726</u>	<u>\$ 281,253</u>
<u>2023</u>			
Special Emergency Appropriation	\$ 140,000	\$ 35,000	\$ 105,000
Overexpenditure of Appropriations	117,935		117,935
Overexpenditure of Appropriation Reserves	<u>33,277</u>	<u>24,818</u>	<u>8,459</u>
	<u>\$ 291,212</u>	<u>\$ 59,818</u>	<u>\$ 231,394</u>

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:

	2024		2023	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 874,723	\$ 850,000	\$ 1,108,830	\$ 1,200,000
Non-Cash Surplus	<u>659,854</u>	<u>-</u>	<u>330,087</u>	<u>-</u>
	<u>\$ 1,534,577</u>	<u>\$ 850,000</u>	<u>\$ 1,438,917</u>	<u>\$ 1,200,000</u>

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 and 2023.

	Balance December 31, 2023			Balance, December 31, 2024
		Increases	Decreases	
<u>2024</u>				
Land	\$ 32,572,150			\$ 32,572,150
Buildings and Building Improvements	3,658,335			3,658,335
Machinery and Equipment	<u>7,487,334</u>	<u>\$ 202,084</u>	<u>\$ -</u>	<u>7,689,418</u>
	<u>\$ 43,717,819</u>	<u>\$ 202,084</u>	<u>\$ -</u>	<u>\$ 43,919,903</u>
 <u>2023</u>				
Land	\$ 32,572,150			\$ 32,572,150
Buildings and Building Improvements	3,658,335			3,658,335
Machinery and Equipment	<u>7,248,889</u>	<u>\$ 238,445</u>	<u>\$ -</u>	<u>7,487,334</u>
	<u>\$ 43,479,374</u>	<u>\$ 238,445</u>	<u>\$ -</u>	<u>\$ 43,717,819</u>

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. 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>2024</u>	<u>2023</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,929,000	\$ 10,684,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>339,426</u>	<u>389,426</u>
Net Debt Issued	14,589,574	10,294,574
Authorized But Not Issued		
General		
Bonds and Notes	<u>7,324,869</u>	<u>9,342,108</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 21,914,443</u>	<u>\$ 19,636,682</u>

Statutory Net Debt

The statement of debt condition that follows is in the format of the Borough's Annual Debt Statement and indicates a statutory net debt of 1.111% and 1.056% at December 31, 2024 and 2023, respectively.

<u>2024</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 22,253,869	\$ 339,426	\$ 21,914,443
School Debt	<u>2,227,671</u>	<u>2,227,671</u>	-
Total	<u>\$ 24,481,540</u>	<u>\$ 2,567,097</u>	<u>\$ 21,914,443</u>

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt (Continued)

<u>2023</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 20,026,108	\$ 389,426	\$ 19,636,682
School Debt	<u>2,986,943</u>	<u>2,986,943</u>	<u>-</u>
Total	<u>\$ 23,013,051</u>	<u>\$ 3,376,369</u>	<u>\$ 19,636,682</u>

Statutory Borrowing Power

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

	<u>2024</u>	<u>2023</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 69,008,546	\$ 63,342,288
Less: Net Debt	<u>21,914,443</u>	<u>19,636,682</u>
Remaining Borrowing Power	<u>\$ 47,094,103</u>	<u>\$ 43,705,606</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>2024</u>	<u>2023</u>
2014 General Improvement Bonds, due in annual installments of \$419,000 to \$420,000 through February 1, 2029, interest at 2.00% to 3.00%	\$ 2,099,000	\$ 2,519,000
2022 General Improvement Bonds, due in annual installments of \$365,000 to \$630,000 through May 1, 2033, interest at 2.50% to 4.00%	<u>4,630,000</u>	<u>4,965,000</u>
	<u>\$ 6,729,000</u>	<u>\$ 7,484,000</u>

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2024 is as follows:

Calendar Year	General		
	Principal	Interest	Total
2025	\$ 785,000	\$ 214,508	\$ 999,508
2026	815,000	191,420	1,006,420
2027	835,000	166,670	1,001,670
2028	870,000	141,095	1,011,095
2029	904,000	112,060	1,016,060
2030-2033	<u>2,520,000</u>	<u>185,062</u>	<u>2,705,062</u>
Total	<u>\$ 6,729,000</u>	<u>\$ 1,010,815</u>	<u>\$ 7,739,815</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2024 and 2023 were as follows:

