

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 3, 2026

NEW ISSUE

RATING: Moody's: "Aa2"

In the opinion of FBT Gibbons LLP, Bond Counsel to the Borough (as defined herein), assuming continuing compliance by the Borough with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

BOROUGH OF FANWOOD IN THE COUNTY OF UNION, NEW JERSEY

**\$10,699,000 GENERAL OBLIGATION BONDS, SERIES 2026
CONSISTING OF:
\$9,879,000 GENERAL IMPROVEMENT BONDS, SERIES 2026,
\$781,000 SEWER UTILITY BONDS, SERIES 2026
AND
\$39,000 SPECIAL EMERGENCY BONDS, SERIES 2026
(CALLABLE) (BOOK-ENTRY ONLY)**

Dated: Date of Delivery

Due: February 15, as set forth on the inside front cover

The Borough of Fanwood, in the County of Union, New Jersey (the "Borough") is offering \$10,699,000 aggregate principal amount of General Obligation Bonds, Series 2026, consisting of \$9,879,000 General Improvement Bonds, Series 2026 (the "General Improvement Bonds"), \$781,000 Sewer Utility Bonds, Series 2026 (the "Sewer Utility Bonds"), and \$39,000 Special Emergency Bonds, Series 2026 (the "Special Emergency Bonds," and together with the General Improvement Bonds and the Sewer Utility Bonds, the "Bonds").

The Bonds will be issued as fully registered Bonds in the form of one certificate for the aggregate principal amount of each maturity of each series of the Bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$1,000 each or any integral multiple thereof through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

Principal of the Bonds is payable on February 15 in each of the years set forth on the inside front cover. Interest on the Bonds, calculated on the basis of a 360-day year of twelve 30-day calendar months, will be payable semiannually on February 15 and August 15 in each year until maturity or prior redemption, commencing August 15, 2026. So long as DTC or its nominee is the registered owner of the Bonds, principal of and the interest on the Bonds shall be paid to DTC by the Borough. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds are subject to optional redemption prior to their stated maturities at the times and in the manner described herein.

The Bonds are being issued pursuant to the Local Bond Law of the State of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended, the Local Budget Law of the State of New Jersey, constituting Chapter 4 of Title 40A of the New Jersey Statutes, as amended, resolutions and various bond ordinances in order to provide funds to (i) refund, on a current basis, together with \$43,690 of budgeted Borough funds, \$10,474,000 aggregate principal amount of the Borough's outstanding \$10,517,690 Notes, Series 2025A, consisting of \$9,654,824 General Improvement Notes, Series 2025A, \$781,106 Sewer Utility Notes, Series 2025A, and \$81,760 Special Emergency Notes, Series 2025A, issued by the Borough on February 27, 2025 and maturing on February 26, 2026, originally issued to finance various capital improvements and special emergency appropriations, (ii) permanently finance certain previously unfunded capital projects in the aggregate principal amount of \$225,000 and (iii) pay certain costs incurred in connection with the issuance of the Bonds.

The Bonds will constitute general obligations of the Borough, the payment of the principal of and interest on which the full faith, credit and taxing power of the Borough is available, and all the taxable property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purposes.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are offered when, as and if received by the Underwriter (as defined herein) and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by FBT Gibbons LLP, Newark, New Jersey, Bond Counsel, and certain other conditions described herein. NW Financial Group, LLC, Bloomfield, New Jersey has served as municipal advisor in connection with the issuance of the Bonds. It is expected that the Bonds, in definitive form, will be available for delivery on or about February 25, 2026 through the facilities of DTC in New York, New York.

BOROUGH OF FANWOOD
County of Union, New Jersey

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS*

\$10,699,000 GENERAL OBLIGATION BONDS, SERIES 2026

Year	General Improvement Bonds	Sewer Utility Bonds	Special Emergency Bonds	Interest Rate	Yield	CUSIP*
2027	\$279,000	\$31,000	\$20,000			
2028	300,000	30,000	19,000			
2029	310,000	30,000	-			
2030	310,000	30,000	-			
2031	310,000	30,000	-			
2032	310,000	35,000	-			
2033	310,000	35,000	-			
2034	415,000	35,000	-			
2035	350,000	35,000	-			
2036	370,000	35,000	-			
2037	385,000	35,000	-			
2038	390,000	35,000	-			
2039	415,000	35,000	-			
2040	440,000	35,000	-			
2041	450,000	35,000	-			
2042	465,000	35,000	-			
2043	465,000	35,000	-			
2044	515,000	35,000	-			
2045	515,000	35,000	-			
2046	515,000	35,000	-			
2047	515,000	35,000	-			
2048	515,000	35,000	-			
2049	515,000	35,000	-			
2050	515,000	-	-			

* CUSIP is a registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Bonds only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds.

**BOROUGH OF FANWOOD
COUNTY OF UNION, NEW JERSEY**

MAYOR

Colleen M. Mahr

BOROUGH COUNCIL

Gina Berry, President
Jeffrey Banks
Erin McElroy Barker
Anthony Carter
Katherine Mitchell
Patricia Walsh

CHIEF FINANCIAL OFFICER

Patricia Celardo

BOROUGH CLERK

Courtney Agnello

BOROUGH ADMINISTRATOR

Jesse Moehlman

BOROUGH ATTORNEY

Russell Huegel, Esq.

