

**BOROUGH OF DEMAREST
SCHOOL DISTRICT**

**Demarest Borough Board of Education
Demarest, New Jersey**

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

**Annual Comprehensive
Financial Report**

of the

BOROUGH OF DEMAREST SCHOOL DISTRICT

Demarest, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

**Borough of Demarest Board of Education
Finance Department**

BOROUGH OF DEMAREST SCHOOL DISTRICT
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INTRODUCTORY SECTION

DEMAREST BOARD OF EDUCATION

568 Piermont Road, Demarest, NJ 07627 - T (201)768-6060 F (201) 767-9122

December 15, 2023

Honorable President and Board Members
Demarest Board of Education
568 Piermont Road
Demarest, NJ 07627

Dear President and Board Members:

The annual comprehensive financial report of the Demarest School District for the fiscal year ended June 30, 2023 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the representation, including all disclosures, rests with the management of the Board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The annual comprehensive financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08 "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Demarest School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (the "GASB"). All funds of the District are included in this report. The Demarest Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2022/2023 fiscal year with an enrollment of 763 students, which is an increase of 58 students from the previous year's enrollment.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Borough of Demarest is a small community located in Northeast Bergen County of approximately 5,000 citizens. The economic conditions and population have remained stable in the community. A significant change in population is not anticipated.

Honorable President and Board Members
of the Board of Education
Demarest Board of Education
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3) MAJOR INITIATIVES: The District is still planning to do a Gymnasium addition at Demarest Middle School. The addition is projected to be completed by the 2024-2025 school year. New doors and windows are scheduled to be installed at Demarest Middle School. HVAC upgrades in Luther Lee Library and classrooms, Middle School HVAC upgrades in STEM room and classrooms. Replaced flooring in several classrooms at Demarest Middle School. Boiler replacement at County Road School. The Board continues to add to the Capital Reserve account and the Maintenance Reserve account to address future infrastructure needs and ensure building systems are well maintained. Curriculum initiatives for the District included implementing the newly revised New Jersey Student Learning Standards in Comprehensive Health, Physical Education, Social Studies, Visual and Performing Arts, World Languages, and Computer Science and Design Thinking. This included teachers meeting during PLC time, working with the Supervisor of Curriculum, and attending professional learning experiences at the Northern Valley Curriculum Center. At Demarest Middle School, staff implemented the Schoology Learning Management System. Additionally, the Aimsweb benchmark screener was implemented in grades K-8. All staff were trained on the system and participated in meetings involving data analysis and how it could inform instruction.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits; and 2) the valuation of costs and benefits requires estimates and judgements by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education.

Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2023

Honorable President and Board Members
of the Board of Education
Demarest Board of Education
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6) ACCOUNTING SYSTEM AND REPORTS: The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The accounting system of the District is organized on the basis of funds. These funds are explained in “Notes to the Basic Financial Statements” Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Basic Financial Statements”, Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey, where the funds are secured in accordance with the act.

8) RISK MANAGEMENT: The District carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due to current economic conditions.

9) OTHER INFORMATION:

A) *Independent Audit* – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the related Uniform Guidance and New Jersey’s OMB Circular 15-08. The auditors’ report on the basic financial statements and supplementary schedules is included in the financial section of this report. The auditors’ reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Demarest School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial accounting staff.

Respectfully submitted,



Michael Fox
Superintendent



Antoinette Kelly
Business Administrator/Board Secretary

DEMAREST PUBLIC SCHOOL DISTRICT

ORGANIZATIONAL CHART

2022/2023

(Unit Control)

BOARD OF EDUCATION

SUPERINTENDENT

PRINCIPALS

BOARD SECRETARY/
BUSINESS ADMINISTRATOR

DIRECTOR OF
SUPPORTIVE SERVICES

INSTRUCTIONAL
STAFF

BUSINESS/
SECRETARIAL STAFF

CUSTODIAN FOOD
SERVICE STAFF

Administrative Offices

568 Piermont Road, Demarest, NJ 07627 - T 201.768.6060 F 201.767.9122

DEMAREST BOARD OF EDUCATION

ROSTER OF OFFICIALS

2022/2023

MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2023
Sheila Verna	Vice President	2025
Erica Cantatore	Member	2023
Jennifer Choi	Member	2025
Christen Governale	Member	2025
Kyusoon Lee	Member	2024
Gabriella Brillhart	Member	2024

OTHER OFFICIALS

Michael Fox	Superintendent
Antoinette Kelly	Business Administrator/Board Secretary
Phil Nisonoff	Treasurer
Stephen Fogarty, Esq.	Board Attorney – Special Counsel
Matthew Giacobbe, Esq.	Board Attorney – General Counsel

DEMAREST BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

2022/2023

ARCHITECT

El Associates
8 Ridgedale Avenue
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AUDIT FIRM

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Mount Arlington Corporate Center
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And

Lawrence Business Park
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And

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Bridgewater, New Jersey 08807

OFFICIAL DEPOSITORY

Capital One Bank
33 Nathaniel Place
Englewood, NJ 07631
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FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
County of Bergen, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District (the “District”), in the County of Bergen, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the “Office”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 District’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 the 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, we:

- exercise professional judgment 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 District'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 District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-retirement schedules in Exhibits L-1 through L-5 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

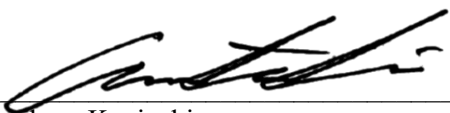
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

December 15, 2023
Mount Arlington, New Jersey

NISIVOCIA LLP



Andrew Kucinski
Certified Public Accountant
Licensed Public School Accountant #2684

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Borough of Demarest School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2023. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

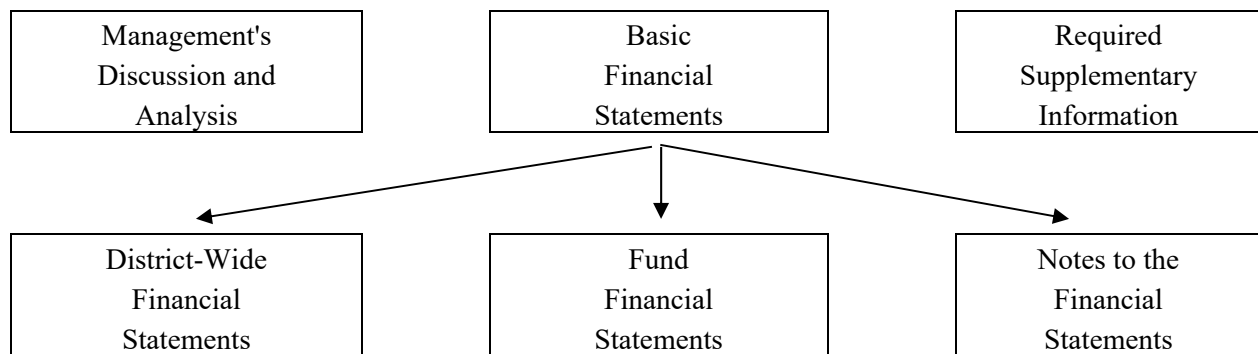
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Notes to Basic Financial Statements*: Provide additional information essential to a full understanding of the district-wide and fund financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Borough of Demarest School District's Financial Report**



**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets, lease assets, subscription assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term liabilities) or to show that it is properly using certain revenue (such as federal grants).

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$14,301,843 on June 30, 2023, which is \$2,686,275, or 23.13%, more than the previous year. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percent Change 2022/2023
	2022/2023	2021/2022 (Restated)	2022/2023	2021/2022	2022/2023	2021/2022 (Restated)	
Current and Other Assets	\$ 9,927,406	\$ 9,419,552	\$ 56,732	\$ 23,278	\$ 9,984,138	\$ 9,442,830	
Capital Assets, Net	11,476,065	10,683,881	30,756	3,970	11,506,821	10,687,851	
Total Assets	<u>21,403,471</u>	<u>20,103,433</u>	<u>87,488</u>	<u>27,248</u>	<u>21,490,959</u>	<u>20,130,681</u>	6.76%
Deferred Outflows of Resources	492,846	415,497			492,846	415,497	18.62%
Other Liabilities	883,687	742,531			883,687	742,531	
Long-Term Liabilities	6,406,260	6,969,158			6,406,260	6,969,158	
Total Liabilities	<u>7,289,947</u>	<u>7,711,689</u>			<u>7,289,947</u>	<u>7,711,689</u>	-5.47%
Deferred Inflows of Resources	392,015	1,218,921			392,015	1,218,921	-67.84%
Net Position:							
Net Investment in Capital Assets	7,975,571	6,116,746	30,756	3,970	8,006,327	6,120,716	
Restricted	8,077,033	7,136,645			8,077,033	7,136,645	
Unrestricted/(Deficit)	<u>(1,838,249)</u>	<u>(1,665,071)</u>	<u>56,732</u>	<u>23,278</u>	<u>(1,781,517)</u>	<u>(1,641,793)</u>	
Total Net Position	<u>\$14,214,355</u>	<u>\$11,588,320</u>	<u>\$ 87,488</u>	<u>\$ 27,248</u>	<u>\$14,301,843</u>	<u>\$11,615,568</u>	23.13%

Changes in Net Position. Net position from governmental activities increased \$2,626,035 while net position from business-type activities increased \$60,240.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change 2022/2023
	2022/2023	2021/2022 (Restated)	2022/2023	2021/2022	2022/2023	2021/2022 (Restated)	
Revenue:							
Program Revenue:							
Charges for Services	\$ 951,472	\$ 509,046	\$ 346,313	\$ 217,413	\$ 1,297,785	\$ 726,459	
Operating Grants/Contributions	6,003,333	8,112,595			6,003,333	8,112,595	
General Revenue:							
Property Taxes	16,334,952	15,695,393			16,334,952	15,695,393	
Other	616,965	534,406			616,965	534,406	
Total Revenue	<u>23,906,722</u>	<u>24,851,440</u>	<u>346,313</u>	<u>217,413</u>	<u>24,253,035</u>	<u>25,068,853</u>	-3.25%
Expenses:							
Instruction	12,696,570	13,688,593			12,696,570	13,688,593	
Pupil and Instruction Services	4,222,121	4,695,262			4,222,121	4,695,262	
Administrative and Business	2,049,737	1,881,377			2,049,737	1,881,377	
Maintenance and Operations	1,801,625	1,577,384			1,801,625	1,577,384	
Transportation	259,734	210,877			259,734	210,877	
Other	250,900	3,308,915	316,317	233,449	567,217	3,542,364	
Total Expenses	<u>21,280,687</u>	<u>25,362,408</u>	<u>316,317</u>	<u>233,449</u>	<u>21,597,004</u>	<u>25,595,857</u>	-15.62%
Transfers		(25,451)		25,451			
Other Item			30,244		30,244		
Increase/(Decrease) in Net Position	<u>\$ 2,626,035</u>	<u>\$ (536,419)</u>	<u>\$ 60,240</u>	<u>\$ 9,415</u>	<u>\$ 2,686,275</u>	<u>\$ (527,004)</u>	-609.73%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Figure A-5
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2022/2023	2021/2022 (Restated)	2022/2023	2021/2022 (Restated)
Instruction	\$ 12,696,570	\$ 13,688,593	\$ 7,192,484	\$ 6,875,825
Pupil and Instruction Services	4,222,121	4,695,262	3,206,032	3,478,264
Administration and Business	2,049,737	1,881,377	1,675,801	1,350,419
Maintenance and Operations	1,801,625	1,577,384	1,801,625	1,577,384
Transportation	259,734	210,877	199,040	149,960
Other	250,900	3,308,915	250,900	3,308,915
	<u>\$ 21,280,687</u>	<u>\$ 25,362,408</u>	<u>\$ 14,325,882</u>	<u>\$ 16,740,767</u>

Business-Type Activities

Net position from the District's business-type activity increased by \$60,240, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$29,996 and \$30,244 of capital assets added accounted for the increase in the net position of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position improved during the year. Expenditures during the recent year increased as a result of an increased number of pupils with disabilities entering the School District. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

A continued increase in the enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides and special transportation. The cost of these additional teachers, and special education aides, however, has largely been offset by salary reductions realized from the retirement of a significant number of veteran staff. Fringe benefit costs for all staff have increased dramatically in the past several years. The Board has changed to a different Health Benefits carrier in order to reduce costs in this area.

Legislation (S-1701) which reduced the District's unassigned General Fund surplus funds to 2% of the budget has had a direct impact on the District's planning for upcoming years. The District now has less funds available in the event of an emergency or unanticipated special education tuition. Consideration must be given to suspending the practice of utilizing unassigned fund balance to reduce the tax levy in future budgets. Increases in operating costs could exceed expected growth in the Borough's ratables and could potentially increase local taxes in the future. In order to maintain a stable financial position, the District must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Long Term Liabilities

Figure A-6

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percent Change 2022/2023
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	
Construction in Progress	388,683	1,211,000			388,683	1,211,000	
Buildings and Building Improvements	7,436,414	7,869,135			7,436,414	7,869,135	
Machinery & Equipment	2,347,398	300,176	\$ 30,756	\$ 3,970	2,378,154	304,146	
Total Capital Assets, (Net of Depreciation)	<u>\$ 11,476,065</u>	<u>\$ 10,683,881</u>	<u>\$ 30,756</u>	<u>\$ 3,970</u>	<u>\$ 11,506,821</u>	<u>\$ 10,687,851</u>	7.66%

Figure A-7

Outstanding Long-Term Debt

	Total School District		Percent Change 2022/2023
	2022/2023	2021/2022 (Restated)	
General Obligation Bonds	\$ 1,710,000	\$ 2,240,000	
Obligations Under Financed Purchases	1,790,494	2,327,135	
Compensated Absences Payable	290,740	326,202	
Unamortized Bond Premium	103,790	138,387	
Net Pension Liability - PERS	2,511,236	1,937,434	
	<u>\$ 6,406,260</u>	<u>\$ 6,969,158</u>	-8.08%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Statutory limitation on Tax Levy increases of 2%
- Very limited State Aid expected
- Limitation on District's General Fund Unassigned Fund Balance