	Balance, December 31, 2023		Balance, December 31, 2024		Due Within One Year
	Additions	Reductions	Additions	Reductions	
2024					
<u>General Capital Fund</u>					
Bonds Payable	<u>\$ 7,484,000</u>	<u>\$ -</u>	<u>\$ 755,000</u>	<u>\$ 6,729,000</u>	<u>\$ 785,000</u>
2023					
<u>General Capital Fund</u>					
Bonds Payable	<u>\$ 8,219,000</u>	<u>\$ -</u>	<u>\$ 735,000</u>	<u>\$ 7,484,000</u>	<u>\$ 755,000</u>

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Bond Anticipation Notes

<u>2024</u> Purpose	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance,		Retired/ <u>Redeemed</u>	Balance, December 31, <u>2024</u>
			December 31, <u>2023</u>	Renewed/ <u>Issued</u>		
Various Capital Improvements	4.50%	6/13/2024	\$ 3,200,000		\$ 3,200,000	
	4.50%	3/12/2025		\$ 3,200,000		\$ 3,200,000
Various Road Improvements	3.75%	3/12/2025		402,500		402,500
Riverside Coop. Paving Program	3.75%	3/12/2025		805,706		805,706
Acq. Of SUB for Fire Department	3.75%	3/12/2025		52,250		52,250
Various Capital Improvements	3.75%	3/12/2025	-	3,739,544	-	3,739,544
Total			\$ 3,200,000	\$ 8,200,000	\$ 3,200,000	\$ 8,200,000

<u>2023</u> Purpose	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance,		Retired/ <u>Redeemed</u>	Balance, December 31, <u>2023</u>
			December 31, <u>2022</u>	Renewed/ <u>Issued</u>		
Various Capital Improvements	4.50%	9/15/2023	\$ 2,900,000		\$ 2,900,000	
	4.50%	6/13/2024	-	\$ 3,200,000	-	\$ 3,200,000
Total			\$ 2,900,000	\$ 3,200,000	\$ 2,900,000	\$ 3,200,000

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

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

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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>2024</u>		
Road Improvements - 2024 Riverside Co-op	\$ 91,072	2025
Road Improvements - NJDOT 2018 Unimproved Roads	243,671	2025
<u>2023</u>		
Road Improvements - Riverside Co-op	\$ 63,382	2024
Road Improvements - NJDOT 2018 Unimproved Roads	243,671	2025
Re-cladding and Roof Replacement on Fire Dept.	20,600	2024
Road Improvements - NJDOT 2021 Unimproved Roads	14,841	2024
Road Improvements - NJDOT 2022 Unimproved Roads	54,376	2024
Road Improvements - Riverside Co-op 2022	14,337	2024
Traffic Signal Upgrades	53,275	2024

As of December 31, the Borough has other significant commitments as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2024</u>	
Acquisition of Fire Truck	\$ 827,900
Leaf Loader & Debris Collector - DPW	247,298
License Plate Reader - Police Department	73,316

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The Police Department bargaining unit agreement allows the policeman 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, 2024 AND 2023

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. 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, 2024 and 2023 were as follows:

	Balance, December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Net Pension Liability -				
PERS (1)	\$ 2,549,859			\$ 2,549,859
PFRS (1)	<u>5,737,461</u>	_____ -	_____ -	<u>5,737,461</u>
Total Other Long-Term Liabilities	<u>\$ 8,287,320</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 8,287,320</u>
	Balance, December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Net Pension Liability -				
PERS	\$ 2,732,919	\$ 17,534	\$ 200,594	\$ 2,549,859
PFRS	<u>6,573,283</u>	_____ -	835,822	<u>5,737,461</u>
Total Other Long-Term Liabilities	<u>\$ 9,306,202</u>	<u>\$ 17,534</u>	<u>\$ 1,036,416</u>	<u>\$ 8,287,320</u>

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

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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) Annual Comprehensive Financial Report (ACFR) 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.

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) Annual Comprehensive Financial Report (ACFR) 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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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 on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment 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.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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. Empower (formerly 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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was not available and for June 30, 2023 is \$14.6 billion, and the plan fiduciary net position as a percentage of the total pension liability is 65.22% at June 30, 2023. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was not available and for June 30, 2023 is \$13.1 billion and the plan fiduciary net position as a percentage of total pension liability is 70.16% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2024 and 2023 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, 2024 and 2023 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 2024, 2023 and 2022 were equal to the required contributions.