INDEPENDENT AUDITOR

Supplee, Clooney & Company
Westfield, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Bloomfield, New Jersey

BOND COUNSEL

FBT Gibbons LLP
Newark, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Borough.

Any statements contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

TABLE OF CONTENTS

INTRODUCTION	1
THE BONDS	1
SECURITY AND SOURCE OF PAYMENT	4
NO DEFAULT.....	4
AUTHORIZATION AND PURPOSE OF THE BONDS	4
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES	6
TAX MATTERS.....	9
LITIGATION.....	11
SECONDARY MARKET DISCLOSURE.....	11
MUNICIPAL BANKRUPTCY	12
APPROVAL OF LEGAL PROCEEDINGS.....	12
UNDERWRITING	12
RATING	13
INFECTIOUS DISEASE OUTBREAK - COVID-19.....	13
CYBER SECURITY.....	14
MUNICIPAL ADVISOR.....	14
INDEPENDENT AUDITORS.....	14
PREPARATION OF OFFICIAL STATEMENT	14
ADDITIONAL INFORMATION.....	15
MISCELLANEOUS	15
GENERAL INFORMATION OF THE BOROUGH OF FANWOOD	Appendix A
INDEPENDENT AUDITOR'S REPORT	Appendix B
FORM OF CONTINUING DISCLOSURE CERTIFICATE	Appendix C
FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL	Appendix D

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OFFICIAL STATEMENT

Relating to

**BOROUGH OF FANWOOD
IN THE COUNTY OF UNION, NEW JERSEY**

**\$10,699,000 GENERAL OBLIGATION BONDS, SERIES 2026
CONSISTING OF:**

**\$9,879,000 GENERAL IMPROVEMENT BONDS, SERIES 2026,
\$781,000 SEWER UTILITY BONDS, SERIES 2026
AND
\$39,000 SPECIAL EMERGENCY BONDS, SERIES 2026
(CALLABLE) (BOOK-ENTRY ONLY)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by the Borough of Fanwood (the "Borough"), in the County of Union (the "County"), in the State of New Jersey (the "State"), in connection with the sale and the issuance of \$10,699,000 General Obligation Bonds, consisting of \$9,879,000 General Improvement Bonds, Series 2026 (the "General Improvement Bonds"), \$781,000 Sewer Utility Bonds, Series 2026 (the "Sewer Utility Bonds"), and \$39,000 Special Emergency Bonds, Series 2026 (the "Special Emergency Bonds," and together with the General Improvement Bonds and the Sewer Utility Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

THE BONDS

Description of the Bonds

The Bonds are dated their date of delivery and will mature on February 15 in the years and in the amounts and bear interest as set forth on the inside front cover page hereof, calculated on the basis of a 30-day month, 360-day year, payable semiannually to the registered owners of the Bonds as of each February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds) immediately preceding each February 15 and August 15, commencing August 15, 2026. So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds.

The Bonds will be issued in fully registered book-entry form only in the form of one certificate for each maturity of each series of the Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as Securities Depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "Book-Entry-Only System" herein.

Redemption Provisions for the Bonds

Optional Redemption

The Bonds maturing on or prior to February 15, 2034 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after February 15, 2035 shall be subject to redemption prior to their respective maturity dates, on or after February 15, 2034 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the “Redemption Price”), plus in each case accrued interest thereon to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notices of redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry Only System

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

DTC will act as securities depository of the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of each series of the Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard &

Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Borough may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Borough believes to be reliable, but Borough takes no responsibility for the accuracy thereof.

THE BOROUGH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

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

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

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Borough is required by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and the interest due on the Bonds without limitation as to rate or amount.

NO DEFAULT

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

AUTHORIZATION AND PURPOSE OF THE BONDS

Bonds

The Bonds have been authorized pursuant to (i) the laws of the State of New Jersey, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended and supplemented (the "Local Bond Law"), and the Local Budget Law of the State of New Jersey, constituting Chapter 4 of Title 40A of the New Jersey Statutes, as amended (the "Local Budget Law"); (ii) various bond ordinances finally adopted by the Borough Council

of the Borough (the "Borough Council") and published in accordance with the requirements of the Local Bond Law; and (iii) resolutions duly adopted by the Borough Council.

The Borough shall apply a portion of the proceeds derived from the sale of the Bonds to (i) permanently finance certain previously unfunded capital projects in the aggregate principal amount of \$225,000 and (ii) refund, on a current basis, together with \$43,690 of budgeted Borough funds, \$10,474,000 aggregate principal amount of the Borough's outstanding \$10,517,690 Notes, Series 2025A, consisting of \$9,654,824 General Improvement Notes, Series 2025A, \$781,106 Sewer Utility Notes, Series 2025A, and \$81,760 Special Emergency Notes, Series 2025A, issued by the Borough on February 27, 2025 and maturing on February 26, 2026, originally issued to finance various capital improvements and special emergency appropriations, all as authorized by and described in the bond ordinances and resolution set forth below:

General Improvement Bonds

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>
21-04-S	Various Capital Improvements	\$ 734,000
20-22-S/	Construction of Library	5,769,490
22-10-S/		
23-16-S		
21-20-S	Improvements to Carriage House	201,000
22-04-S	Various Capital Acquisitions	530,000
23-07-S	Various Capital Improvements	1,279,510
24-07-S	Acquisition of Real Property	1,140,000
25-08-S	Various Capital Improvements	<u>225,000</u>
		\$9,879,000