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Antoinette Kelly, Board Secretary/Business Administrator at 568 Piermont Road, Demarest, NJ 07627.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,168,859	\$ 55,905	\$ 3,224,764
Receivables from Federal Government	150		150
Receivables from State Government	477,206		477,206
Receivables - Other	4,158		4,158
Inventory		827	827
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	6,277,033		6,277,033
Capital Assets:			
Sites (Land)	1,303,570		1,303,570
Construction in Progress	388,683		388,683
Depreciable Buildings and Building Improvements and Machinery and Equipment	9,783,812	30,756	9,814,568
Total Assets	<u>21,403,471</u>	<u>87,488</u>	<u>21,490,959</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	28,833		28,833
Deferred Outflows for Pensions	464,013		464,013
Total Deferred Outflows of Resources	<u>492,846</u>		<u>492,846</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	29,053		29,053
Payable to State Government	2,193		2,193
Accounts Payable	682,826		682,826
Unearned Revenue	169,615		169,615
Noncurrent Liabilities:			
Due Within One Year	1,182,090		1,182,090
Due Beyond One Year	5,224,170		5,224,170
Total Liabilities	<u>7,289,947</u>		<u>7,289,947</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows in Pensions	392,015		392,015
Total Deferred Inflows of Resources	<u>392,015</u>		<u>392,015</u>
NET POSITION			
Net Investment in Capital Assets	7,975,571	30,756	8,006,327
Restricted for:			
Capital Projects	5,998,866		5,998,866
Excess Surplus	1,800,000		1,800,000
Maintenance	200,000		200,000
Student Activities	78,167		78,167
Unrestricted (Deficit)	(1,838,249)	56,732	(1,781,517)
Total Net Position	<u>\$ 14,214,355</u>	<u>\$ 87,488</u>	<u>\$ 14,301,843</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 9,399,642	\$ 798,929	\$ 3,114,728	\$ (5,485,985)		\$ (5,485,985)
Special Education	2,594,491		1,437,350	(1,157,141)		(1,157,141)
Other Special Instruction	457,449		153,079	(304,370)		(304,370)
School Sponsored Instruction	244,988			(244,988)		(244,988)
Support Services:						
Tuition	625,433			(625,433)		(625,433)
Student & Instruction Related Services	3,596,688	152,543	863,546	(2,580,599)		(2,580,599)
General Administrative Services	829,869		186,666	(643,203)		(643,203)
School Administrative Services	771,529		187,270	(584,259)		(584,259)
Central Services	448,339			(448,339)		(448,339)
Plant Operations and Maintenance	1,801,625			(1,801,625)		(1,801,625)
Pupil Transportation	259,734		60,694	(199,040)		(199,040)
Interest on Long-Term Debt	54,765			(54,765)		(54,765)
Capital Outlay	196,135			(196,135)		(196,135)
Total Governmental Activities	21,280,687	951,472	6,003,333	(14,325,882)		(14,325,882)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Food Service	\$ 316,317	\$ 346,313			\$ 29,996	\$ 29,996
Total Business-Type Activities	316,317	346,313			29,996	29,996
Total Primary Government	\$ 21,597,004	\$ 1,297,785	\$ 6,003,333	\$ (14,325,882)	29,996	(14,295,886)
General Revenues and Other Item:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				15,717,252		15,717,252
Taxes Levied for Debt Service				617,700		617,700
Federal and State Aid Not Restricted				156,329		156,329
Investment Earnings				165,974		165,974
Miscellaneous Income				294,662		294,662
Other Item					30,244	30,244
Total General Revenues and Other Item				16,951,917	30,244	16,982,161
Change in Net Position				2,626,035	60,240	2,686,275
Net Position - Beginning (Restated)				11,588,320	27,248	11,615,568
Net Position - Ending				\$ 14,214,355	\$ 87,488	\$ 14,301,843

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 2,610,264	\$ 21,658	\$ 536,937	\$ 3,168,859
Interfund Receivable	1,540			1,540
Receivables from Federal Government		150		150
Receivables from State Government	477,206			477,206
Other Accounts Receivable	4,158			4,158
Restricted Cash and Cash Equivalents	6,198,866	78,167		6,277,033
TOTAL ASSETS	\$ 9,292,034	\$ 99,975	\$ 536,937	\$ 9,928,946
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable			\$ 1,540	\$ 1,540
Payable to State Government		\$ 2,193		2,193
Accounts Payable	\$ 388,367	2,100	67,076	457,543
Unearned Revenue	152,100	17,515		169,615
Total Liabilities	540,467	21,808	68,616	630,891
Fund Balances:				
Restricted for:				
Excess Surplus - 2024-2025	800,000			800,000
Excess Surplus - 2023-2024	1,000,000			1,000,000
Capital Reserve Account	5,998,866			5,998,866
Maintenance Reserve Account	200,000			200,000
Student Activities		78,167		78,167
Committed to:				
Capital Projects			468,321	468,321
Assigned:				
Year-End Encumbrances	22,182			22,182
Subsequent Year's Expenditures	135,949			135,949
Unassigned	594,570			594,570
Total Fund Balances	8,751,567	78,167	468,321	9,298,055
TOTAL LIABILITIES & FUND BALANCES	\$ 9,292,034	\$ 99,975	\$ 536,937	\$ 9,928,946

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances - Governmental Funds (Above)	\$ 9,298,055
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	11,476,065
Long-Term Liabilities, including Compensated Absences Payable, Bonds Payable and Financed Purchases Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,791,234)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(29,053)
Bond premiums are not reported as revenue in the governmental funds in the year the bonds are sold.	(103,790)
The deferred amount on bond refunding is not reported as an expenditure in the Governmental Funds in the year of expenditure.	28,833
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,511,236)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows	238,730
Deferred Inflows	(392,015)
Net Position of Governmental Activities	\$ 14,214,355

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 15,717,252			\$ 617,700	\$ 16,334,952
Tuition	798,929				798,929
Capital Reserve Interest	80,906				80,906
Miscellaneous	366,893		\$ 12,837		379,730
Restricted Miscellaneous		\$ 155,214			155,214
Total - Local Sources	16,963,980	155,214	12,837	617,700	17,749,731
State Sources	4,620,080	152,739			4,772,819
Federal Sources		337,075			337,075
Total Revenues	21,584,060	645,028	12,837	617,700	22,859,625
EXPENDITURES:					
Current:					
Instruction:					
Regular Instruction	5,035,506	107,028			5,142,534
Special Education Instruction	1,402,963	203,243			1,606,206
Other Special Instruction	268,466				268,466
School Sponsored Instruction	168,528				168,528
Support Services and Undistributed Costs:					
Tuition	625,433				625,433
Student & Instruction Related Services	1,996,380	221,339			2,217,719
General Administration Services	570,554				570,554
School Administration Services	456,880				456,880
Central Services	359,762				359,762
Administrative Information Technology	14,851				14,851
Plant Operations and Maintenance	1,658,726				1,658,726
Pupil Transportation	249,237				249,237
Allocated and Unallocated Benefits	6,462,398				6,462,398
Capital Outlay	1,517,473	156,329	388,683		2,062,485
Debt Service:					
Principal				530,000	530,000
Interest and Other Charges				87,700	87,700
Total Expenditures	20,787,157	687,939	388,683	617,700	22,481,479
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	796,903	(42,911)	(375,846)		378,146
OTHER FINANCING SOURCES/(USES):					
Transfers In	12,837				12,837
Transfers Out			(12,837)		(12,837)
Total Other Financing Sources/(Uses)	12,837		(12,837)		
Net Change in Fund Balances	809,740	(42,911)	(388,683)		378,146
Fund Balance—July 1	7,941,827	121,078	857,004		8,919,909
Fund Balance—June 30	\$ 8,751,567	\$ 78,167	\$ 468,321	\$ -0-	\$ 9,298,055

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 378,146
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Depreciation differs from Capital Outlays during the period.		
	Depreciation Expense	\$ (554,166)
	Capital Outlays	<u>1,346,350</u>
		792,184
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		35,462
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		530,000
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		34,597
The governmental funds report the effect the deferred amount on the refunding relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)		(9,612)
In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		3,835
Repayment of Financed Purchases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		536,641
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(573,802)
Change in Deferred Outflows		71,678
Change in Deferred Inflows		<u>826,906</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 2,626,035</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Business-Type Activities Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 55,905
Inventory	<u>827</u>
Total Current Assets	<u>56,732</u>
Non-Current Assets:	
Capital Assets	94,885
Less: Accumulated Depreciation	<u>(64,129)</u>
Total Non-Current Assets	<u>30,756</u>
Total Assets	<u>87,488</u>
NET POSITION:	
Investment in Capital Assets	30,756
Unrestricted	<u>56,732</u>
Total Net Position	<u><u>\$ 87,488</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 346,313
Total Operating Revenue	<u>346,313</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	164,656
Salaries, Payroll Taxes & Benefits	134,704
Supplies and Materials	468
Depreciation Expense	3,458
Miscellaneous Expenses	13,031
Total Operating Expenses	<u>316,317</u>
Operating Income	<u>29,996</u>
Other Item:	
Capital Asset Additions	<u>30,244</u>
Change in Net Position After Other Item	60,240
Net Position- Beginning of Year	<u>27,248</u>
Net Position- End of Year	<u>\$ 87,488</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 346,313
Payments to Employees	(134,704)
Payments to Vendors	(165,242)
Refunds	(13,031)
	33,336
Net Cash Provided by Operating Activities	33,336
Net Increase in Cash and Cash Equivalents	33,336
Cash and Cash Equivalents, July 1	22,569
Cash and Cash Equivalents, June 30	\$ 55,905
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 29,996
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	3,458
Changes in Assets and Liabilities:	
(Increase) in Inventory	(118)
	33,336
Net Cash Provided by Operating Activities	\$ 33,336

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Borough of Demarest School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds. Separate statements for each fund category – *governmental and proprietary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, lease assets or subscription assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: This Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

C. Measurement Focus and Basis of Accounting:

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset, lease asset or subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under financed purchases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2023 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis except for student activities. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 21,598,312	\$ 645,607
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not:		
Prior Year Encumbrances		14,878
Current Year Encumbrances		(15,457)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	45,269	
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	<u>(59,521)</u>	
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 21,584,060</u>	<u>\$ 645,028</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 20,787,157	\$ 688,518
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Prior Year Encumbrances		14,878
Current Year Encumbrances		<u>(15,457)</u>
 Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 20,787,157</u>	 <u>\$ 687,939</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2023.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 Years
Furniture and Equipment	10 to 15 Years
Computer and Related Technology	5 Years
Vehicles	8 Years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financials.

L. Lease Assets

Intangible right-to-use lease assets are assets which the District leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. Subscription Assets:

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets are determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

N. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2023.

P. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with District personnel policies. Upon termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after varying years of service based upon employees' individual contracts.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

Q. Lease Payable

In the district-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

R. Subscription Payable:

In the district-wide financial statements, subscription payables are reported as liabilities in the Statement of Net Position. In the governmental Fund financial statements, the present value of subscription payments at the District's incremental borrowing rate over the subscription term is reported as other financing sources.

S. Unearned Revenue:

Unearned revenue in the Special Revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

T. Fund Balance Appropriated:

General Fund: Of the \$8,751,567 General Fund fund balance at June 30, 2023, \$5,998,866 is restricted in the capital reserve account; \$200,000 is restricted in the maintenance reserve account; \$800,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2025; \$1,000,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2024; \$22,182 is assigned year end encumbrances; \$135,949 is designated for subsequent year's expenditures; and \$594,570 is unassigned which is \$59,521 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2024.

Special Revenue Fund: The Special Revenue Fund has \$78,167 of fund balance at June 30, 2023 which is entirely restricted for student activities.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Fund Balance Appropriated: (Cont'd)

Capital Projects Fund: The \$468,321 Capital Projects Fund fund balance at June 30, 2023 is committed to capital projects.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$59,521 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

U. Deficit in Net Position:

The District has a deficit in unrestricted net position of \$1,838,249 in its governmental activities, which is primarily due to the non-recognition of the June state aid payments as explained in Note 1T above and on the previous page, the accrual of compensated absences payable, accrued interest payable, unamortized bond issuance premiums, net pension liability and deferred inflows related to pensions, offset by deferred outflows related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

V. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2023 related to pensions and for the deferred amount on the refunding of the District's bonds. The District had deferred inflows of resources at June 30, 2023 related to pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

V. Net Position: (Cont'd)

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, lease assets, net of accumulated amortization and subscription assets, net of accumulated amortization, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

W. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, student activities, capital reserve, and maintenance reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion, or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$468,321 of committed resources in the Capital Projects Fund at June 30, 2023.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund of \$22,182 for fiscal year-end encumbrances and for amounts designated for subsequent year's expenditures of \$135,949 at June 30, 2023.

X. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Y. Revenue - Exchange and Non-exchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

Z. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

AA. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the section of this note on investments.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which New Jersey school districts are permitted to invest their funds.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) 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 obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (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 Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) 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); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a, or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2023, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 3,224,764	\$ 6,277,033	\$ 9,501,797

During the period ended June 30, 2023, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2023, was \$9,501,797 and the bank balance was \$9,635,892.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution during for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by a transfer by Board resolution at year-end of any unanticipated revenue or unexpended line item appropriation, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022	\$ 4,565,567
Increased by:	
Interest Earned	80,906
Unexpended Withdrawal Returned	452,730
Board Resolution	1,799,663
Decreased by:	
Budgeted Withdrawal	900,000
Ending Balance, June 30, 2023	\$ 5,998,866

The June 30, 2023 LRFP balance of local support costs of uncompleted capital projects at June 30, 2023 exceeds the balance in the capital reserve account as of June 30, 2023. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$150,000 was established by the District in June 2021. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance.

These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes.

Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities.

If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

The activity of the maintenance reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022	\$	250,000
Increased by:		
Board Resolution		100,000
Decreased by:		
Budgeted Withdrawal		150,000
Ending Balance, June 30, 2023	\$	200,000

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Construction in Progress	1,211,000	\$ 388,683	\$ (1,211,000)	388,683
Total Capital Assets not Being Depreciated	2,514,570	388,683	(1,211,000)	1,692,253
Capital Assets Being Depreciated				
Buildings and Building Improvements	16,166,089	31,282		16,197,371
Machinery and Equipment	2,430,877	926,385	1,211,000	4,568,262
Total Capital Assets Being Depreciated	18,596,966	957,667	1,211,000	20,765,633
Governmental Activities Capital Assets	21,111,536	1,346,350		22,457,886
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(8,296,954)	(464,003)		(8,760,957)
Machinery and Equipment	(2,130,701)	(90,163)		(2,220,864)
Total Accumulated Depreciation	(10,427,655)	(554,166)		(10,981,821)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 10,683,881	\$ 792,184	\$ -0-	\$ 11,476,065

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 64,641	\$ 30,244		\$ 94,885
Less: Accumulated Depreciation	(60,671)	(3,458)		(64,129)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,970</u>	<u>\$ 26,786</u>	<u>\$ -0-</u>	<u>\$ 30,756</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 348,591
Student & Instruction Related Services	142,858
General Administrative Services	3,503
School Administrative Services	21,504
Plant Operations and Maintenance	30,565
Pupil Transportation	7,145
	<u>\$ 554,166</u>

NOTE 7. LEASE ASSETS

The District had no lease assets as of June 30, 2023.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2023, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	Balance June 30, 2022 (Restated)	Accrued	Retired	Balance June 30, 2023
Serial Bonds Payable	\$ 2,240,000		\$ 530,000	\$ 1,710,000
Financed Purchases Payable	2,327,135		536,641	1,790,494
Unamortized Bond Premium	138,387		34,597	103,790
Compensated Absences Payable	326,202	\$ 43,916	79,378	290,740
Net Pension Liability - PERS	1,937,434	573,802		2,511,236
	<u>\$ 6,969,158</u>	<u>\$ 617,718</u>	<u>\$ 1,180,616</u>	<u>\$ 6,406,260</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be retired through the Debt Service Fund.

The District had bonds outstanding at June 30, 2023 as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2016 Refunding School Bonds	12/20/16	02/15/26	3.00-5.00%	<u>\$ 1,710,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 550,000	\$ 66,500	\$ 616,500
2025	570,000	44,500	614,500
2026	590,000	21,700	611,700
	<u>\$ 1,710,000</u>	<u>\$ 132,700</u>	<u>\$ 1,842,700</u>

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$34,597 and is separated from the long-term portion of \$69,193.

C. Bonds Authorized But Not Issued:

As of June 30, 2023, the District has no bonds authorized but not issued.

D. Financed Purchases Payable:

The District has two financed purchase agreements, one for copiers and one for County Road School improvements, valued at \$2,790,018 of which \$999,524 has been repaid. The financed purchase agreement term is for five years.

The following is a schedule of the future minimum financed purchase payments, and the present value of the net minimum financed purchase payments at June 30, 2023.