During the years ended December 31, 2024, 2023 and 2022, 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>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
December 31			
2024	\$ 691,272	\$ 235,285	
2023	746,868	228,365	\$ 608
2022	638,741	195,114	-

In addition for the years ended December 31, 2024, 2023 and 2022 the Borough made no contributions towards long-term disability insurance premiums (LTDI) for PERS and PFRS.

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, 2024 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 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, 2024 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 to the total contributions to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS)

At December 31, 2023, the Borough reported a liability of \$2,549,859, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2023, the Borough's proportionate share was .01767 percent, which was a decrease of .00044 percent from its proportionate share measured as of June 30, 2022 of .01811 percent.

For the year ended December 31, 2023, the pension system has determined the Borough's pension expense to be \$60,432 for PERS based on the actuarial valuations which is less the actual contribution reported in the Borough's financial statements of \$228,365. At December 31, 2023, 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:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 24,380	\$ 10,423
Changes of Assumptions	5,602	154,532
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,742	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	254,284	67,591
Total	\$ 296,008	\$ 232,546

At December 31, 2023 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>	Total
2024	\$ (41,020)
2025	(9,757)
2026	143,992
2027	(29,115)
2028	(638)
Thereafter	-
	\$ 63,462

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2022, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2023 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:

<u>2023</u>	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>3,319,374</u>	\$ <u>2,549,859</u>	\$ <u>1,894,900</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2023. 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.

Police and Firemen's Retirement System (PFRS)

At December 31, 2023, the Borough reported a liability of \$5,737,461, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2023, the Borough's proportionate share was .05193 percent, which was a decrease of .00550 percent from its proportionate share measured as of June 30, 2022 of .05743 percent.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2023, the pension system has determined the Borough pension expense to be \$414,592 for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$746,868. At December 31, 2023, 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:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 245,667	\$ 273,626
Changes of Assumptions	12,383	387,416
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	292,198	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>724,856</u>	<u>746,925</u>
Total	<u>\$ 1,275,104</u>	<u>\$ 1,407,967</u>

At December 31, 2023 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>	Total
2024	(191,057)
2025	(218,430)
2026	428,403
2027	(65,317)
2028	(72,364)
Thereafter	<u>(14,098)</u>
	 <u>\$ (132,863)</u>

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

2023

Inflation Rate:

Price	2.75%
Wage	3.25%

Salary Increases

Rate for All Future Years	3.25%-16.25%
	Based on Years of Service

Investment Rate of Return	7.00%
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The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2023 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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
2023			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>7,994,147</u>	\$ <u>5,737,461</u>	\$ <u>3,858,181</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

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, 2023, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$120,254. For the year ended December 31, 2023, 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 \$1,057,194, which is more than the actual contribution the State made on behalf of the Borough of \$120,902. At December 31, 2022 (measurement date June 30, 2022) the State's share of the PFRS net pension liability attributable to the Borough was .05193 percent, which was a decrease of .00550 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of .05743 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 in 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, 2024 AND 2023**

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) Annual Comprehensive Financial Report (ACFR), 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 participating 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, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Membership and Contributing Employers

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2023:

Active Plan Members	65,613
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>34,771</u>
 Total	 <u>100,384</u>
Contributing Employers	574
Contributing Nonemployers	1

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.

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 of 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.

The non-employer special funding allocation percentages presented as the State's proportion share was based on eligible plan members subject to the special fund situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation (Continued)

At December 31, 2023, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$4,607,696. For the year ended December 31, 2023 the plan has determined the State's proportionate share of the OPEB benefit attributable to the Borough for the OPEB special funding situation is \$835,465. At December 31, 2023, (measurement date June 30, 2022), the State's share of the OPEB liability attributable to the Borough was .13206 percent, which was a decrease of .00784 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of .13990 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.

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 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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 14 RISK MANAGEMENT (Continued)

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

<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ 6,928	\$ 13,195	\$ 12,647
2023		1,357	18,914
2022		6,984	20,271

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2024 and 2023. 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, 2024 and 2023, the Borough reserved \$87,091 and \$116,630, 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 or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2024 and 2023, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023, 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 2024 and contributed \$2,023 for 2023, respectively, for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The Borough did not contribute to the plan for 2024 as of the date of the audit, and contributed \$62,713 for 2023.