Sewer Utility Bonds

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>
21-03-S	Road Improvements (Sewer Capital)	\$ 94,764
19-13-S	Various Sewer Improvements	124,610
20-06-S	Road Improvements (Sewer Capital)	108,332
22-03-S	Road Improvements (Sewer Capital)	300,000
23-08-S	Road Improvements (Sewer Capital)	<u>153,294</u>
		\$781,000

Special Emergency Bonds

<u>Ord./Reso. No.</u>	<u>Description</u>	<u>Amount</u>
23-09-S/		
23-06-120	Preparation of Master Plan	<u>\$39,000</u>
		\$39,000

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to $3\frac{1}{2}\%$ of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is included in Appendix A hereto.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

As shown in Appendix A hereto, the Borough has not exceeded its statutory debt limit as of December 31, 2024. As noted above, the statutory limit is $3\frac{1}{2}\%$.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations. The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations. A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent,

in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 1992.

Upon the filing of certified adopted budgets by the Borough's Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due June 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to June 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2024 for the Borough is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for Federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Bonds. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. FBT Gibbons LLP, Bond Counsel to the Borough, has relied upon the representations of the Borough made in its tax certificate and has assumed continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to continuing compliance with the Code, FBT Gibbons LLP, Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

Tax Treatment of Original Issue Premium

The initial public offering price of certain of the Bonds (the “Premium Bonds”) is greater than the principal amount of such Bonds payable at maturity. An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the Premium Bond’s yield to maturity. As premium is amortized, the purchaser’s basis of such Premium Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Premium Bonds.

Tax Treatment of Original Issue Discount

The initial public offering price of certain of the Bonds (the “Discount Bond”) is less than the amount payable on such Bonds at maturity. The difference between the initial public offering price of the Discount Bonds of each such year as set forth on the inside front cover of this Official Statement and the amount payable at maturity of the Discount Bonds of such year, is original issue discount. Bond Counsel is of the opinion that the accrued portion of the original issue discount will be treated for Federal income tax purposes as interest excludable from gross income under Section 103 of the Code to the same extent as stated interest on the Bonds.

The amount of original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder of the Discount Bonds. Under Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual and, in the case of an original holder of the Discount Bonds who purchases at the initial public offering price of such Discount Bonds, the amount treated as interest on the Discount Bonds excludable from gross income under Section 103 of the Code is the sum of the daily portions of the original issue discount attributable to the Discount Bonds for each day during the taxable year that the owner holds such Discount Bonds.

Purchasers of any Discount Bonds, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such Discount Bonds.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinions with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code, and interest on the Bonds being included in the “adjusted financial statement income” of certain corporations that are subject to the alternative

minimum tax under the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

State Taxation

Bond Counsel to the Borough is of the opinion that, under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Miscellaneous

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Bonds, the exclusion of interest on the Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.

LITIGATION

There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by an insurance company as well as by the insurance underwriters. Pending municipal real estate appeals are limited in number and based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

SECONDARY MARKET DISCLOSURE

The Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibits a broker, dealer or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board ("MSRB") (the "Continuing Disclosure Requirements").

On the date of delivery of the Bonds, the Borough will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Bonds pursuant to which the Borough will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the Borough will covenant for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Borough by no later than October 1 of each fiscal year, commencing October 1, 2026 for the fiscal year ending December 31, 2025 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Borough with the MSRB. The notices of enumerated events will be filed by the Borough with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "Appendix C - Form of Continuing Disclosure Certificate". These

covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. Notwithstanding the foregoing, if the fiscal year is not a calendar year then the Borough shall provide financial information and operating data relating to the Borough by not later than the first day of the tenth month of each fiscal year.

The Borough has entered into prior undertakings to provide continuing disclosure for certain outstanding debt issues. In connection with such debt issues, the Borough failed to timely file certain operating data for the fiscal year ended December 31, 2021 and subsequently filed such information on January 3, 2023. Additionally, the Borough failed to timely file a notice with respect to such late filing. Furthermore, the Borough failed to timely file an event notice with respect to the issuance of certain notes in 2022. The Borough has engaged Digital Assurance Certification, LLC, as dissemination agent, in connection with its continuing disclosure obligations.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes. Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Bonds are subject to the approval of FBT Gibbons LLP, Newark, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix D. Certain legal matters will be passed on for the Borough by its counsel, Russell Huegel, Esq.

UNDERWRITING

The Bonds are being purchased from the Borough by _____, _____, _____ (the "Underwriter") at a purchase price of \$ _____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are purchased. The Underwriter has purchased the Bonds in accordance with the Notice of Sale.

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

RATING

Moody's Ratings (the "Rating Agency") has assigned a rating of "Aa2" to the Bonds.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. There can be no assurance that the rating will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

INFECTIOUS DISEASE OUTBREAK - COVID-19

On January 31, 2020, then United States Secretary of Health and Human Services declared a national public health emergency in response to the outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 11, 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19. On March 13, 2020, then President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to, among other things, provide relief to state and local governments. The pandemic and certain mitigation measures, which altered the behaviors of businesses and people, have had and may continue to have negative impacts on regional, state and local economies. The national public health emergency, the national emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain in effect.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

Generally, according to the Plan, the allowable use of the funds provided to the Borough include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the Borough that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of the Borough, prior to the emergency; (d) to make necessary investments in water, sewer or broadband infrastructure.