<u>Fiscal Year</u>	<u>Amount</u>
2024	\$ 613,233
2025	602,715
2026	604,185
	<u>1,820,133</u>
Less: Amount Representing Interest	<u>(29,639)</u>
Present Value Net of Minimum Lease Payments	<u>\$ 1,790,494</u>

The current portion of financed purchases payable is \$597,493 and the long-term portion is \$1,193,001. The General Fund will be used to liquidate the financed purchases payable.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

E. Lease Payable:

The District had no leases payable as of June 30, 2023.

F. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$290,740 is reported as a long-term portion. The General Fund will be used to liquidate Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2023, no liability existed for compensated absences in the Food Service Fund.

G. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in current and long-term portions and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2023 is \$-0- and the long-term portion is \$2,511,236. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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. The following represents the membership tiers for PERS:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 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 members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

District contributions to PERS amounted to \$209,841 for the current fiscal year. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$5,284 to the PERS for normal pension benefits on behalf of the District.

The employee contribution rate was 7.50% effective July 1, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

At June 30, 2023, the District reported a liability of \$2,511,236 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was 0.01664%, which was an increase of 0.00028% from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized an actual pension benefit in the amount of \$114,942 related to the District's proportionate share of the net pension liability. Additionally, for the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$5,284 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

There was no state proportionate share of net pension liability attributable to the District as of June 30, 2023.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

At June 30, 2023, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2018	5.63		\$ 60,365
	2019	5.21		75,436
	2020	5.16		221,823
	2021	5.13		18,407
	2022	5.04	\$ 7,781	
			<u>7,781</u>	<u>376,031</u>
Changes in Proportion	2018	5.63	20,561	
	2019	5.21	21,252	
	2020	5.16	23,464	
	2021	5.13	47	
	2022	5.04	43,562	
			<u>108,886</u>	
Difference Between Expected and Actual Experience	2018	5.63		2,299
	2019	5.21	5,766	
	2020	5.16	12,359	
	2021	5.13		6,188
	2022	5.04		7,497
			<u>18,125</u>	<u>15,984</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	2,485	
	2020	5.00	74,651	
	2021	5.00	(465,626)	
	2022	5.00	492,428	
			<u>103,938</u>	
Contribution Subsequent to Measurement Date	2022	1.00	225,283	
			<u>\$ 464,013</u>	<u>\$ 392,015</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows and inflows of resources (excluding employer specific amounts including changes in proportion and the contribution subsequent to measurement date) related to pensions will be recognized in the pension benefit as follows:

Fiscal Year Ending June 30,	Total
2023	\$ (215,411)
2024	(109,745)
2025	(53,520)
2026	116,761
2027	(256)
	\$ (262,171)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

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 a 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 a generational basis. Mortality improvement is based on Scale MP-2021.

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan 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 PERS' target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 non-employer contributing entity will be based upon 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 SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 3,456,250	\$ 2,511,236	\$ 1,758,746

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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 Tiers 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022, the State's pension contribution was more than the actuarial determined amount.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2023, the State of New Jersey contributed \$2,427,917 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$820,876.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2023, the State's proportionate share of the net pension liability associated with the District was \$30,501,331. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was 0.059%, which was an increase of 0.001% from its proportion measured as of June 30, 2021.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>30,501,331</u>
Total	<u>\$ 30,501,331</u>

For the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$820,876 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2015	8.30	\$ 213,742,984	
	2016	8.30	1,695,809,748	
	2017	8.30		\$ 3,681,530,748
	2018	8.29		2,705,362,525
	2019	8.04		2,012,738,111
	2020	7.99	1,007,402,060	
	2021	7.93		11,041,509,093
	2022	7.83	96,143,072	
			<u>3,013,097,864</u>	<u>19,441,140,477</u>
Difference Between Expected and Actual Experience	2015	8.30	13,201,022	
	2016	8.30		21,088,845.00
	2017	8.30	65,502,212	
	2018	8.29	474,592,771	
	2019	8.04		78,198,040
	2020	7.99		5,368,990
	2021	7.93	146,524,969	
	2022	7.83		18,009,041
			<u>699,820,974</u>	<u>122,664,916</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	36,220,692	
	2020	5.00	482,791,080	
	2021	5.00	(2,665,975,358)	
	2022	5.00	3,319,334,659	
			<u>1,172,371,073</u>	
			<u>\$ 4,885,289,911</u>	<u>\$ 19,563,805,393</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows and inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2023	\$ (2,658,825,381)
2024	(3,823,762,872)
2025	(3,351,102,048)
2026	(1,509,375,379)
2027	(1,647,727,819)
Thereafter	(1,687,721,983)
	\$ (14,678,515,482)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% 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 Teachers Above-Median Income Employee mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 TPAF's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 made based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the pension 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 pension plan investments was applied to all projected benefit payments in determining the total pension liability.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2022 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 35,763,459	\$ 30,501,331	\$ 26,068,649

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$19,753 for the fiscal year ended June 30, 2023. Employee contributions to DCRP amounted to \$28,863 for the fiscal year ended June 30, 2023.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. RISK MANAGEMENT

The District maintains insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are covered through Horizon Blue Cross/Blue Shield of New Jersey.

Property and Liability Insurance

The District is a member of the Northeast Bergen County School Board Insurance Group (the “Group”). This public entity risk management group provides general liability, property and automobile coverage and workers’ compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Annual Comprehensive Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group’s liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The audit for the Group as of June 30, 2023 is not available as of the date of this audit report. Selected, summarized financial information for the Group as of June 30, 2022 is as follows:

Total Assets	\$ 30,411,159
Net Position	\$ 17,613,833
Total Revenue	\$ 16,642,103
Total Expenses	\$ 18,220,220
Change in Net Position	\$ (1,578,117)
Member Dividends	\$ 2,231,474

Financial statements for the Group are available at the Group’s Executive Director’s Office.

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District’s claims are paid by the State.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

- Great American Life Insurance Company (G.A.L.I.C.)
- AXA/Equitable Life Assurance
- Metropolitan Life Insurance Company
- Prudential Insurance Company

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2023:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,540	
Capital Projects Fund		\$ 1,540
	\$ 1,540	\$ 1,540

The interfund payable from the Capital Projects Fund to the General Fund represents interest earned in the Capital Projects Fund bank account which was not turned over to the General Fund prior to June 30, 2023.

During the fiscal year, the Capital Projects Fund transferred \$12,837 of interest earnings to the General Fund.

NOTE 14. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District estimates that any potential claims against it resulting from litigation which would not be covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2023, the District had the following encumbrances:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 22,182	\$ 15,457	\$ 37,639
\$ 22,182	\$ 15,457	\$ 37,639

On the District's Governmental Funds Balance Sheet as of June 30, 2023, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$15,457 less than the actual encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 16. ACCOUNTS PAYABLE

At June 30, 2023, the District had the following accounts payable:

	General Fund	Special Revenue Fund	Capital Projects Fund	District Contribution Subsequent to Measurement Date	Total Governmental Type-Activities
Vendors	\$ 369,911	\$ 2,100	\$ 67,076		\$ 439,087
Payroll Deductions and Withholdings	18,456				18,456
State of New Jersey				\$ 225,283	225,283
	\$ 388,367	\$ 2,100	\$ 67,076	\$ 225,283	\$ 682,826

NOTE 17. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2023, the District transferred \$198,287 to the capital outlay accounts for equipment which did not require approval from the County Superintendent.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). 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 years or more 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 of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s annual financial statements which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notice-oheb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2021, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	151,669
Active Plan Members	213,148
Total	364,817

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases	2.75 - 4.25% based on years of service	2.75 - 6.55% based on years of service	3.25 - 16.25% based on years of service

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 – June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 “Safety” (PFRS), “General” (PERS) and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2021	\$ 28,100,376
Changes for Year:	
Service Cost	1,475,146
Interest on the Total OPEB Liability	642,928
Difference between Actual and Expected Experience	1,166,459
Changes of Assumptions	(6,508,076)
Contributions from Members	20,430
Gross Benefit Payments by the State	(636,839)
Net Changes	(3,839,952)
Balance at June 30, 2022	\$ 24,260,424

Sensitivity of the Total Non-employer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total non-employer OPEB Liability attributable to the District as of June 30, 2022, calculated using the discount rate as disclosed in this note, as well as what the total non-employer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (2.54%)	At Discount Rate (3.54%)	At 1% Increase (4.54%)
Total OPEB Liability Attributable to the District	\$ 28,515,576	\$ 24,260,424	\$ 20,850,132

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2022, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 20,052,723	\$ 24,260,424	\$ 29,787,494

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023 the District recognized OPEB expense of \$1,040,673 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District’s proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources.

At June 30, 2022 the State had deferred outflows and inflows of resources related to OPEB associated with the District from the following sources:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,259,627
	2018	9.51		1,202,043
	2019	9.29	\$ 169,710	
	2020	9.24	4,006,935	
	2021	9.24	22,220	
	2022	9.13		5,795,253
				4,198,865
Differences between Expected and Actual Experience	2018	9.51		1,136,305
	2019	9.29		1,997,499
	2020	9.24	3,734,620	
	2021	9.24		4,273,184
	2022	9.13	596,828	
				4,331,448
Changes in Proportion	N/A	N/A	1,259,739	483,727
			\$ 9,790,052	\$ 16,147,638

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2023	\$ (1,205,754)
2024	(1,205,754)
2025	(1,205,754)
2026	(1,042,073)
2027	(595,871)
Thereafter	(1,878,392)
	\$ (7,133,598)

NOTE 19. PRIOR YEAR ADJUSTMENT

The District made a prior year adjustment in the district-wide financial statements to record a financed purchase obligation as of June 30, 2022. The ending balances as of June 30, 2022 were restated due to this implementation as follows:

	June 30, 2022 as Previously Reported	Retroactive Adjustments	Balance June 30, 2022 as Restated
<u>Statement of Net Position - Governmental Activities:</u>			
Noncurrent Liabilities:			
Due Within One Year	\$ 581,238	\$ 520,000	\$ 1,101,238
Due Beyond One Year	4,097,920	1,770,000	5,867,920
Total Liabilities	5,421,689	2,290,000	7,711,689
Net Position:			
Net Investment in Capital Assets	8,406,746	(2,290,000)	6,116,746
Total Net Position	13,878,320	(2,290,000)	11,588,320

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

BOROUGH OF DEMAREST SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.0223680527%	0.0171748910%	0.0151452233%	0.0148864435%	0.0157012792%
District's proportionate share of the net pension liability	\$ 4,187,911	\$ 3,855,419	\$ 4,485,581	\$ 3,465,326	\$ 3,091,504
District's covered employee payroll	\$ 984,256	\$ 1,019,081	\$ 979,710	\$ 1,037,302	\$ 1,070,343
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	425.49%	378.32%	457.85%	334.07%	288.83%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%
	Fiscal Year Ending June 30,				
	2020	2021	2022	2023	
District's proportion of the net pension liability	0.0161051840%	0.0163541361%	0.0163544827%	0.0166402069%	
District's proportionate share of the net pension liability	\$ 2,901,910	\$ 2,666,932	\$ 1,937,434	\$ 2,511,236	
District's covered employee payroll	\$ 1,150,603	\$ 1,149,857	\$ 1,225,100	\$ 1,290,216	
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	252.21%	231.94%	158.14%	194.64%	
Plan fiduciary net position as a percentage of the total pension liability	56.27%	58.32%	70.33%	62.91%	

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 155,922	\$ 147,658	\$ 135,182	\$ 142,539	\$ 157,021
Contributions in relation to the contractually required contribution	(155,922)	(147,658)	(135,182)	(142,539)	(157,021)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,019,081	\$ 979,710	\$ 1,037,302	\$ 1,070,343	\$ 1,150,603
Contributions as a percentage of covered employee payroll	15.30%	15.07%	13.03%	13.32%	13.65%

	Fiscal Year Ending June 30,			
	2020	2021	2022	2023
Contractually required contribution	\$ 157,425	\$ 178,906	\$ 191,530	\$ 209,841
Contributions in relation to the contractually required contribution	(157,425)	(178,906)	(191,530)	(209,841)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,149,857	\$ 1,225,100	\$ 1,290,216	\$ 1,316,556
Contributions as a percentage of covered employee payroll	13.69%	14.60%	14.84%	15.94%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST NINE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0494226942%	0.0538946123%	0.0526964833%	0.0516118696%	0.0507066748%
State's proportionate share of the net pension liability attributable to the District	\$ 26,414,822	\$ 34,063,696	\$ 41,454,409	\$ 34,798,584	\$ 32,258,497
District's covered employee payroll	\$ 5,161,000	\$ 5,266,327	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	511.82%	646.82%	771.42%	642.18%	548.45%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%
	Fiscal Year Ending June 30,				
	2020	2021	2022	2023	
State's proportion of the net pension liability attributable to the District	0.0507066748%	0.0564381995%	0.0581053665%	0.0591175041%	
State's proportionate share of the net pension liability attributable to the District	\$ 33,358,597	\$ 37,163,875	\$ 27,934,265	\$ 30,501,331	
District's covered employee payroll	\$ 6,396,888	\$ 6,620,281	\$ 6,809,938	\$ 7,186,165	
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	521.48%	561.36%	410.20%	424.45%	
Plan fiduciary net position as a percentage of the total pension liability	26.95%	24.60%	35.52%	32.29%	

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST NINE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,421,365	\$ 2,079,895	\$ 3,114,722	\$ 2,410,670	\$ 1,880,558
Contributions in relation to the contractually required contribution	<u>(291,374)</u>	<u>(421,909)</u>	<u>(560,233)</u>	<u>(764,852)</u>	<u>(1,091,423)</u>
Contribution deficiency/(excess)	<u>\$ 1,129,991</u>	<u>\$ 1,657,986</u>	<u>\$ 2,554,489</u>	<u>\$ 1,645,818</u>	<u>\$ 789,135</u>
District's covered employee payroll	\$ 5,266,327	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725	\$ 6,396,888
Contributions as a percentage of covered employee payroll	5.53%	7.85%	10.34%	13.00%	17.06%

	Fiscal Year Ending June 30,			
	2020	2021	2022	2023
Contractually required contribution	\$ 1,967,579	\$ 2,311,008	\$ 657,306	\$ 820,876
Contributions in relation to the contractually required contribution	<u>(1,237,906)</u>	<u>(1,689,053)</u>	<u>(2,433,664)</u>	<u>(2,427,917)</u>
Contribution deficiency/(excess)	<u>\$ 729,673</u>	<u>\$ 621,955</u>	<u>\$ (1,776,358)</u>	<u>\$ (1,607,041)</u>
District's covered employee payroll	\$ 6,620,281	\$ 6,809,938	\$ 7,186,165	\$ 7,301,698
Contributions as a percentage of covered employee payroll	18.70%	24.80%	33.87%	33.25%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Total OPEB Liability					
Service Cost	\$ 1,216,757	\$ 1,005,021	\$ 896,344	\$ 987,403	\$ 1,758,400
Interest Cost	784,665	910,877	849,212	716,985	728,953
Changes in Benefit Terms					(29,909)
Differences Between Expected and Actual Experience		(2,289,048)	(3,021,017)	5,571,466	(6,248,922)
Changes in Assumptions	(3,327,691)	(2,448,728)	294,760	5,921,966	27,723
Member Contributions	21,076	19,721	17,989	17,107	18,636
Gross Benefit Payments	(572,371)	(570,590)	(606,855)	(564,400)	(574,211)
Net Change in Total OPEB Liability	(1,877,564)	(3,372,747)	(1,569,567)	12,650,527	(4,319,330)
Total OPEB Liability - Beginning	26,589,057	24,711,493	21,338,746	19,769,179	32,419,706
Total OPEB Liability - Ending	<u>\$ 24,711,493</u>	<u>\$ 21,338,746</u>	<u>\$ 19,769,179</u>	<u>\$ 32,419,706</u>	<u>\$ 28,100,376</u>
District's Covered Employee Payroll *	\$ 6,285,408	\$ 6,353,513	\$ 6,456,088	\$ 6,952,068	\$ 7,547,491
Total OPEB Liability as a Percentage of Covered Employee Payroll	25.44%	29.77%	32.66%	21.44%	26.86%

	Fiscal Year Ending June 30, 2022
Total OPEB Liability	
Service Cost	\$ 1,475,146
Interest Cost	642,928
Changes in Benefit Terms	
Differences Between Expected and Actual Experience	1,166,459
Changes in Assumptions	(6,508,076)
Member Contributions	20,430
Gross Benefit Payments	(636,839)
Net Change in Total OPEB Liability	(3,839,952)
Total OPEB Liability - Beginning	28,100,376
Total OPEB Liability - Ending	<u>\$ 24,260,424</u>
District's Covered Employee Payroll *	\$ 7,770,138
Total OPEB Liability as a Percentage of Covered Employee Payroll	32.03%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2022 are based on the payroll on the June 30, 2016 - 2021 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 5.65% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 1.55%-4.45% through 2026 and 2.75%-5.65% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2022 was 3.54%. The discount rate for June 30, 2021 was 2.16%, a change of 1.38%.