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

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

Vesting and Benefits

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

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

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.

BOROUGH OF DEMAREST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 18 LEASES RECEIVABLE

The Borough entered into non-cancellable leases for the use of a Borough owned building. The initial lease receivable is determined at the present value of payments expected to be received during the lease term.

Leases receivable at December 31 are comprised of the following:

On December 1, 2024 the Borough began leasing a building to a third party. The lease is for 10 years and the Borough will receive monthly payments of \$3,500. The Borough recognized \$3,500 in lease revenue for 2024 which includes interest earnings of \$1,317. As of December 31, 2024 the Borough's receivable for lease payments, exclusive of future interest earnings is \$327,706.

The future lease revenue principal and interest payments as of December 31, 2024 were as follows:

Calendar <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 26,303	\$ 15,697	\$ 42,000
2026	27,563	14,437	42,000
2027	28,883	13,117	42,000
2028	30,266	11,734	42,000
2029	32,573	9,427	42,000
2030-2034	<u>182,118</u>	<u>24,382</u>	<u>206,500</u>
Total	<u>\$ 327,706</u>	<u>\$ 88,794</u>	<u>\$ 416,500</u>

NOTE 19 TAX ABATEMENTS

For the years ended December 31, 2024 and 2023, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

The New Jersey Housing and Mortgage Financing Act (NJS 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, 2024 and 2023 the Borough abated property taxes totaling \$11,684 and \$11,153, respectively, under the NJHMFA program. The Borough received \$6,000 in PILOT payments under this program for both years ended December 31, 2024 and 2023, respectively.

APPENDIX C
PROPOSED FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.*

_____, 2026

Mayor and Council of the
Borough of Demarest, in the
County of Bergen, New Jersey

Re: Borough of Demarest, in the County of Bergen, New Jersey
\$10,486,000 Bond Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Demarest, in the County of Bergen, New Jersey (the "Borough" or the "Issuer"), of its \$10,486,000 Bond Anticipation Notes (the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer are available to pay the principal of and the interest on the Notes. The Notes are issued in registered form and are dated _____, 2026, mature on March 10, 2027, bear interest at a rate of __, __% per annum payable at maturity, and are not subject to redemption prior to maturity.

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the "Act"), and ordinances of the Issuer numbered 1087-20 as amended by 1125-23, 1104-20, 1106-22, 1107-22, 1123-23, 1148-24 as amended by 1172-25, 1161-25, 1166-25, 1167-25 and 1168-25 (collectively, the "Ordinances"). The Notes are issued for the purpose of refinancing and financing previously authorized capital improvement projects as described in the Ordinances.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Notes, including: (a) copies of the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, and documents as to various matters with respect to the issuance of the Notes, as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied on the forms of the proceedings and other certifications of public officials to be executed and furnished

to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinances have been duly authorized and adopted by the Issuer; and the Notes and the Ordinances are legal, valid and binding obligations enforceable in accordance with their respective terms.

2. Interest on the Notes is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Notes may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

3. Under current law, interest on the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Issuer to pay the Notes is unlimited, and, unless paid from other sources, the Issuer shall be obligated to levy ad valorem taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Notes, without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Borough of Demarest, in the County of Bergen, New Jersey (the “Issuer”), in connection with the issuance by the Issuer of \$10,486,000 principal amount of the Issuer’s Bond Anticipation Notes,(the “Notes”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the of the Securities and Exchange Commission.

Section 2. Definitions. The following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Markets Access System.

“Financial Obligation” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided, however that the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Noteholder” shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Note.

“Participating Underwriter” shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
7. modifications to rights of Noteholders;
8. note calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee, or the change of name of a trustee, if material;

15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Bonds, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall file or cause to be filed a notice of such occurrence with the MSRB through EMMA in a timely manner not in excess of ten (10) business days after the occurrence of such event. The notice shall be filed in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes.

Section 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(b).

Section 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future or notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 9 shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes and shall create no rights in any other person or entity.

Dated: _____, 2026

BOROUGH OF DEMAREST, IN THE COUNTY OF
BERGEN, NEW JERSEY

By: _____
Andrea Diekman Johe, Chief Financial Officer