Based on available information as of the date hereof, the Borough has received \$805,633.86 from the Plan. The Borough received its first installment under the Plan in the amount of \$402,816.93 on July 2, 2021, and its second installment under the Plan in the amount of \$402,816.93 on July 8, 2022. It utilized some of the funding to continue with COVID-19 testing, vaccinations, food distributions and assisting small businesses. The deadline to commit the funds was December 31, 2024 which was satisfied and to spend the funds is December 31, 2026.

To date, the overall finances and operations of the Borough have not been materially adversely affected due to the COVID-19 outbreak. Nonetheless, there can be no assurance regarding the extent to which the COVID-19 pandemic, or any other national health crisis or pandemic, may impact the national, State or local economies in the future, nor how any such event may materially adversely impact governmental entities, including the Borough. The Borough cannot quantify any such potential impacts at this time.

CYBER SECURITY

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cybersecurity threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyberattacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Borough maintains certain insurance coverage for cyberattacks and related events. However, there can be no assurance that any existing safety or security measures will provide adequate protection in safeguarding against cybersecurity threats and attacks. Cybersecurity breaches of the Borough could cause material disruption of the Borough's finances and operations.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Bloomfield, New Jersey served as municipal advisor to the Borough (the "Municipal Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Municipal Advisor. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein will be realized. The Municipal Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

INDEPENDENT AUDITORS

The audited financial statements of the Borough for the years ended December 31, 2024 and 2023 are included in Appendix B to this Official Statement. The financial statements have been audited by Suplee, Clooney & Company, Westfield, New Jersey, independent auditor to the Borough, as stated in its report appearing in Appendix B hereto.

PREPARATION OF OFFICIAL STATEMENT

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

All other information has been obtained from sources which Borough considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Suplee, Clooney & Company takes responsibility for the audited financial statements to the extent specified in their Independent Auditors' Report.

FBT Gibbons LLP, has not verified the accuracy, completeness or fairness of the information contained herein, except under the heading "TAX MATTERS" and, accordingly, assumes no responsibility therefor and will express no opinion with respect thereto.

The Municipal Advisor has participated in the preparation and review of this Official Statement; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Patricia Celardo, Chief Financial Officer, Borough Hall, 75 N. Martine Avenue, Fanwood, New Jersey 07023, telephone (908) 322-8236, or the Municipal Advisor, NW Financial Group, LLC at 522 Broad Street, Bloomfield, New Jersey 07003, telephone (201) 656-0115.

MISCELLANEOUS

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

BOROUGH OF FANWOOD

By: _____
Patricia Celardo,
Chief Financial Officer

Dated: February __, 2026

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APPENDIX A
GENERAL INFORMATION OF THE BOROUGH OF FANWOOD

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GENERAL INFORMATION REGARDING THE BOROUGH OF FANWOOD

Location and Area

The Borough is a suburban community located approximately 20 miles from the Lincoln Tunnel leading into New York City. It is located in the western section of Union County and covers an area of slightly more than 1 square mile. It is bounded on the north, west and east by the Township of Scotch Plains and on the south by the City of Plainfield.

The established character of the Borough is that of an almost fully-developed, well maintained, single-family, residential community. Commercial uses, servicing the immediate area, are concentrated near the train station.

Transportation to and from the Borough is facilitated by State Highway Route 28, which crosses the community. Interstate Highway 78, U. S. Route 22 and the Garden State Parkway are all within convenient access.

Form of Government

The form of government found in the Borough is that of a mayor and council composed of six members. The mayor is elected for a four-year term, council members are elected to three-year terms. A full-time municipal administrator handles day-to-day operations.

Population

1980	7,767
1990	7,115
2000	7,174
2010	7,318
2020	7,774

MUNICIPAL SERVICES

Transportation

Bus lines to Newark, Somerville, Westfield and New York City run through the Borough. New Jersey Transit provides commuter rail service to Newark and New York City from central Fanwood.

Public Library

The Borough operates a newly renovated community library in a two-story building. The building features large, bright spaces, improved accessibility, and modern amenities including a community room, business center, and dedicated areas for children and teenagers.

Recreation

The Borough operates two newly renovated parks maintained by Borough employees covering approximately 15.1 acres. A \$660,000 renovation is planned, utilizing a Green Acres grant with county and municipal funds.

Police

The Fanwood Police Department exists to protect and serve the citizens of the Borough by providing 24-hour emergency services while safeguarding the constitutional rights of all people. The duties of the department include: enforcing local ordinances, controlling traffic, preventing violations, providing medical assistance, arresting violators, and keeping the peace. The department was formally organized in 1895. The department consists of fifteen (15) sworn officers and one (1) civilian employee. Dan Kranz leads the department as Officer in Charge. To better serve the community, the department and staff are broken into six subdepartments, each with different roles and responsibilities. These areas include a patrol division, a detective bureau, a traffic division, a bike unit patrol, communications, and a records bureau. The department is located at the Borough Hall.

Churches

There are three churches and one Buddhist Temple in the Borough.

Protection to Persons and Property

The Borough has 15 paid policemen, an approximately 24 volunteer member Rescue Squad and approximately 40 volunteer firemen; one fire house and three pieces of fire-fighting apparatus.