The salary increases for TPAF/ABP thereafter were 1.55% - 4.45% through 2026 and 2.75% - 5.65% for thereafter in the valuation as of June 30, 2021. The salary increases for TPAF/ABP were 2.75% - 4.25% in the valuation as of June 30, 2022.

The salary increases for PERS were 2.00% - 6.00% through 2026 and 3.00% - 7.00% for thereafter in the valuation as of June 30, 2021. The salary increases for PERS were 2.75% - 6.55% in the valuation as of June 30, 2022.

The salary increases for PFRS were 3.25% - 15.25% through 2026 and not applicable for thereafter in the valuation as of June 30, 2021. The salary increases for PFRS were 3.25% - 16.25% in the valuation as of June 30, 2022.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN (Cont'd)

The health care trend rates in the valuation as of June 30, 2022 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years.

The health care trend rates in the valuation as of June 30, 2021 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 15,717,252		\$ 15,717,252	\$ 15,717,252	
Tuition From Individuals	638,000		638,000	731,508	\$ 93,508
Tuition From Other LEAs Within the State	76,600		76,600	67,421	(9,179)
Unrestricted Miscellaneous Revenues	31,000		31,000	366,893	335,893
Interest Earned on Capital Reserve Funds	2,000		2,000	80,906	78,906
Total Revenues from Local Sources	<u>16,464,852</u>		<u>16,464,852</u>	<u>16,963,980</u>	<u>499,128</u>
Revenues from State Sources:					
Extraordinary Special Education Costs				299,929	299,929
Nonpublic School Transportation Costs				10,917	10,917
Categorical Transportation Aid	49,777		49,777	49,777	
Categorical Special Education Aid	617,118		617,118	617,118	
Categorical Security Aid	31,678		31,678	31,678	
TPAF Post Retirement Contributions (Non-Budgeted)				646,657	646,657
TPAF Pension Contributions (Non-Budgeted)				2,427,917	2,427,917
TPAF Non-Contributory Insurance (Non-Budgeted)				33,685	33,685
TPAF Long-Term Disability Insurance (Non-Budgeted)				1,033	1,033
Reimbursed TPAF Social Security Contributions				515,621	515,621
Total Revenues from State Sources	<u>698,573</u>		<u>698,573</u>	<u>4,634,332</u>	<u>3,935,759</u>
TOTAL REVENUE	<u>17,163,425</u>		<u>17,163,425</u>	<u>21,598,312</u>	<u>4,434,887</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
GENERAL CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 434,144	\$ 10,631	\$ 444,775	\$ 444,774	\$ 1
Kindergarten - Salaries of Teachers	340,162	(7,363)	332,799	332,659	140
Grades 1-5 - Salaries of Teachers	2,076,792	(3,268)	2,073,524	1,991,168	82,356
Grades 6-8 - Salaries of Teachers	1,585,769	(100)	1,585,669	1,527,525	58,144
Salaries of Teachers	3,000	1,716	4,716	4,716	
Purchased Professional-Educational Services	1,500	(1,500)			
Other Programs - Undistributed Instruction:					
Other Salaries for Instruction	249,978		249,978	203,039	46,939
Purchased Technical Services	100,400		100,400	54,756	45,644
Other Purchased Services (400-500 series)	207,296	829	208,125	173,638	34,487
General Supplies	458,640	1,000	459,640	282,378	177,262
Textbooks	19,656		19,656	15,606	4,050
Other Objects	7,260		7,260	5,247	2,013
Total Regular Programs - Instruction	5,484,597	1,945	5,486,542	5,035,506	451,036
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	62,228		62,228	62,228	
Other Salaries for Instruction	25,336	(3,000)	22,336	17,561	4,775
General Supplies	3,205		3,205	2,894	311
Total Learning and/or Language Disabilities	90,769	(3,000)	87,769	82,683	5,086
Resource Room/Resource Center:					
Salaries of Teachers	1,069,803	(62,228)	1,007,575	996,038	11,537
Other Salaries for Instruction	273,950	62,228	336,178	311,878	24,300
General Supplies	9,171		9,171	7,924	1,247
Other Objects	125		125	100	25
Total Resource Room/Resource Center	1,353,049		1,353,049	1,315,940	37,109

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Home Instruction:					
Salaries of Teachers	\$ 3,000	\$ 2,000	\$ 5,000	\$ 4,120	\$ 880
Purchased Professional-Educational Services		1,000	1,000	220	780
Total Home Instruction	<u>3,000</u>	<u>3,000</u>	<u>6,000</u>	<u>4,340</u>	<u>1,660</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>1,446,818</u>		<u>1,446,818</u>	<u>1,402,963</u>	<u>43,855</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	176,398		176,398	173,836	2,562
Other Purchased Services (400-500 series)		82	82	57	25
General Supplies	5,280	(62)	5,218	3,786	1,432
Other Objects	50		50	50	
Total Basic Skills/Remedial - Instruction	<u>181,728</u>	<u>20</u>	<u>181,748</u>	<u>177,729</u>	<u>4,019</u>
Bilingual Education - Instruction:					
Salaries of Teachers	83,797	1	83,798	83,798	
Other Purchased Services (400-500 series)	250	(20)	230	143	87
General Supplies	12,356	(1)	12,355	6,796	5,559
Other Objects	130		130		130
Total Bilingual Education - Instruction	<u>96,533</u>	<u>(20)</u>	<u>96,513</u>	<u>90,737</u>	<u>5,776</u>
School-Sponsored Cocurricular & Extracurricular Activities - Instruction:					
Salaries	104,753		104,753	101,666	3,087
Supplies and Materials	2,000		2,000	1,094	906
Other Objects	1,000		1,000		1,000
Total School-Sponsored Cocurricular & Extracurricular Activities - Instruction	<u>107,753</u>		<u>107,753</u>	<u>102,760</u>	<u>4,993</u>
School-Sponsored Athletics - Instruction:					
Salaries	14,372		14,372	14,338	34
Purchased Services (300-500 series)	3,000		3,000	3,000	
Supplies and Materials	3,300	151	3,451	3,427	24
Other Objects	680	(151)	529	305	224
Total School-Sponsored Athletics - Instruction	<u>21,352</u>		<u>21,352</u>	<u>21,070</u>	<u>282</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Community Services Programs/Operations:					
Salaries	\$ 42,724		\$ 42,724	\$ 41,863	\$ 861
Purchased Services (300-500 series)	19,800	(1,000)	18,800	2,835	15,965
Total Community Services Programs/Operations	62,524	(1,000)	61,524	44,698	16,826
TOTAL INSTRUCTION	7,401,305	945	7,402,250	6,875,463	526,787
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State-Special	692,477	(73,205)	619,272	397,663	221,609
Tuition to CSSD & Regular Day Schools		73,205	73,205	73,205	
Tuition to Private School for the Handicapped Within State	279,825		279,825	154,565	125,260
Tuition to Priv Sch Handicap & Oth LEAs-Spl./O/S St	147,300	(139,435)	7,865		7,865
Total Undistributed Expenditures - Instruction	1,119,602	(139,435)	980,167	625,433	354,734
Undistributed Expenditures - Attendance & Social Work:					
Salaries	44,503		44,503	38,782	5,721
Purchased Professional and Technical Services	7,373		7,373	7,372	1
Total Undistributed Expenditures - Attendance and Social Work	51,876		51,876	46,154	5,722
Undistributed Expenditures - Health Services:					
Salaries	257,859	(4,502)	253,357	252,329	1,028
Purchased Professional and Technical Services	5,339	3,173	8,512	8,504	8
Other Purchased Services (400-500 series)	325	(84)	241	84	157
Supplies and Materials	4,430	1,413	5,843	5,389	454
Total Undistributed Expenditures - Health Services	267,953		267,953	266,306	1,647
Undistributed Expenditures - Speech, OT, PT, Related Services:					
Salaries	335,872		335,872	303,959	31,913
Purchased Professional - Educational Services	206,000		206,000	67,948	138,052
Supplies and Materials	13,259		13,259	5,845	7,414
Other Objects	3,468		3,468	1,720	1,748
Total Undistributed Expenditures - Speech, OT, PT, Related Services	558,599		558,599	379,472	179,127

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Other Support Services Students-Extracurricular Services:					
Salaries	\$ 166,046		\$ 166,046	\$ 127,976	\$ 38,070
Purchased Professional - Educational Services	418,882		418,882	97,464	321,418
Total Undistributed Expenditures - Other Support Services Students - Extracurricular Services	584,928		584,928	225,440	359,488
Undistributed Expenditures-Guidance:					
Salaries of Other Professional Staff	160,719	\$ 119	160,838	160,838	
Salaries of Secretarial and Clerical Assistants	29,096	(447)	28,649	28,132	517
Other Purchased Professional and Technical Services	14,650	713	15,363	15,363	
Other Purchased Services (400-500 series)	100	10	110	106	4
Supplies and Materials	1,500	(395)	1,105	1,001	104
Other Objects	360		360	174	186
Total Undistributed Expenditures - Guidance	206,425		206,425	205,614	811
Undistributed Expenditures-Child Study Team:					
Salaries of Other Professional Staff	408,211	(35,059)	373,152	301,631	71,521
Salaries of Secretarial and Clerical Assistants	71,513	(24,679)	46,834	46,834	
Other Salaries	22,250	59,738	81,988	59,738	22,250
Purchased Professional - Educational Services	197,083		197,083	104,981	92,102
Other Purchased Professional and Technical Services	6,345	(413)	5,932	3,436	2,496
Other Purchased Services (400-500 series)	7,430		7,430	6,384	1,046
Supplies and Materials	13,712	(1,000)	12,712	11,621	1,091
Other Objects	3,331	1,413	4,744	4,744	
Total Undistributed Expenditures - Child Study Team	729,875		729,875	539,369	190,506
Undistributed Expenditures-Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	123,916		123,916	72,817	51,099
Salaries of Other Professional Staff	6,000		6,000		6,000
Purchased Professional - Educational Services	35,454		35,454	35,454	
Other Purchased Professional and Technical Services	22,506	(4,010)	18,496	17,494	1,002
Other Purchased Services (400-500 series)	2,500	1,400	3,900	3,830	70
Supplies and Materials	400	604	1,004	1,004	
Other Objects	1,500	(1,004)	496	245	251
Total Undistributed Expenditures-Improvement of Instruction Services	192,276	(3,010)	189,266	130,844	58,422

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Educational Media Services/School Library:					
Salaries	\$ 91,720		\$ 91,720	\$ 91,720	
Salaries of Technology Coordinators	73,018	3,810	76,828	76,828	
Purchased Professional and Technical Services	1,800		1,800	1,740	\$ 60
Other Purchased Services (400-500 series)	200		200	61	139
Supplies and Materials	6,250	(303)	5,947	3,427	2,520
Other Objects	90		90	65	25
Total Undist Expend-Educational Media Services/School Library	173,078	3,507	176,585	173,841	2,744
Undistributed Expenditures-Instructional Staff Training Services:					
Other Salaries	3,000		3,000	2,850	150
Purchased Professional - Educational Service	27,639	(563)	27,076	24,138	2,938
Other Purchased Services (400-500 series)	7,059		7,059	2,291	4,768
Supplies and Materials		66	66	61	5
Total Undistributed Expenditures-Instructional Staff Training Services	37,698	(497)	37,201	29,340	7,861
Undistributed Expenditures-Support Services-General Administration:					
Salaries	316,901	(2,741)	314,160	314,159	1
Legal Services	40,000	(13,410)	26,590	22,117	4,473
Audit Fees	20,000	1,000	21,000	21,000	
Architectural/Engineering Services	36,000	80,500	116,500	116,500	
Other Purchased Professional Services	15,985	37,884	53,869	51,369	2,500
Purchased Technical Services		1,910	1,910	1,910	
Communications / Telephone	40,480	(11,661)	28,819	28,651	168
BOE Other Purchased Services	7,500	(6,000)	1,500	501	999
Other Purchased Services (400-500 series other than 530 & 585)	13,320	(10,820)	2,500	1,414	1,086
General Supplies	8,000	(2,500)	5,500	4,284	1,216
BOE In-house training/ Meeting Supplies	500		500		500
Judgments Against The School District	20,000	(20,000)			
Miscellaneous Expenditures	2,500	(711)	1,789	1,789	
BOE Membership Dues and Fees	7,560	(700)	6,860	6,860	
Total Undistributed Expenditures-Support Services-General Administration	528,746	52,751	581,497	570,554	10,943

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Support Services-School Administration:					
Salaries of Principals/Assistant Principals/Program Director	\$ 315,452	\$	\$ 315,452	\$ 315,177	\$ 275
Salaries of Secretarial and Clerical Assistants	121,383		121,383	111,747	9,636
Other Purchased Services (400-500 series)	9,418	\$ 45	9,463	4,477	4,986
Supplies and Materials	29,050		29,050	23,368	5,682
Other Objects	3,000		3,000	2,110	890
Total Undistributed Expenditures-Support Services-School Administration	478,303	45	478,348	456,880	21,468
Undistributed Expenditures - Central Services:					
Salaries	319,356	1,694	321,050	320,821	229
Miscellaneous Purchased Services (400-500 series other than 594)	43,820	(5,355)	38,465	32,764	5,701
Supplies and Materials	6,500	5,000	11,500	5,282	6,218
Other Objects	1,500		1,500	895	605
Total Undistributed Expenditures - Central Services	371,176	1,339	372,515	359,762	12,753
Undistributed Expenditures - Administration Information Technology:					
Purchased Technical Services	21,500	15,000	36,500	14,851	21,649
Supplies and Materials	15,000	12,890	27,890	27,890	27,890
Total Undistributed Expenditures - Administration Information Technology	36,500	27,890	64,390	14,851	49,539
Undistributed Expenditures-Required Maintenance for School Facilities:					
Salaries	132,307	4,149	136,456	136,209	247
Cleaning, Repair, and Maintenance Services	285,772	68,930	354,702	333,184	21,518
General Supplies	127,463	(99,609)	27,854	27,854	27,854
Other Objects	36,232		36,232	34,888	1,344
Total Undistributed Expenditures- Required Maintenance for School Facilities	581,774	(26,530)	555,244	532,135	23,109