Streets

There are approximately 32.5 miles of permanently improved streets in the Borough including State and County roads.

Sewerage

There are about 35 miles of sanitary sewers in the Borough providing service to approximately 98% of the Borough. Treatment of sewerage is provided by the Plainfield Area Regional Sewerage Authority. The Borough established a sewer utility for the operation of the sanitary sewer. Fees are charged based on water usage to fund the operations of the utility. In conjunction with street paving projects, the sewer lines will be cleaned and relined.

Ash, Rubbish and Garbage

Private contractors, regulated by the State Board of Public Utilities, provide collection service to the residents of the Borough on a twice a week basis. There are also separate contracts in force to comply with the New Jersey Statewide Mandatory Source Separation and Recycling Act, N.J.S.A.

13:1E-99.11 et seq. The Borough has contracted with the Grand Sanitation Service for the collection of household and municipal recyclable waste and has contracted with the Bayshore Recycling Corporation for the transfer and disposal of the recyclables collected in the Borough.

Shared Service Agreements

The Borough has entered into shared services agreements with the Borough of Garwood, by which the Borough provides our Public Works Director to direct the Garwood Public Works Department and also provides a Municipal Court Administrator. The Borough has entered into another shared services agreement with the Town of Westfield for health services and the purchase of gasoline and diesel fuel. The Borough has also entered into a shared services agreement with the City of Rahway for a Construction Code Official. The Borough has also entered into a shared services agreement with the Borough of Garwood to establish a shared municipal court, which is hosted by the Borough.

FINANCIAL INSTITUTIONS

The following financial institutions service the financial needs of the Borough:

TD Bank
Provident Bank
Ocean First Bank
Unity Bank

UNEMPLOYMENT RATES

According to the New Jersey Department of Labor and Workforce Development, the estimated unemployment rates as of 2024 were as follows:

Borough of Fanwood	3.2%
County of Union	4.8%
State of New Jersey	4.5%

LARGEST TAXPAYERS OF THE BOROUGH

	Taxpayer	2026 Assessed Valuation
1	HCRI NY-NJ Prop., LLC	\$14,076,500
2	Partners Profit Fanwood Group LLC	5,911,800
3	Fanwood Plaza Partners, LLC	3,527,000
4	222 South Ave., LLC	3,177,400
5	Enchantments Prop., LLC	2,869,400
6	MEGA Resort LLC	2,309,000
7	South Avenue Realty Associates LLC	2,128,900
8	South Fanwood Plaza LLC	2,100,000
9	ARKAD Commercial Holdings	1,984,600
10	346 South Ave LLC	1,950,000

FINANCIAL INFORMATION

Debt Statement (as of 12/31/2024)

School Debt:	
Issued and Outstanding	\$-
 Municipal Debt:	
Serial Bonds	\$11,733,795.37
Bond Anticipation Notes	10,619,735.00
Authorized, but not Issued	2,046,125.84
Total Municipal Debt	<u>\$24,399,656.21</u>
 Less Statutory Deductions:	
School Debt	\$-
Municipal Debt	256,858.20
Sewer Debt	68,139.00
Total Deductions	<u>\$324,997.20</u>
 Net Debt:	<u>\$24,074,659.01</u>
 Average Equalized Valuation of Real Property (2022,2023,2024)	<u>\$1,592,904,266.00</u>
 Statutory Net Debt %	<u>1.511%</u>

Gross Debt and Statutory Net Debt

Year	GROSS DEBT		STATUTORY NET DEBT	
	Amount	Percentage	Amount	Percentage
2024	\$24,399,656	1.53%	\$24,074,659	1.51%
2023	32,295,823	2.07	29,174,144	1.87
2022	32,854,365	2.40	30,083,415	2.20
2021	21,524,665	1.59	20,817,369	1.34
2020	22,181,866	1.75	20,574,866	1.62

Assessed Valuations – Land and Improvements by Class

Year	Vacant Land	Residential	Commercial	Industrial	Total
2024	\$12,072,000	\$1,169,281,500	\$80,621,500	\$12,082,700	\$1,274,057,700
2023	10,893,000	1,165,482,000	80,361,600	11,970,700	1,268,707,800
2022	10,943,500	1,156,932,200	80,507,700	11,858,700	1,260,242,100
2021	11,056,800	1,154,628,300	80,507,700	11,746,700	1,257,939,500
2020*	11,056,800	1,154,628,300	80,507,700	11,746,700	1,257,939,500

*Revaluation

Assessed Valuations – Net Valuations Taxable

Year	Real Estate Land and Improvements	Business Personal Property	Net Valuation Taxable	Ration to True Value	Aggregate True Value
2024	\$1,169,281,500	\$80,629,500	\$1,274,482,971	98.00%	\$1,274,057,700
2023	1,169,281,500	80,621,500	1,269,133,426	98.52	1,268,707,800
2022	1,156,932,200	80,507,700	1,260,242,100	92.65	1,260,242,100
2021	1,154,628,300	80,507,700	1,258,499,500	96.94	1,257,939,500
2020*	1,257,939,500	475,236	1,258,414,736	100.00	1,258,414,736

*Revaluation

Current Tax Collections

Year	Total Levy	Collection During Year of Levy	
		Amount	Percentage
2024	\$37,620,611	\$37,235,396	98.98%
2023	36,246,954	35,986,231	99.28
2022	35,586,226	35,353,192	99.35
2021	35,039,802	34,719,277	99.09
2020	33,924,384	33,718,472	99.39

Total Tax Requirements Including School and County Purposes

Year	Total Tax Requirements	Local Purposes	Local School	County
2024	\$37,420,691	\$7,943,703	\$23,481,813	\$5,995,174
2023	36,088,060	7,352,664	22,723,787	6,011,609
2022	35,380,944	7,119,853	22,078,853	6,182,238
2021	34,970,954	6,773,468	21,852,161	6,345,325
2020	33,860,010	6,677,013	20,834,090	6,348,907

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

Year	Total	Municipal	Regional School	County
2024	\$2.937	\$0.624	\$1.843	\$0.470
2023	2.844	0.580	1.791	0.473
2022	2.807	0.655	1.752	0.490
2021	2.779	0.538	1.737	0.504
2020*	2.697	0.532	1.660	0.505

*Revaluation

Comparative Schedule of Fund Balances

Year	Current Fund	
	Fund Balance (December 31)	Utilized in Budget of Succeeding Year
2024	\$1,520,805	\$700,000
2023	1,215,392	600,000
2022	914,702	568,005
2021	817,135	525,000
2020	845,753	700,000

APPENDIX B
INDEPENDENT AUDITOR'S REPORT

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Fanwood
County of Union
Fanwood, New Jersey 07023

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Fanwood (the "Borough"), as of and for the years ended December 31, 2024 and 2023, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2024 and 2023, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2024 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Matter Giving Rise to Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2024.

SUPLEE, CLOONEY & COMPANY LLC

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division, 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 Borough 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the regulatory financial statements in accordance with the regulatory basis of accounting prescribed by the Division, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the regulatory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough'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 regulatory 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 Division 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.

SUPLEE, CLOONEY & COMPANY LLC

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, 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 Borough's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2025 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough'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 Borough's reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Warren M. Korecky
Warren M. Korecky, C.P.A., R.M.A.

June 9, 2025

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

		BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>ASSETS</u>			
Cash	\$	2,407,026.82	\$ 3,036,112.80
Cash - Change Funds		350.00	350.00
Due from State of New Jersey-Senior Citizens Deductions		12,512.96	12,262.96
State Aid Receivable		<u>628,927.60</u>	<u>727,741.77</u>
	\$	<u>3,048,817.38</u>	<u>3,776,467.53</u>
Receivables With Full Reserves:			
Delinquent Property Taxes Receivable	\$	378,144.52	\$ 239,539.87
Tax Title Liens Receivable		32,481.97	31,863.86
Property Acquired for Taxes-Assessed Valuation		12,279.00	12,279.00
Revenue Accounts Receivable		2,500.86	3,413.56
Interfunds Receivable		468,295.54	68,991.57
Prepaid Regional School Tax		<u>87,070.27</u>	<u>87,068.27</u>
	\$	<u>980,772.16</u>	<u>443,156.13</u>
Deferred Charges:			
Emergency Appropriation 40A:4-53	\$	<u>171,680.00</u>	<u>264,600.00</u>
	\$	<u>171,680.00</u>	<u>264,600.00</u>
	\$	<u>4,201,269.54</u>	<u>4,484,223.66</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves	\$ 273,768.08	\$ 243,138.56
Encumbrances Payable	352,141.34	290,617.83
Prepaid Taxes	126,043.42	111,464.46
Tax Overpayments	14,268.26	12,109.38
Interfunds Payable	37,352.84	826,874.52
County Taxes Payable	1,614.02	1,614.02
Municipal Open Space Taxes Payable	1,780.26	1,196.91
Emergency Notes Payable	151,680.00	234,600.00
Reserve for:		
Due State of New Jersey:		
Marriage License Fees	625.00	525.00
State Training Fees	2,603.54	2,603.54
Burial Permits	35.00	35.00
Tax Appeals	12,410.15	38,592.02
Library	87,419.75	298,036.61
Sale of Municipal Assets		27,165.27
Grants - Appropriated	609,998.54	587,625.34
Grants - Unappropriated	21,588.95	61,588.95
Fire Fines and Penalties	25.00	25.00
Snow Removal	3,072.91	4,849.75
P.I.L.O.T. Fees Due Union County	3,265.24	4,231.80
Municipal Relief Funds		78,781.30
	\$ 1,699,692.30	\$ 2,825,675.26
Reserve for Receivables and Other Assets	980,772.16	443,156.13
Fund Balance	1,520,805.08	1,215,392.27
	\$ 4,201,269.54	\$ 4,484,223.66