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Custodial Services:					
Salaries	\$ 452,400	\$ 20,149	\$ 472,549	\$ 471,078	\$ 1,471
Salaries of Non-Instructional Aides	22,574	529	23,103	23,103	
Cleaning, Repair, and Maintenance Services	19,000	(180)	18,820	4,214	14,606
Other Purchased Property Services	47,188	(2,520)	44,668	36,844	7,824
Insurance	160,821	25,583	186,404	186,404	
General Supplies	96,000	(30,184)	65,816	46,186	19,630
Energy (Natural Gas)	100,000	(3,653)	96,347	73,495	22,852
Energy (Electricity)	170,000	(15,430)	154,570	154,570	
Energy (Gasoline)	8,000		8,000	6,620	1,380
Other Objects	5,000		5,000	579	4,421
Total Undistributed Expenditures-Custodial Services	<u>1,080,983</u>	<u>(5,706)</u>	<u>1,075,277</u>	<u>1,003,093</u>	<u>72,184</u>
Care and Upkeep of Grounds:					
Salaries	58,633	7,930	66,563	63,413	3,150
Cleaning, Repair, and Maintenance Services	54,193	(25,779)	28,414	6,683	21,731
General Supplies	12,000	(1,330)	10,670	2,546	8,124
Total Care And Upkeep Of Grounds	<u>124,826</u>	<u>(19,179)</u>	<u>105,647</u>	<u>72,642</u>	<u>33,005</u>
Security:					
Purchased Professional and Technical Services	10,000		10,000	10,000	
Cleaning, Repair, and Maintenance Services	40,000		40,000	35,366	4,634
General Supplies	30,690	(19,605)	11,085	5,490	5,595
Total Security	<u>80,690</u>	<u>(19,605)</u>	<u>61,085</u>	<u>50,856</u>	<u>10,229</u>
Total Undistributed Expenditures-Operations And Maintenance Of Plant Services	<u>1,868,273</u>	<u>(71,020)</u>	<u>1,797,253</u>	<u>1,658,726</u>	<u>138,527</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Student Transportation Services:					
Sal. for Pupil Trans. (Between Home and School)-Regular	\$ 15,411	\$ (1,181)	\$ 14,230	\$ 14,230	
Sal. for Pupil Trans. (Other than Between Home & School)	5,000	(2,500)	2,500	2,500	
Other Purchased Professional and Technical Services	1,000	(207)	793	100	\$ 693
Cleaning, Repair, and Maintenance Services	10,000	(2,648)	7,352	7,352	
Contract, Services - Aid in Lieu of Payments-Nonpublic Students	20,000	(2,494)	17,506	17,506	
Contract, Services(Other than Between Home & School)-Vendors	5,900	(4,900)	1,000	444	556
Contract, Services(Between Home & School)-Joint Agreements	15,000	(3,447)	11,553	11,553	
Contract, Services(Special Education Students)-Joint Agreements	120,000	75,201	195,201	195,201	
General Supplies	2,000	(2,000)			
Other Objects	1,000	(649)	351	351	
Total Undistributed Expenditures-Student Transportation Services	<u>195,311</u>	<u>55,175</u>	<u>250,486</u>	<u>249,237</u>	<u>1,249</u>
UNALLOCATED BENEFITS					
Social Security Contributions	190,000	2,572	192,572	192,572	
Other Retirement Contributions - PERS	210,000		210,000	209,841	159
Other Retirement Contributions - Regular	32,000	(12,247)	19,753	19,753	
Unemployment Compensation	45,000	(12,156)	32,844	32,844	
Workers Compensation	70,000		70,000	68,828	1,172
Health Benefits	2,453,234	(126,861)	2,326,373	2,204,032	122,341
Tuition Reimbursement	10,000		10,000	8,000	2,000
Other Employee Benefits	66,400	32,915	99,315	99,315	
Unused Sick Payment to Terminated/Retired Staff	12,500	(10,200)	2,300	2,300	
TOTAL UNALLOCATED BENEFITS	<u>3,089,134</u>	<u>(125,977)</u>	<u>2,963,157</u>	<u>2,837,485</u>	<u>125,672</u>
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)			646,657	646,657	(646,657)
TPAF Pension Contributions (Non-Budgeted)			2,427,917	2,427,917	(2,427,917)
TPAF Non-Contributory Insurance (Non-Budgeted)			33,685	33,685	(33,685)
TPAF Long-Term Disability Insurance (Non-Budgeted)			1,033	1,033	(1,033)
Reimbursed TPAF Social Security Contributions			515,621	515,621	(515,621)
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)			<u>3,624,913</u>	<u>3,624,913</u>	<u>(3,624,913)</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 3,089,134	\$ (125,977)	\$ 2,963,157	\$ 6,462,398	\$ (3,499,241)
TOTAL UNDISTRIBUTED EXPENDITURES	10,489,753	(199,232)	10,290,521	12,394,221	(2,103,700)
TOTAL GENERAL CURRENT EXPENSE	17,891,058	(198,287)	17,692,771	19,269,684	(1,576,913)
CAPITAL OUTLAY					
Equipment:					
Grades 1-5		115,777	115,777	115,777	
Grades 6-8		14,196	14,196	14,196	
Undistributed:					
Undistributed Expenditures - Required Maintenance for School Facilities	58,367	12,390	70,757	70,757	
Undistributed Expenditures - Security	22,000	1,952	23,952	23,952	
School Buses - Regular	50,000	48,831	98,831	98,831	
Undistributed Expenditures - Non-Instruction Services		5,141	5,141	5,141	
Total Equipment	130,367	198,287	328,654	328,654	
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	85,350	(75,000)	10,350	10,350	
Other Purchased Professional and Technical Services	30,000	(30,000)			
Construction Services	645,000	255,000	900,000	447,270	452,730
Supplies and Materials	150,000	(150,000)			
Lease Purchase Agreements - Principal	725,817		725,817	725,817	
Assessment for Debt Service on SDA Funding	5,382		5,382	5,382	
Total Facilities Acquisition and Construction Services	1,641,549		1,641,549	1,188,819	452,730
TOTAL CAPITAL OUTLAY	1,771,916	198,287	1,970,203	1,517,473	452,730
TOTAL EXPENDITURES	19,662,974		19,662,974	20,787,157	(1,124,183)

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficit) of Revenues Over/(Under) Expenditures	\$ (2,499,549)		\$ (2,499,549)	\$ 811,155	\$ 3,310,704
Other Financing Sources/(Uses):					
Transfer In - Capital Projects Fund - Interest Earned				12,837	12,837
Total Other Financing Sources/(Uses)				<u>12,837</u>	<u>12,837</u>
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,499,549)		(2,499,549)	823,992	3,323,541
Fund Balance, July 1	7,987,096		7,987,096	7,987,096	
Fund Balance, June 30	<u>\$ 5,487,547</u>	<u>\$ - 0 -</u>	<u>\$ 5,487,547</u>	<u>\$ 8,811,088</u>	<u>\$ 3,323,541</u>
Recapitulation:					
Restricted Fund Balance:				\$ 800,000	
Excess Surplus - Restricted For 2024-2025				1,000,000	
Excess Surplus - Restricted For 2023-2024				5,998,866	
Capital Reserve				200,000	
Maintenance Reserve				22,182	
Assigned Fund Balance:				135,949	
Year End Encumbrances				654,091	
Designated for Subsequent Year's Expenditures				<u>8,811,088</u>	
Unassigned Fund Balance				<u>(59,521)</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				<u>\$ 8,751,567</u>	
Fund Balance per Governmental Funds (GAAP)					

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 2,000	\$ 198,181	\$ 200,181	\$ 155,214	\$ (44,967)
State Sources	13,388	142,208	155,596	153,318	(2,278)
Federal Sources	196,847	482,185	679,032	337,075	(341,957)
Total Revenues	212,235	822,574	1,034,809	645,607	(389,202)
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services	1,315	3,945	5,260	5,260	
Purchased Professional and Educational Services	13,388	66,098	79,486	43,712	35,774
Tuition	190,571	(10,664)	179,907	179,907	
General Supplies	6,487	73,271	79,758	77,572	2,186
Textbooks		3,828	3,828	3,820	8
Other Objects	113	(113)			
Total Instruction	211,874	136,365	348,239	310,271	37,968
Support Services:					
Purchased Professional and Technical Services		119,789	119,789	17,780	102,009
Purchased Professional and Educational Services		12,987	12,987	7,841	5,146
Other Purchased Services	97	(97)			
Supplies and Materials	264	7,188	7,452	264	7,188
Student Activities		195,454	195,454	195,454	
Total Support Services	361	335,321	335,682	221,339	114,343
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment Buildings		124,312	124,312	124,308	4
		226,576	226,576	32,600	193,976
Total Facilities Acquisition and Construction Services		350,888	350,888	156,908	193,980
Total Expenditures	212,235	822,574	1,034,809	688,518	346,291
Deficit of Revenue Under Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ (42,911)	\$ (42,911)

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 21,598,312	\$ 645,607
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP basis does not:		
Prior Year Encumbrances		14,878
Current Year Encumbrances		(15,457)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	45,269	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(59,521)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditure: and Changes in Fund Balances - Governmental Funds	 <u>\$ 21,584,060</u>	 <u>\$ 645,028</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 20,787,157	\$ 688,518
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Prior Year Encumbrances		14,878
Current Year Encumbrances		<u>(15,457)</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 20,787,157</u>	 <u>\$ 687,939</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2023 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis except in student activities. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Consortium				I.D.E.A. Part B, Preschool	Education Stabilization Fund	Climate Change Awareness
	Elementary and Secondary Education Act						
	Title III	Title III Immigrant	Title IV	I.D.E.A. Part B, Basic			
REVENUES:							
Local Sources							
State Sources							
Federal Sources	\$ 3,264	\$ 6,290	\$ 5,439	\$ 168,509	\$ 11,623	\$ 10,200	\$ 6,575
Total Revenues	<u>3,264</u>	<u>6,290</u>	<u>5,439</u>	<u>168,509</u>	<u>11,623</u>	<u>10,200</u>	<u>6,575</u>
EXPENDITURES:							
Instruction:							
Purchased Professional and Technical Services		5,260					
Purchased Professional-Educational Services					11,623		2,000
Tuition	3,000	1,030	5,439				4,575
General Supplies							
Textbooks							
Total Instruction	<u>3,000</u>	<u>6,290</u>	<u>5,439</u>	<u>168,284</u>	<u>11,623</u>		<u>6,575</u>
Support Services:							
Purchased Professional and Technical Services						10,200	
Purchased Professional-Educational Services				225			
Supplies and Materials	264						
Student Activities							
Total Support Services	<u>264</u>			<u>225</u>		<u>10,200</u>	
Facilities Acquisition and Construction Services:							
Non-Instructional Equipment							
Buildings							
Total Facilities Acquisition and Construction Services							
Total Expenditures	<u>\$ 3,264</u>	<u>\$ 6,290</u>	<u>\$ 5,439</u>	<u>\$ 168,509</u>	<u>\$ 11,623</u>	<u>\$ 10,200</u>	<u>\$ 6,575</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Nonpublic Handicapped Services			SDA Emergent and Capital			
	Examination and Classification	Supplementary Instruction	Corrective Speech	Maintenance Needs Grant	Textbooks	Nonpublic Nursing	Technology
REVENUES:							
Local Sources							
State Sources	\$ 5,685	\$ 2,643	\$ 279	\$ 15,457	\$ 3,820	\$ 7,616	\$ 2,392
Federal Sources							
Total Revenues	5,685	2,643	279	15,457	3,820	7,616	2,392
EXPENDITURES:							
Instruction:							
Purchased Professional and Technical Services							
Purchased Professional-Educational Services	5,685	2,643	279				2,392
Tuition							
General Supplies					3,820		
Textbooks							
Total Instruction	5,685	2,643	279		3,820		2,392
Support Services:							
Purchased Professional and Technical Services						7,616	
Purchased Professional-Educational Services							
Supplies and Materials							
Student Activities							
Total Support Services						7,616	
Facilities Acquisition and Construction Services:							
Non-Instructional Equipment				15,457			
Buildings							
Total Facilities Acquisition and Construction Services				15,457			
Total Expenditures	\$ 5,685	\$ 2,643	\$ 279	\$ 15,457	\$ 3,820	\$ 7,616	\$ 2,392

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	COVID-19 - ARP						Local	Student Activities	Totals
	Accelerated Learning Coaching and Educator Support	Evidence-Based Summer Learning and Enrichment Activities	Evidence-Based Comprehensive Beyond the School Day Activities	ESSER III					
REVENUES:									
Local Sources						\$ 2,671	\$ 152,543	\$ 155,214	
State Sources	\$ 108,851	\$ 7,580	\$ 11,509	\$ 21,596	\$ 91,065			\$ 153,318	
Federal Sources		7,580	11,509	21,596	91,065			337,075	
Total Revenues	108,851	7,580	11,509	21,596	91,065	2,671	152,543	645,607	
EXPENDITURES:									
Instruction:									
Purchased Professional and Technical Services								5,260	
Purchased Professional-Educational Services			11,509	21,596				43,712	
Tuition								179,907	
General Supplies					58,465	2,671		77,572	
Textbooks								3,820	
Total Instruction			11,509	21,596	58,465	2,671		310,271	
Support Services:									
Purchased Professional and Technical Services		7,580						17,780	
Purchased Professional-Educational Services								7,841	
Supplies and Materials								264	
Student Activities							195,454	195,454	
Total Support Services		7,580					195,454	221,339	
Facilities Acquisition and Construction Services:									
Non-Instructional Equipment Buildings	108,851				32,600			124,308	
Total Facilities Acquisition and Construction Services	108,851				32,600			156,908	
Total Expenditures	\$ 108,851	\$ 7,580	\$ 11,509	\$ 21,596	\$ 91,065	\$ 2,671	\$ 195,454	\$ 688,518	

CAPITAL PROJECTS FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2023

Revenue and Other Financing Sources:	
Investment Income	\$ 12,837
Total Revenue and Other Financing Sources	<u>12,837</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	78,902
Construction Services	239,439
Equipment Purchases	1,929
General Supplies	68,413
Transfer to General Fund:	
Interest Earned	<u>12,837</u>
Total Expenditures and Other Financing Uses	<u>401,520</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(388,683)
Fund Balance - Beginning	<u>857,004</u>
Fund Balance - Ending	<u>\$ 468,321</u>
<u>Recapitulation of Fund Balance at June 30, 2023:</u>	
Committed:	
Other Purposes	<u>\$ 468,321</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 468,321</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
COUNTY ROAD SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
Financed Purchase Proceeds	\$ 2,710,000		\$ 2,710,000	\$ 2,710,000
Transfer from Capital Reserve	1,000,000		1,000,000	1,000,000
Total Revenue and Other Financing Sources	3,710,000		3,710,000	3,710,000
Expenditures:				
Purchased Professional & Technical Services	41,583	\$ 78,902	120,485	250,280
Construction Services	2,661,672	239,439	2,901,111	3,234,275
Equipment Purchases	24,915	1,929	26,844	30,000
General Supplies	124,826	68,413	193,239	195,445
Total Expenditures	2,852,996	388,683	3,241,679	3,710,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 857,004</u>	<u>\$ (388,683)</u>	<u>\$ 468,321</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1070-030-21-1000
Original Authorized Cost	\$ 3,710,000
Percentage Completion	87.38%
Original Target Completion Date	8/19/2022
Revised Target Completion Date	6/30/2024

PROPRIETARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 55,905
Inventory	827

Total Current Assets	<u>56,732</u>
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Non-Current Assets:

Capital Assets	94,885
Less: Accumulated Depreciation	<u>(64,129)</u>

Total Non-Current Assets	<u>30,756</u>
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Total Assets	<u>87,488</u>
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NET POSITION:

Investment in Capital Assets	30,756
Unrestricted	<u>56,732</u>

Total Net Position	<u><u>\$ 87,488</u></u>
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BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating Revenue:	
Daily Sales - Non-Reimbursable Programs	<u>\$ 346,313</u>
Total Operating Revenue	<u>346,313</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	164,656
Salaries, Payroll Taxes & Benefits	134,704
Supplies and Materials	468
Depreciation Expense	3,458
Miscellaneous Expenditures	<u>13,031</u>
Total Operating Expenses	<u>316,317</u>
Operating Income	29,996
Other Item:	
Capital Asset Additions	<u>30,244</u>
Change in Net Position After Other Item	60,240
Net Position- Beginning of Year	<u>27,248</u>
Net Position- End of Year	<u><u>\$ 87,488</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 346,313
Payments to Employees	(134,704)
Payments to Suppliers	(165,242)
Refunds	<u>(13,031)</u>
Net Cash Provided by Operating Activities	<u>33,336</u>
Net Increase in Cash and Cash Equivalents	33,336
Cash and Cash Equivalents, July 1	<u>22,569</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 55,905</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 29,996
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	3,458
Changes in Assets and Liabilities:	
(Increase) in Inventory	<u>(118)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,336</u></u>

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

LONG-TERM LIABILITIES

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2022	Matured	Balance June 30, 2023
			Date	Amount				
Series 2016 Refunding School Bonds	12/20/2016	\$ 4,635,000	2/15/24	\$ 550,000	4.00%			
			2/15/25	570,000	4.00%			
			2/15/26	390,000	3.00%			
			2/15/26	200,000	5.00%	\$ 2,240,000	\$ 530,000	\$ 1,710,000
						\$ 2,240,000	\$ 530,000	\$ 1,710,000

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER FINANCED PURCHASES

Purpose	Original Issue	Maturities of Financed Purchases Obligations June 30, 2023		Interest Rate	Balance June 30, 2022 (Restated)	Matured	Balance June 30, 2023
		Date	Amount				
Copiers - 2020	\$ 80,018	8/20/23	\$ 17,493	4.16%			
		8/20/24	3,001	4.16%	\$ 37,135	\$ 16,641	\$ 20,494
County Road School Improvements	2,710,000	10/01/23	290,000	0.93%			
		04/01/24	290,000	0.93%			
		10/01/24	295,000	0.93%			
		04/01/25	295,000	0.93%			
		10/01/25	300,000	0.93%			
		04/01/26	300,000	0.93%			
					<u>2,290,000</u>	<u>520,000</u>	<u>1,770,000</u>
					<u>\$ 2,327,135</u>	<u>\$ 536,641</u>	<u>\$ 1,790,494</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 617,700		\$ 617,700	\$ 617,700	
Total Revenues	<u>617,700</u>		<u>617,700</u>	<u>617,700</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	87,700		87,700	87,700	
Redemption of Principal	530,000		530,000	530,000	
Total Regular Debt Service	<u>617,700</u>		<u>617,700</u>	<u>617,700</u>	
Total Expenditures	<u>617,700</u>		<u>617,700</u>	<u>617,700</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>-0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ -0-</u>
Fund Balance, July 1	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

This part of the District’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District’s overall financial health.

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	June 30,				
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in Capital Assets	\$ 4,208,106	\$ 4,889,512	\$ 5,695,664	\$ 5,235,356	\$ 5,611,594
Restricted	3,249,765	3,600,911	3,693,356	3,741,727	3,941,212
Unrestricted/(Deficit)	<u>(3,350,705)</u>	<u>(3,558,053)</u>	<u>(3,728,851)</u>	<u>(4,109,227)</u>	<u>(3,706,244)</u>
Total governmental activities net position	<u>4,107,166</u>	<u>4,932,370</u>	<u>5,660,169</u>	<u>4,867,856</u>	<u>5,846,562</u>
Business-type activities:					
Investment in Capital Assets	4,694	4,039	3,385		
Unrestricted	9,032	1,383	8,707	9,938	2,493
Total business-type activities net position/(deficit)	<u>13,726</u>	<u>5,422</u>	<u>12,092</u>	<u>9,938</u>	<u>2,493</u>
District-wide:					
Net Investment in Capital Assets	4,212,800	4,893,551	5,699,049	5,235,356	5,611,594
Restricted	3,249,765	3,600,911	3,693,356	3,741,727	3,941,212
Unrestricted/(Deficit)	<u>(3,341,673)</u>	<u>(3,556,670)</u>	<u>(3,720,144)</u>	<u>(4,099,289)</u>	<u>(3,703,751)</u>
Total district net position	<u>\$ 4,120,892</u>	<u>\$ 4,937,792</u>	<u>\$ 5,672,261</u>	<u>\$ 4,877,794</u>	<u>\$ 5,849,055</u>
June 30,					
	2019	2020	2021	2022 (Restated)	2023
Governmental Activities:					
Net Investment in Capital Assets	\$ 6,753,818	\$ 7,569,150	\$ 8,301,061	\$ 6,116,746	\$ 7,975,571
Restricted	4,401,846	5,479,024	6,806,788	6,805,403	8,077,033
Unrestricted/(Deficit)	<u>(2,952,031)</u>	<u>(3,053,419)</u>	<u>(2,983,110)</u>	<u>(1,333,829)</u>	<u>(1,838,249)</u>
Total governmental activities net position	<u>8,203,633</u>	<u>9,994,755</u>	<u>12,124,739</u>	<u>11,588,320</u>	<u>14,214,355</u>
Business-type activities:					
Investment in Capital Assets	5,956	5,294	4,632	3,970	30,756
Unrestricted	12,637	13,883	13,201	23,278	56,732
Total business-type activities net position/(deficit)	<u>18,593</u>	<u>19,177</u>	<u>17,833</u>	<u>27,248</u>	<u>87,488</u>
District-wide:					
Net Investment in Capital Assets	6,759,774	7,574,444	8,305,693	6,120,716	8,006,327
Restricted	4,401,846	5,479,024	6,806,788	6,805,403	8,077,033
Unrestricted/(Deficit)	<u>(2,939,394)</u>	<u>(3,039,536)</u>	<u>(2,969,909)</u>	<u>(1,310,551)</u>	<u>(1,781,517)</u>
Total district net position	<u>\$ 8,222,226</u>	<u>\$ 10,013,932</u>	<u>\$ 12,142,572</u>	<u>\$ 11,615,568</u>	<u>\$ 14,301,843</u>

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									(Restated)	
Expenses										
Governmental Activities										
Instruction:										
Regular Instruction	\$ 5,441,583	\$ 6,085,677	\$ 6,711,586	\$ 7,808,370	\$ 8,630,694	\$ 8,224,315	\$ 8,377,440	\$ 8,230,717	\$ 10,272,560	\$ 9,399,642
Special Education Instruction	1,337,969	1,498,122	1,776,739	1,972,054	2,082,278	1,966,677	1,941,917	1,988,201	2,691,899	2,594,491
Other Special Instruction	435,886	525,674	662,008	853,649	778,100	690,758	706,356	715,631	563,842	457,449
School Sponsored Instruction	102,139	98,666	89,975	93,946	99,659	101,690	110,898	28,843	160,292	244,988
Support Services:										
Tuition	1,233,122	902,177	919,560	902,318	782,181	776,407	692,435	481,740	629,399	625,433
Student and Instruction Related Services	2,189,814	2,646,243	2,807,213	2,748,484	3,133,130	2,993,554	2,981,731	3,300,434	4,065,863	3,596,688
General and Business Administrative Services	676,612	400,331	452,223	583,391	980,488	326,854	567,226	498,940	683,766	829,869
School Administrative Services	555,609	626,806	614,822	694,230	727,067	706,029	719,546	719,394	800,324	771,529
Central Services	362,321	395,826	383,154	437,588	417,457	425,035	422,525	419,460	397,287	448,339
Plant Operations and Maintenance	1,308,297	1,299,364	1,270,339	1,451,098	1,342,596	1,316,573	1,338,116	1,483,344	1,577,384	1,801,625
Pupil Transportation	194,548	161,220	161,759	150,580	150,172	158,973	160,594	99,325	210,877	259,734
Special Schools			36,233	78,345		382,959	114,665	95,565	3,233,325	196,135
Capital Outlay	263,700	242,675	231,083	61,030	198,510	128,003	179,532	219,207	75,590	54,765
Interest on Long-term Debt	14,101,600	14,882,781	16,116,694	17,756,738	19,400,677	18,197,827	18,312,981	18,280,801	25,362,408	21,280,687
Total Governmental Activities Expenses	217,783	205,140	198,323	201,381	208,999	198,372	163,257	5,113	233,449	316,317
Business-type Activities:	217,783	205,140	198,323	201,381	208,999	198,372	163,257	5,113	233,449	316,317
Food Service	14,319,383	15,087,921	16,315,017	17,958,119	19,609,676	18,396,199	18,476,238	18,285,914	25,595,857	21,597,004
Total Business-type Activities Expense	37,976	34,468	37,587	135,051	441,899	473,183	483,449	358,350	509,046	798,929
Program Revenues	1,617,511	2,842,634	3,704,309	4,823,201	5,259,102	4,175,882	4,365,885	4,428,967	8,112,595	152,543
Governmental Activities:	1,655,487	2,877,102	3,741,896	4,958,252	5,701,001	4,649,065	4,849,334	4,837,953	8,621,641	6,954,805
Charges for Services:										
Instruction (Tuition)	218,936	191,955	202,795	201,958	201,554	214,472	134,353	61	217,413	346,313
Student & Instruction Related Services	218,936	191,955	202,795	201,958	201,554	214,472	134,353	61	217,413	346,313
Operating Grants and Contributions	1,874,423	3,069,057	3,944,691	5,160,210	5,902,555	4,863,537	4,983,687	4,838,014	8,839,054	7,301,118
Total Governmental Activities Program Revenues	(12,446,113)	(12,005,679)	(12,374,798)	(12,798,486)	(13,699,676)	(13,548,762)	(13,463,647)	(13,442,848)	(16,740,767)	(14,325,882)
Business-type Activities:	1,153	(13,185)	4,472	577	(7,445)	16,100	(28,904)	(5,052)	(16,036)	29,996
Charges for Services	(12,444,960)	(12,018,864)	(12,370,326)	(12,797,909)	(13,707,121)	(13,532,662)	(13,492,551)	(13,447,900)	(16,756,803)	(14,295,886)
Food Service										
Total Business-type Activities Program Revenues										
Total District-wide Program Revenues										
Net (Expense)/Revenue										
Governmental Activities										
Business-type Activities										
Total District-wide Net Expense										

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									(Restated)	
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	\$ 12,000,804	\$ 12,000,802	\$ 12,240,818	\$ 12,711,383	\$ 13,583,542	\$ 14,202,770	\$ 14,486,825	\$ 14,776,562	\$ 15,072,093	\$ 15,717,252
Property taxes, Levied for Debt Service	638,875	644,076	653,475	658,762	607,400	575,020	616,700	617,900	623,300	617,700
Investment Earnings	549	12,949		8,338	18,133	3,952	1,000	1,000	3,140	165,974
Miscellaneous Income	257,971	177,902	210,502	82,289	469,307	94,091	92,665	181,078	531,266	450,991
Transfers	(1,929)	(4,848)	(2,198)				(29,488)	(3,708)	(25,451)	
Total Governmental Activities	12,896,270	12,830,881	13,102,597	13,460,772	14,678,382	15,905,833	15,167,702	15,572,832	16,204,348	16,951,917
Business-type Activities:										
Investment Earnings	169	33								30,244
Other Item										
Transfers	1,929	4,848	2,198				29,488	3,708	25,451	
Total Business-type Activities	2,098	4,881	2,198				29,488	3,708	25,451	30,244
Total District-wide General Revenues	12,898,368	12,835,762	13,104,795	13,460,772	14,678,382	15,905,833	15,197,190	15,576,540	16,229,799	16,982,161
Change in Net Position:										
Governmental Activities	450,157	825,202	727,799	662,286	978,706	2,357,071	1,704,055	2,129,984	(536,419)	2,626,035
Business-type Activities	3,251	(8,304)	6,670	577	(7,445)	16,100	584	(1,344)	9,415	60,240
Total District-wide Change in Net Position	\$ 453,408	\$ 816,898	\$ 734,469	\$ 662,863	\$ 971,261	\$ 2,373,171	\$ 1,704,639	\$ 2,128,640	\$ (527,004)	\$ 2,686,275

BOROUGH OF DEMAREST SCHOOL DISTRICT
FUND BALANCES -GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,				
	2014	2015	2016	2017	2018
General Fund :					
Restricted	\$ 3,249,765	\$ 3,600,910	\$ 3,693,355	\$ 3,701,043	\$ 3,906,732
Assigned	302,943	503,767	297,151		66,970
Unassigned	439,081	229,383	247,294	251,137	468,572
Total General Fund	<u>\$ 3,991,789</u>	<u>\$ 4,334,060</u>	<u>\$ 4,237,800</u>	<u>\$ 3,952,180</u>	<u>\$ 4,442,274</u>
All Other Governmental Funds					
Restricted		1	1	34,480	34,480
Committed					19,599
Total All Other Governmental Funds	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>34,480</u>	<u>54,079</u>
Total Fund Balances	<u>\$ 3,991,789</u>	<u>\$ 4,334,061</u>	<u>\$ 4,237,801</u>	<u>\$ 3,986,660</u>	<u>\$ 4,496,353</u>
	June 30,				
	2019	2020	2021	2022	2023
General Fund :					
Restricted	\$ 4,401,846	\$ 5,388,275	\$ 6,693,484	\$ 6,684,325	\$ 7,998,866
Assigned	172,575	446,166	342,948	251,549	158,131
Unassigned	452,948	488,800	589,833	1,005,953	594,570
Total General Fund	<u>\$ 5,027,369</u>	<u>\$ 6,323,241</u>	<u>\$ 7,626,265</u>	<u>\$ 7,941,827</u>	<u>\$ 8,751,567</u>
All Other Governmental Funds					
Restricted		87,067	113,304	398,255	78,167
Committed	531,000	18,840		579,827	468,321
Total All Other Governmental Funds	<u>531,000</u>	<u>105,907</u>	<u>113,304</u>	<u>978,082</u>	<u>546,488</u>
Total Fund Balances	<u>\$ 5,558,369</u>	<u>\$ 6,429,148</u>	<u>\$ 7,739,569</u>	<u>\$ 8,919,909</u>	<u>\$ 9,298,055</u>