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2024</u>	YEAR ENDED DECEMBER <u>31, 2023</u>
<u>REVENUE AND OTHER INCOME</u>		
Fund Balance Utilized	\$ 600,000.00	\$ 568,004.77
Miscellaneous Revenue Anticipated	3,062,889.64	2,989,494.71
Receipts From Delinquent Taxes	239,520.91	223,307.39
Receipts From Current Taxes	37,235,396.60	35,986,231.33
Non-Budget Revenue	454,864.76	61,270.52
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>89,806.82</u>	<u>106,754.75</u>
<u>TOTAL INCOME</u>	<u>\$ 41,682,478.73</u>	<u>\$ 39,935,063.47</u>
<u>EXPENDITURES</u>		
Budget Appropriations:		
Operations Within "CAPS":		
Operating	\$ 6,814,112.04	\$ 6,773,885.14
Deferred Charges and Statutory Expenditures	1,123,088.89	1,020,656.00
Operations Excluded From "CAPS":		
Other Operations	1,123,251.94	912,570.82
Capital Improvement Fund	69,100.00	15,000.00
Deferred Charges	92,920.00	125,000.00
Municipal Debt Service	1,862,903.61	1,618,842.85
Regional School Tax	23,102,800.00	22,401,320.00
County Taxes	5,995,174.17	6,011,608.86
County Share of Added Taxes	27,416.96	24,014.94
Municipal Open Space Tax	127,989.12	127,420.56
Interfunds Advanced	399,303.97	17,620.66
Refund of Prior Year Revenue	3,137.00	30,960.82
Cancellation of Grant Receivables	35,866.22	
Prepaid School Tax	<u>2.00</u>	<u>87,068.27</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 40,777,065.92</u>	<u>\$ 39,165,968.92</u>
Excess in Revenue	\$ 905,412.81	\$ 769,094.55
Adjustment to Income Before Fund Balance:		
Expenditures Included above which are by Statute		
Deferred Charges to Budgets of Succeeding Years		99,600.00
Regulatory Excess to Fund Balance	\$ 905,412.81	\$ 868,694.55
Fund Balance		
Balance, January 1	<u>1,215,392.27</u>	<u>914,702.49</u>
Decreased by:		
Utilized as Anticipated Revenue	<u>600,000.00</u>	<u>568,004.77</u>
Balance, December 31	<u>\$ 1,520,805.08</u>	<u>\$ 1,215,392.27</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS WITHIN "CARS"</u>					
GENERAL GOVERNMENT					
Administrative and Executive:					
Salaries and Wages	\$ 160,000.00	\$ 160,000.00	\$ 157,601.50	\$ 2,398.50	\$ 316.55
Other Expenses	90,000.00	90,000.00	89,683.45		
Office of the Mayor:					
Salaries and Wages	25,000.00	26,000.00	25,592.68	407.32	
Other Expenses	1,530.00	1,530.00	1,401.45	128.55	
Municipal Clerk:					
Salaries and Wages	65,000.00	49,476.00	49,475.62	0.38	
Other Expenses	58,250.00	40,757.10	37,933.77	2,823.33	
Financial Administration:					
Salaries and Wages	106,641.00	106,641.00	106,641.00		
Other Expenses	73,790.00	79,790.00	75,431.76	4,358.24	
Audit					
Assessment of Taxes:					
Salaries and Wages	22,819.08	22,819.08	22,819.47	0.61	
Other Expenses	7,700.00	7,700.00	5,835.32	1,864.68	
Reserve for Tax Appeal	5,000.00	5,000.00	5,000.00		
Collection of Taxes:					
Salaries and Wages	60,000.00	60,000.00	59,997.74	2.26	
Other Expenses	6,600.00	6,600.00	6,913.90	6,913.90	
Municipal Prosecutor:					
Salaries and Wages	125,000.00	125,000.00	118,593.50	6,406.50	
Public Defender:					
Salaries and Wages	28,200.00	28,200.00	29,345.55	29,345.55	
Engineering Services and Costs:					
Salaries and Wages	113,965.00	80,306.00	80,305.94	0.06	
Other Expenses	8,750.00	31,381.90	29,925.90	1,456.00	
Architect:					
Other Expenses	3,000.00				
Planning Board:					
Salaries and Wages	25,000.00	25,000.00	24,557.78	442.22	
Other Expenses	17,758.04	13,743.72	13,743.72	0.00	
Zoning Officer					
Salaries and Wages	49,462.00	49,462.00	49,451.43	10.57	
Other Expenses	2,115.00	345.00	345.00		
Credit Card Fees:					
Other Expenses	4,000.00				
Environmental Commission:					
Salaries and Wages	4,650.00	4,650.00	4,647.91	2.09	
Other Expenses	3,700.00	1,700.00	1,700.00		