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tax Levy	\$ 12,639,679	\$ 12,644,878	\$ 12,894,293	\$ 13,370,145	\$ 14,190,942	\$ 14,777,790	\$ 15,103,525	\$ 15,394,462	\$ 15,695,393	\$ 16,334,952
Tuition Charges	37,976	34,468	37,587	135,051	441,899	473,183	483,449	358,350	509,046	798,929
Interest Earnings	549	12,949		8,338	18,133	3,952	1,000	1,000	3,140	80,906
Miscellaneous	257,971	177,902	210,502	85,276	470,316	1,126,065	93,665	130,442	305,399	379,730
Restricted Miscellaneous								50,636	225,867	155,214
State Sources	1,464,504	1,548,510	1,880,013	2,108,610	2,280,297	2,618,257	2,858,674	3,533,552	4,548,449	4,772,819
Federal Sources	153,007	164,133	166,310	157,115	163,556	171,385	176,000	334,957	528,508	337,075
Total Revenues	14,553,686	14,582,840	15,188,705	15,864,535	17,565,143	19,170,652	18,716,313	19,803,399	21,815,802	22,859,625
Expenditures										
Instruction										
Regular Instruction	3,738,734	3,722,770	3,949,793	4,238,464	4,500,602	4,646,139	4,821,020	4,809,736	5,188,764	5,142,534
Special Education Instruction	996,396	964,764	1,168,255	1,221,421	1,255,088	1,271,742	1,271,456	1,331,617	1,548,209	1,606,206
Other Special Instruction	277,735	292,671	347,098	398,605	348,331	341,758	349,760	384,066	263,825	268,466
School Sponsored Instruction	102,139	98,666	89,975	93,946	99,659	101,690	110,898	28,843	160,292	168,528
Support Services:										
Tuition	1,233,122	902,177	919,560	902,318	782,181	776,407	692,435	481,740	629,399	625,433
Student and Instruction Related Services	1,525,295	1,676,849	1,831,626	1,647,619	1,836,191	1,860,415	1,876,400	2,164,396	2,349,419	2,217,719
General Administrative Services	299,864	355,131	342,431	319,840	358,877	325,801	394,891	415,128	433,200	570,554
School Administrative Services	394,911	360,164	381,591	386,985	390,554	407,215	424,652	448,480	442,745	456,880
Central Services	261,962	276,171	270,676	299,116	305,169	316,986	323,608	343,251	348,325	359,762
Administrative Information Technology				2,479	6,559	5,214	1,420	7,832	10,126	14,851
Plant Operations and Maintenance	1,098,574	995,433	1,040,890	1,081,520	1,129,669	1,146,505	1,151,785	1,322,085	1,500,063	1,658,726
Pupil Transportation	183,221	147,932	153,450	147,333	145,089	153,885	155,733	93,873	204,119	249,237
Allocated and Unallocated Benefits	3,135,114	3,289,332	3,435,329	3,788,780	4,334,818	4,799,249	4,802,276	5,381,195	5,906,929	6,462,398
Capital Outlay	1,204,062	509,585	776,102	954,629	1,180,795	1,346,110	910,079	659,128	3,711,296	2,062,485
Debt Service:										
Principal	370,000	390,000	415,000	485,000	430,000	445,000	470,000	490,000	515,000	530,000
Interest and Other Charges	268,875	254,075	238,475	147,621	177,400	164,500	146,700	127,900	108,300	87,700
Total Expenditures	15,090,004	14,235,720	15,360,251	16,115,676	17,280,982	18,108,616	17,903,113	18,489,270	23,320,011	22,481,479

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Excess/(Deficit) of Revenues Over Expenditures	\$ (536,318)	\$ 347,120	\$ (171,546)	\$ (251,141)	\$ 284,161	\$ 1,062,016	\$ 813,200	\$ 1,314,129	\$ (1,504,209)	\$ 378,146
Other Financing Sources (Uses)										
School Refunding Bonds Issued				4,635,000						
School Bonds Defeased				(4,780,000)						
Bond Issuance Costs				(104,852)						
Bond Premium				345,969						
Deferred Amount on Refunding	404,644		77,484	(96,117)						
Financed Purchase Proceeds (Non-Budgeted)						195,356	1,007		2,710,000	12,837
Transfers In	(1,929)	(4,848)	(2,198)			(195,356)	(30,495)	(3,708)	1,000,000	(12,837)
Transfers Out	402,715	(4,848)	75,286				(30,495)	(3,708)	(1,025,451)	(12,837)
Total Other Financing Sources (Uses)	\$ (133,603)	\$ 342,272	\$ (96,260)	\$ (251,141)	\$ 284,161	\$ 1,062,016	\$ 782,705	\$ 1,310,421	\$ 1,180,340	\$ 378,146
Net Change in Fund Balances										
Debt Service as a Percentage of Noncapital Expenditures	4.60%	4.69%	4.48%	4.17%	3.77%	3.64%	3.63%	3.47%	3.18%	2.92%

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
GENERAL FUND- OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2014	\$ 296,496	37,976	\$ 549	\$ 110,000	\$ 147,971
2015	225,319	34,468	12,949	110,000	67,902
2016	248,089	37,587	11,828	126,575	72,099
2017	217,340	135,051	13,843	24,775	43,671
2018	570,823	441,899	18,133	103,303	7,488
2019	558,209	473,183	3,952	25,173	55,901
2020	578,114	483,449	1,000	5,775	87,890
2021	489,792	358,350	1,000	875	129,567
2022	817,585	509,046	3,140	4,250	301,149
2023	1,246,728	798,929	165,974	19,146	262,679

Source: Borough of Demarest School District Financial Records.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December	Vacant Land		Residential		Commercial		Apartment		Total Assessed		Public Utilities		Net Valuation		Estimated Actual		Total Direct	
	31,	Value	Value	Value	Value	Value	Value	Value	Value	Taxable	Value	Value	Value	Value	Value	Value	Rate	Rate
2013	\$	15,219,900	\$	1,199,148,900	\$	36,920,200	\$	1,350,000	\$	1,252,639,000	\$	91,530	\$	1,252,730,530	\$	1,408,987,212		1.000
2014		14,578,200		1,213,910,800		36,920,200		1,350,000		1,266,759,200		88,910		1,266,848,110		1,425,536,144		0.995
2015		12,778,100		1,225,059,400		36,920,200		1,350,000		1,276,107,700		85,020		1,276,192,720		1,501,723,835		1.000
2016		12,763,100		1,240,829,500		36,920,200		1,350,000		1,291,862,800		85,020		1,291,947,820		1,291,947,820		1.016
2017		10,281,800		1,272,223,900		36,920,200		1,350,000		1,320,775,900		83,130		1,320,859,030		1,589,584,628		1.044
2018		10,281,800		1,284,770,200		36,920,200		1,350,000		1,333,322,200		83,130		1,333,405,330		1,602,178,919		1.087
2019		10,281,800		1,295,887,500		36,920,200		1,350,000		1,344,439,500		83,130		1,344,522,630		1,636,336,376		1.110
2020		10,281,800		1,306,164,300		36,920,200		1,350,000		1,354,716,300		81,710		1,354,798,010		1,658,936,268		1.125
2021		8,810,900		1,312,340,700		36,920,200		1,350,000		1,359,421,800		82,810		1,359,504,610		1,642,574,368		1.143
2022		11,144,600		1,316,741,700		23,455,600		1,350,000		1,352,691,900		82,810		1,352,774,710		1,666,396,297		1.184

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
2013	\$ 0.950	\$ 0.050	\$ 1.000	\$ 0.543	\$ 0.550	\$ 0.255	\$ 2.348
2014	0.944	0.051	0.995	0.551	0.551	0.263	2.360
2015	0.949	0.051	1.000	0.562	0.567	0.283	2.412
2016	0.966	0.050	1.016	0.565	0.575	0.289	2.445
2017	0.999	0.045	1.044	0.566	0.572	0.302	2.484
2018	1.045	0.042	1.087	0.562	0.602	0.294	2.545
2019	1.065	0.045	1.110	0.573	0.648	0.295	2.626
2020	1.080	0.045	1.125	0.593	0.682	0.304	2.704
2021	1.098	0.045	1.143	0.618	0.705	0.303	2.769
2022	1.139	0.045	1.184	0.630	0.728	0.297	2.839

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

BOROUGH OF DEMAREST SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	<u>2022</u>			<u>2013</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>		<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Alpine Country Club	\$ 32,323,800	2.39%	Alpine Country Club	\$ 32,323,800	2.58%
Lavie Management Company LLC	4,232,600	0.31%	Taxpayer #1	3,768,400	0.30%
Taxpayer #1	3,850,000	0.28%	Taxpayer #2	3,598,200	0.29%
Taxpayer #2	3,700,000	0.27%	Taxpayer #3	3,330,600	0.27%
Taxpayer #3	3,598,000	0.27%	Taxpayer #4	3,107,800	0.25%
Taxpayer #4	3,330,600	0.25%	Taxpayer #5	3,000,000	0.24%
Taxpayer #5	3,250,000	0.24%	Taxpayer #6	2,966,500	0.24%
Taxpayer #6	3,178,800	0.23%	9 Brenner Place LLC	2,925,800	0.23%
Taxpayer #7	3,177,000	0.23%	Taxpayer #7	2,710,500	0.22%
Taxpayer #8	3,107,800	0.23%	Taxpayer #8	2,563,400	0.20%
Total	<u>\$ 63,748,600</u>	<u>4.70%</u>	Total	<u>\$ 60,295,000</u>	<u>4.82%</u>

NOTE: Individual Taxpayers are numbered in the year assessed; however, they may be not be the same individual taxpayers in the two years presented.

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2014	\$ 12,639,679	\$ 12,639,679	100.00%	\$ -0-
2015	12,644,878	12,644,878	100.00%	-0-
2016	12,894,293	12,894,293	100.00%	-0-
2017	13,370,145	13,370,145	100.00%	-0-
2018	14,190,942	14,190,942	100.00%	-0-
2019	14,777,790	14,777,790	100.00%	-0-
2020	15,103,525	15,103,525	100.00%	-0-
2021	15,394,462	15,394,462	100.00%	-0-
2022	15,695,393	15,695,393	100.00%	-0-
2023	16,334,952	16,334,952	100.00%	-0-

a -School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Demarest Borough School District records including the Certificate and Report of School Taxes (A4F form)

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Financed Purchases	Bond Anticipation Notes (BANs)			
2014	\$ 6,025,000	\$ 364,277		\$ 6,389,277	1.73%	\$ 1,280
2015	5,635,000	237,499		5,872,499	1.52%	1,175
2016	5,220,000	177,439		5,397,439	1.38%	1,089
2017	4,590,000	211,617		4,801,617	1.19%	968
2018	4,160,000	571,688		4,731,688	1.13%	961
2019	3,715,000	353,017		4,068,017	0.94%	831
2020	3,245,000	276,820		3,521,820	0.79%	728
2021	2,755,000	126,130		2,881,130	0.61%	590
2022	2,240,000	2,327,135		4,567,135	0.96%	937
2023	1,710,000	1,790,494		3,500,494	0.74%	718

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2014	\$ 6,025,000	\$ 6,025,000	0.48%	\$ 1,207
2015	5,635,000	5,635,000	0.44%	1,127
2016	5,220,000	5,220,000	0.41%	1,053
2017	4,590,000	4,590,000	0.36%	925
2018	4,160,000	4,160,000	0.31%	845
2019	3,715,000	3,715,000	0.28%	759
2020	3,245,000	3,245,000	0.24%	671
2021	2,755,000	2,755,000	0.20%	564
2022	2,240,000	2,240,000	0.16%	460
2023	1,710,000	1,710,000	0.13%	351

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a See Exhibit J- 6 for property tax data. These ratios is calculated using valuation data for the previous calendar year.
- a See Exhibit J-14 for population data. These ratios is calculated using population estimate for the previous calendar year.

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 19,409,932	100.00%	\$ 19,409,932
Northern Valley Regional High School	9,097,000	16.50%	1,481,525
Bergen County General Obligation Debt	975,645,048	0.85%	<u>8,339,664</u>
Subtotal, Overlapping Debt			29,231,121
Demarest Borough School District Direct Debt			<u>2,240,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 31,471,121</u></u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Demarest Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Bergen County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF DEMAREST SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2023

Equalized valuation basis				
2020	\$	1,635,933,221		
2021		1,673,752,524		
2022		1,764,073,944		
	\$	<u>5,073,759,689</u>		
Average equalized valuation of taxable property		<u>1,691,253,230</u>		
Debt limit @ (3 % of average equalization value) ^a	\$	50,737,597		
Total Net Debt Applicable to Limit		<u>1,710,000</u>		
Legal debt margin	\$	<u>49,027,597</u>		

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$	41,290,521	\$	42,719,096
		\$	43,964,418	\$
		\$	45,415,848	\$
Total net debt applicable to limit		6,025,000	5,220,000	4,590,000
Legal debt margin	\$	<u>35,265,521</u>	\$	<u>37,084,096</u>
		\$	<u>38,744,418</u>	\$
		\$	<u>40,825,848</u>	\$
Total net debt applicable to the limit as a percentage of debt limit		14.59%	13.19%	11.87%
			10.11%	8.97%

	Fiscal Year			
	2019	2020	2021	2022
Debt limit	\$	47,624,007	\$	48,537,531
		\$	49,033,591	\$
		\$	49,330,010	\$
Total net debt applicable to limit		3,715,000	3,245,000	2,755,000
Legal debt margin	\$	<u>43,909,007</u>	\$	<u>45,292,531</u>
		\$	<u>46,278,591</u>	\$
		\$	<u>47,090,010</u>	\$
Total net debt applicable to the limit as a percentage of debt limit		7.80%	6.69%	5.62%
			4.54%	3.37%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other district types.

BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2014	4,991	\$ 368,750,053	\$ 73,883	4.00%
2015	4,999	386,537,677	77,323	3.40%
2016	4,956	390,711,216	78,836	2.90%
2017	4,961	401,960,064	81,024	2.60%
2018	4,925	419,565,675	85,191	2.30%
2019	4,895	431,939,695	88,241	2.20%
2020	4,838	444,960,536	91,972	6.70%
2021	4,887	475,715,241	97,343	4.30%
2022	4,873	474,352,439	97,343 *	2.60%
2023	4,873 **	474,352,439 **	97,343 *	N/A

* - Latest Bergen County per capita personal income available (2021) was used for calculation purposes.

** - Latest Demarest Borough population available (2022) was used for calculation purposes.

N/A- Not Available

Sources:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income has been estimated based upon the municipal population and per capita personal income presented

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF DEMAREST SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - BERGEN COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	<u>2023</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Hackensack University Medical Center	N/A	N/A
Valley Health Systems, Inc.	N/A	N/A
Bio-Reference Laboratories	N/A	N/A
Express Scripts	N/A	N/A
Quest Diagnostics	N/A	N/A
KPMG LLP	N/A	N/A
Englewood Hospital and Medical	N/A	N/A
Englewood Hospital Home Health Care	N/A	N/A
Unilever Best Foods	N/A	N/A
Stryker	N/A	N/A
	<u>2014</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Hackensack University Medical Center	N/A	N/A
Valley Health Systems, Inc.	N/A	N/A
Medco Solutions, Inc.	N/A	N/A
Quest Diagnostics	N/A	N/A
Bio-Reference Laboratories	N/A	N/A
Englewood Hospital and Medical	N/A	N/A
Becton Dickinson and Co	N/A	N/A
Englewood Hospital Home Health Care	N/A	N/A
Unilever Best Foods	N/A	N/A
Stryker	N/A	N/A

N/A - Not Available

Source: County of Bergen

BOROUGH OF DEMAREST SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 UNAUDITED

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Instruction:										
Regular	60	50	50	56	61	61	62	62	62	64
Special education	14	17	25	31	33	34	30	30	30	30
Support Services:										
Student and instruction related services	25	30	31	24	23	24	24	24	24	24
School administrative services	2	6	6	5	6	6	6	6	6	6
General and business administrative services	12	6	6	6	5	5	5	5	5	5
Plant operations and maintenance	11	11	11	12	10	10	11	11	11	11
Food Service	1	6	4	4	4	4	4	4	6	10
Total	125	126	133	138	142	144	142	142	144	150

Source: District Personnel Records

BOROUGH OF DEMAREST SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2014	673.0	\$ 13,247,067	\$ 19,684	3.63%	74	1:9.8	1:9.3	681.9	656.6	1.61%	96.29%
2015	681.0	13,082,060	19,210	1.13%	67	1:11.3	1:8.6	676.9	652.4	-0.73%	96.38%
2016	665.0	13,930,674	20,948	6.43%	75	1:10.0	1:14	674.4	651.2	-0.37%	96.56%
2017	671.0	14,528,426	21,652	12.71%	70	1:10.5	1:8.6	669.0	643.8	-0.80%	96.23%
2018	675.0	15,492,787	22,952	9.57%	72	1:10	1:11.9	698.3	670.9	4.38%	96.08%
2019	681.0	16,153,006	23,720	9.55%	72	1:11.4	1:8.1	704.6	676.7	0.90%	96.04%
2020	699.0	16,376,334	23,428	-1.23%	73	1:8.2	1:12.4	701.2	682.0	-0.48%	97.26%
2021	692.0	17,212,242	24,873	6.17%	73	1:8.2	1:12.4	695.4	685.6	-0.83%	98.59%
2022	705.0	18,985,415	26,930	8.27%	73	1:8.2	1:12.4	708.2	680.2	1.84%	96.05%
2023	763.0	19,801,294	25,952	-3.63%	75	1:8.7	1:13.2	767.4	731.7	8.36%	95.35%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay
- b Teaching staff includes only full-time equivalents of certificated staff
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other Cost Per Pupil calculations.

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>District Building</u>										
<u>Elementary</u>										
County Road										
Square Feet (GSF)	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	29,245
Capacity (students)	168	168	168	168	168	168	168	168	168	218
Enrollment	141	138	118	123	139	160	160	161	168	191
Luther Lee Emerson										
Square Feet (GSF)	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381
Capacity (students)	320	320	320	320	320	320	320	320	320	320
Enrollment	232	227	229	231	238	212	212	218	217	247
<u>Middle School</u>										
Demarest										
Square Feet (GSF)	71,919	71,919	71,919	71,919	71,919	71,919	73,535	73,535	73,535	73,535
Capacity (students)	441	441	441	441	441	441	441	441	441	441
Enrollment	309	316	318	311	298	309	309	313	320	325

Number of Schools at June 30, 2023
 Elementary = 2
 Middle School = 1

Note: Enrollment is based on the annual October district count.

Source: District Facilities Office

BOROUGH OF DEMAREST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County Road School	N/A	29,245	\$ 38,782	\$ 29,091	\$ 55,854	\$ 71,913	\$ 70,073
Luther Lee Emerson	SP#201893	44,381	51,079	57,014	75,316	67,059	67,886
Demarest Middle	SP#201892	73,535	67,578	92,391	89,567	82,544	115,131
District Total		147,161	\$ 157,439	\$ 178,496	\$ 220,737	\$ 221,516	\$ 253,090

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
County Road School	N/A	29,245	\$ 74,720	\$ 43,514	\$ 98,189	\$ 64,863	\$ 85,730
Luther Lee Emerson	SP#201893	44,381	79,410	85,282	121,476	127,123	168,017
Demarest Middle	SP#201892	73,535	125,960	141,304	198,163	210,630	278,388
District Total		147,161	\$ 280,090	\$ 270,100	\$ 417,828	\$ 402,616	\$ 532,135

*School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

N/A - Not Available

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2023
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property Section	Great American		
Property- Blanket Bldgs & Grounds	Insurance Co.		
School Limit Per Statement of Values		\$ 34,839,827	\$ 5,000
Flood:			
Outside Zones A, B, V, or N		5,000,000	50,000
Zone B		2,000,000	100,000
Zone A, N or V		1,000,000	500,000
Earthquake		5,000,000	100,000
Extra Expense		5,000,000	
Contractor's Equipment		250,000	
Cameras & Other Equip/Athletic Equip		250,000	
Musical Instruments		250,000	
\$10,000 Maximum Per Item			
Valuable Papers		5,000,000	
Electronic Data Process Equip		5,000,000	
Accounts Receivable		250,000	
Utility Service Interruption		250,000	
Boiler & Machinery	Great American		
Property Damage (Blanket)	Insurance Co.	Property Limit	5,000
General Liability	Great American		
General Aggregate	Insurance Co.	2,000,000	1,000
Each Occurrence		1,000,000	1,000
Commercial Automobile Liability	Great American		
Combined Single Limit	Insurance Co.	1,000,000	
Comprehensive			1,000
Collision			1,000
Commercial Umbrella	Great American	9,000,000	10,000
	Insurance Co.		
Excess Umbrella	Fireman's Fund		
Note: Shared Limits			
Per Occurrence		50,000,000	
Aggregate		50,000,000	

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2023
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Workmen's Compensation	Safety National		
Per Occurrence		\$ 1,000,000	
Policy Limit		1,000,000	
Aggregate		1,000,000	
Environmental Legal Liability	Markel		
Per Occurrence		2,000,000	\$ 25,000
Per Aggregate Group		20,000,000	
Crime	Selective Insurance Co.		
Robbery/Safe Burglary - On Premise		100,000	5,000
Employee Theft		500,000	5,000
Forgery, Alterations and Fraud		250,000	5,000
School Board Legal Liability	Greenwich Insurance Co.	1,000,000	
Educators Legal Deductible		100,000	
HIB, Defense Only			
Individual Bonds	Selective Insurance Co.		
Business Administrator/ Bd Secy		300,000	
Treasurer of School Monies		300,000	
Accidental Death & Dismemberment	Gerber Life Ins. Co.		
Principal Sum (AD&D)		100,000	
Total Limit Per All Other Accidents		500,000	
Student and Athletic Accident Policy	Catlin Insurance Co.		
Athletics & Students		1,000,000	
School Volunteers		500,000	
Cyber Liability	Indian Harbor		
Group Aggregate		6,000,000	
3rd Party Coverage		2,000,000	15,000
1st Party Coverage		1,000,000	15,000

Source: District records

SINGLE AUDIT SECTION



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Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
County of Bergen, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Office"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District (the "District"), in the County of Bergen, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

December 15, 2023
Mount Arlington, New Jersey

NISIVOCCIA LLP



Andrew Kucinski
Certified Public Accountant
Licensed Public School Accountant #2684



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance Required by NJOMB 15-08

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
County of Bergen, New Jersey

Report on Compliance for Each Major State Programs

Opinion on Each Major State Program

We have audited the Board of Education of the Borough of Demarest School District's (the "District's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2023. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 3

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

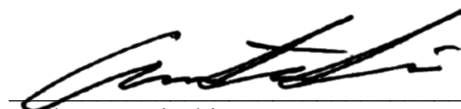
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or New Jersey's OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

December 15, 2023
Mount Arlington, New Jersey

NISIVOCCIA LLP



Andrew Kucinski
Certified Public Accountant
Licensed Public School Accountant #2684

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Curryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Balance at June 30, 2022		Amounts Provided to Subrecipients	
									Budgetary Unearned Revenue/(Accounts Receivable)	Budgetary Unearned Revenue		
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Revenue Fund:												
I.D.E.A. Special Education Cluster:												
	84.027	IDEA-3090-23	7/1/22-9/30/23	\$ 173,655		\$ 168,359	\$ (168,509)	\$ (150)				
	84.173	IDEA-3090-23	7/1/22-9/30/23	11,623		11,623	(11,623)					
						179,982	(180,132)	(150)				
Total I.D.E.A. Special Education Cluster												
Education Stabilization Fund:												
COVID-19 - CRRSA Mental Health												
COVID-19 - ARP:												
	84.25D	S425D200027	3/13/20-9/30/23	45,000		10,200	(10,200)					
	84.25U	S42SU200027	3/13/20-9/30/24	55,904		13,505	(7,580)					
	84.25U	S42SU200027	3/13/20-9/30/24	40,000		23,884	(11,509)					
	84.25U	S42SU200027	3/13/20-9/30/24	40,000		22,479	(21,596)					
	84.25U	S42SU200027	3/13/20-9/30/24	352,577		98,052	(91,065)					
						168,120	(141,950)					
						348,102	(322,082)	(150)				
						\$ 348,102	\$ (322,082)	\$ (150)	\$ -0-	\$ -0-	\$ -0-	
Total U.S. Department of Education												
Total Federal Awards												

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2022		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2023		MEMO Budgetary Accounts Receivable	Cumulative Total Expenditures
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor		
New Jersey Department of Education:													
General Fund:													
Categorical Special Education Aid	23-495-034-5120-089	7/1/22 - 6/30/23	\$ 617,118	\$	\$ 564,537	\$	\$ (617,118)	\$	\$	\$ (52,581)	\$	\$ 617,118	
Categorical Security Aid	23-495-034-5120-084	7/1/22 - 6/30/23	31,678		28,979		(31,678)			(2,699)		31,678	
Categorical Transportation Aid	23-495-034-5120-014	7/1/22 - 6/30/23	49,777		45,536		(49,777)			(4,241)		49,777	
Extraordinary Special Education Costs	23-495-034-5120-044	7/1/22 - 6/30/23	299,929				(299,929)		\$ (299,929)			299,929	
Nonpublic School Transportation Costs	23-495-034-5120-014	7/1/22 - 6/30/23	10,917				(10,917)			(10,917)		10,917	
Categorical Special Education Aid	22-495-034-5120-089	7/1/21 - 6/30/22	486,149	\$ (38,773)		38,773						486,149	
Categorical Security Aid	22-495-034-5120-084	7/1/21 - 6/30/22	31,678	(2,526)		2,526						31,678	
Categorical Transportation Aid	22-495-034-5120-014	7/1/21 - 6/30/22	49,777	(3,970)		3,970						49,777	
Extraordinary Special Education Costs	22-495-034-5120-044	7/1/21 - 6/30/22	377,598	(377,598)		377,598						377,598	
Nonpublic School Transportation Costs	22-495-034-5120-014	7/1/21 - 6/30/22	11,140	(11,140)		11,140						11,140	
NI Office of Emergency Management	N/A	7/1/21 - 6/30/22	114,000				(114,000) *			(114,000)		114,000	
TPAF Pension Contributions (non-budgeted)	23-495-034-5094-001	7/1/22 - 6/30/23	2,427,917		2,427,917		(2,427,917)					2,427,917	
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)	23-495-034-5094-002	7/1/22 - 6/30/23	646,657		646,657		(646,657)					646,657	
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)	23-495-034-5094-004	7/1/22 - 6/30/23	33,685		33,685		(33,685)					33,685	
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)	23-495-034-5094-004	7/1/22 - 6/30/23	1,033		1,033		(1,033)					1,033	
Reimbursed TPAF Social Security Contributions	23-495-034-5094-003	7/1/22 - 6/30/23	515,621		463,261		(515,621)			(52,360)		515,621	
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	7/1/21 - 6/30/22	509,790	(27,044)		27,044						509,790	
Total General Fund			4,672,656	(461,051)	4,672,656	(4,748,332)	(4,748,332)	(477,206)	(8,351)	(477,206)	(536,727)	6,214,464	
Special Revenue Fund:													
NI Nonpublic Aid:													
Textbook Aid (Chapter 194)	23-100-034-5120-064	7/1/22 - 6/30/23	3,828		3,828		(3,828)				\$ 8	3,820	
Nursing Services (Chapter 226)	23-100-034-5120-070	7/1/22 - 6/30/23	7,616		7,616		(7,616)					7,616	
Technology Initiative	23-100-034-5120-373	7/1/22 - 6/30/23	2,436		2,436		(2,392)				44	2,392	
Security Aid	22-100-034-5120-509	7/1/22 - 6/30/23	108,855		108,855		(108,851)				4	108,851	
Handicapped Services (Chapter 193):													
Supplementary Instruction	23-100-034-5120-066	7/1/22 - 6/30/23	2,726		2,726		(2,643)				83	2,643	
Corrective Speech	23-100-034-5120-066	7/1/22 - 6/30/23	1,953		1,953		(279)				1,674	279	
Examination and Classification	23-100-034-5120-066	7/1/22 - 6/30/23	6,065		6,065		(5,685)		\$ (1,652)		380	5,685	
Supplementary Instruction	22-100-034-5120-066	7/1/21 - 6/30/22	4,130	\$ 1,652					(1,581)				
Corrective Speech	22-100-034-5120-066	7/1/21 - 6/30/22	1,674	1,581					(5,118)				
Examination and Classification	22-100-034-5120-066	7/1/21 - 6/30/22	7,584	5,118									
Climate Change Awareness	23-100-034-5063-359	7/1/22 - 6/30/23	6,660		6,575		(6,575)					6,575	
Total Special Revenue Fund			140,054	(8,351)	140,054	(137,861)	(137,861)	(8,351)	(8,351)	(477,206)	2,193	122,679	
Total New Jersey Department of Education			4,812,710	(461,051)	4,812,710	(4,886,193)	(4,886,193)	(8,351)	(8,351)	(477,206)	2,193	6,337,143	
New Jersey Schools Development Authority:													
Special Revenue Fund:													
School Development Authority - Emergent and Capital Maintenance Needs Grant	N/A	7/1/22 - 6/30/23	15,457		15,457		(15,457)					15,457	
Total New Jersey Schools Development Authority			15,457		15,457		(15,457)					15,457	
Total State Awards			\$ -0-	(8,351)	\$ -0-	\$ 4,828,167	(4,901,650)	(8,351)	(8,351)	(477,206)	2,193	\$ (536,727)	6,352,600

Less: State Awards Not Subject to Single Audit Major Program Determination
 On-Behalf TPAF Pension System Contributions:
 On-Behalf TPAF Pension Contributions \$ 2,427,917
 On-Behalf TPAF Post Retirement Contributions (646,657)
 On-Behalf TPAF Non-Contributory Insurance (33,685)
 On-Behalf TPAF Long-Term Disability Insurance (1,033)
Subtotal - On-Behalf TPAF Pension System Contributions 3,109,292
Total State Awards Subject to Single Audit Major Program Determination \$ (1,792,358)

N/A - Not Available.
 * - Expended in Prior Year(s).

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Demarest School District under programs of the federal and state governments for the fiscal year ended June 30, 2023. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(14,252) for the General Fund and \$(579) for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Awards and financial assistance revenue are reported on the Board's basic financial statements on the GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 4,620,080	\$ 4,620,080
Special Revenue Fund	\$ 337,075	152,739	489,814
Total Awards	\$ 337,075	\$ 4,772,819	\$ 5,109,894

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2023.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by NJOMB 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2023 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	23-495-034-5094-003	7/1/22 - 6/30/23	\$ 515,621	\$ 515,621
Catagorical Special Education Aid	23-495-034-5120-089	7/1/22 - 6/30/23	617,118	617,118
Catagorical Security Aid	23-495-034-5120-084	7/1/22 - 6/30/23	31,678	31,678

- The threshold used for distinguishing between Type A and Type B for state programs was \$750,000.
- The District was not determined to be a "low-risk auditee" for state programs.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and NJ OMB 15-08.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Status of Prior Year Findings:

There were no prior year findings.