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		CANCELED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAPS" (CONTINUED)						
GENERAL GOVERNMENT (CONTINUED)						
Insurance:						
State Unemployment Compensation	\$ 5,000.00	\$ 9,367.00	\$ 9,367.00	\$ 14,439.16	\$	
Group Insurance for Employees	1,216,092.00	1,194,018.95	1,179,579.79			
Other Insurance Premiums	166,176.80	168,047.71	168,047.71			
Workmen's Compensation	153,607.08	148,401.60	148,401.60			
Health Benefit Waiver	35,000.00	30,979.88	30,979.88			
Municipal Court:						
Salaries and Wages	85,000.00	116,857.00	116,034.25	822.75		
Other Expenses	11,100.00	14,100.00	11,884.74	2,215.26		
PUBLIC SAFETY						
Fire:						
Other Expenses:	115,000.00	\$ 115,000.00	\$ 104,982.70	10,017.30		
Fire Hydrants	49,000.00	49,000.00	38,492.20	10,507.80		
Miscellaneous						
Fire Prevention Bureau:						
Salaries and Wages	24,088.00	25,638.00	24,122.78	1,515.22		
Other Expenses	6,460.00	6,460.00	580.95	5,879.05		
Police:						
Salaries and Wages	1,944,937.00	2,045,430.28	2,029,301.36	16,128.92		
Other Expenses	86,150.00	81,908.10	67,134.04	14,774.06		
School Crossing Guards:						
Salaries and Wages	73,800.00	73,800.00	72,006.93	1,793.07		
Dispatchers:						
Other Expenses	96,086.00	96,086.00	96,085.36	0.64		
Traffic Signal Maintenance:						
Other Expenses	5,000.00	5,000.00	5,000.00			
Emergency Management Services:						
Other Expenses	3,000.00					
Sanitation:						
Solid Waste Management Act:						
Salaries and Wages	100.00	100.00	100.00	100.00		
Other Expenses	260,000.00	202,760.00	202,370.61	389.39		
Road Repair and Maintenance:						
Salaries and Wages	635,084.00	637,265.36	633,932.02	3,333.34		
Other Expenses	129,500.00	111,100.00	103,540.42	7,559.58		
HEALTH AND WELFARE						
Board of Health:						
Salaries and Wages	14,520.00	14,520.00	14,181.50	338.50		
Other Expenses	1,895.00	1,895.00	1,505.25	389.75		
Contractual - Town of Westfield	52,668.00	52,668.00	52,668.00			
Dog Regulation:						
Other Expenses	16,668.00	17,694.00	17,694.00			

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		CANCELED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAPS" (CONTINUED)						
HEALTH AND WELFARE (CONTINUED)						
Show Removal:	\$ 10,000.00	\$ 4,696.72	\$ 4,361.14	\$ 335.58	\$	
Other Expenses	250.00	250.00			250.00	
New Jersey Public Employees Occupational and Safety Health Act:						
Other Expenses	500.00	95.00			95.00	
Right to Know Act:						
Other Expenses						
RECREATION AND COMMUNITY SERVICES						
Celebration of Public Events:						
Other Expenses	15,350.00	15,350.00	9,048.78		6,301.22	
Senior Citizen:						
Salaries and Wages	4,000.00	4,000.08	4,000.08			
Other Expenses	3,000.00	2,642.11	1,200.00		1,442.11	
Communications:						
Salaries and Wages	13,000.00	13,000.00	12,178.49		821.51	
Other Expenses	110,000.00	96,020.00	95,019.10		1,000.90	
Rescue Squad:						
Other Expenses	3,000.00					
UNCLASSIFIED						
Utilities-Other	180,000.00	215,000.00	214,866.17		133.83	
Prior Years Bills						
Downtown Revitalization	60,000.00	51,000.00	42,756.31		8,243.69	
Postage	11,000.00	11,000.00	8,410.77		2,589.23	
Salary Adjustment	100.00	100.00	996.23		100.00	
New Jersey Transit - Contractual	1,000.00	1,000.00	1,000.00		3.77	
Street Lighting	125,000.00	125,000.00	117,739.54		7,260.46	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 6,832,442.00	\$ 6,813,112.04	\$ 6,668,713.09	\$ 144,398.95	\$	
CONTINGENT	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00			
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	\$ 6,833,442.00	\$ 6,814,112.04	\$ 6,669,713.09	\$ 144,398.95	\$	

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Statutory Expenditures					
Contribution to:					
Public Employees Retirement System	\$ 293,561.00	\$ 293,561.00	\$ 293,561.00	\$ 293,561.00	\$ 6,313.54
Social Security System	210,000.00	210,000.00	203,686.46		1,223.87
Defined Contribution Retirement Program	12,000.00	14,500.00	13,276.13		
Public Employees Retirement System-Retroactive	7,265.89	7,265.89	7,265.89		
Police and Firemen's Retirement System of NJ - Retroactive	10,899.00	10,899.00	10,899.00		
Police and Firemen's Retirement System of NJ	586,863.00	586,863.00	586,863.00		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL-WITHIN "CAPS"	\$ 1,120,588.89	\$ 1,123,086.89	\$ 1,115,551.48	\$ 7,537.41	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 7,954,030.89	\$ 7,937,200.93	\$ 7,785,264.57	\$ 151,936.36	\$
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (N.J.S.A. 40:54)	\$ 519,486.00	\$ 519,486.00	\$ 427,402.07		\$ 92,083.33
Length of Service Award Program (L.O.S.A.P.)	26,000.00	26,000.00	21,758.10		\$ 4,241.90
Insurance:					
Group Insurance for Employees	64,835.00	64,835.00	64,835.00		
Liability Insurance	37,753.00	37,753.00	37,753.00		
Statutory Expenditures:					
Interlocal Agreements:					
Borough of Garwood:					
Municipal Court					
Road Repair and Maintenance:					
Salaries and Wages	46,866.37	46,866.37	46,866.37		
Vehicle Use	2,818.64	2,818.64	2,818.64		
Shared Service Westfield -Gas & Diesel	50,000.00	50,000.00	24,494.11		
Shared Service Union - QPA Services	10,000.00	10,000.00	10,000.00		
STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES	\$	\$	\$	\$	\$
Clean Communities Program (N.J.S.A. 40A:4-87 + \$17,958.51)	\$ 7,269.74	\$ 7,269.74	\$ 17,958.51		\$ 17,958.51
Recycling Tonnage Grant					
Infrastructure Municipal Aid	40,000.00	40,000.00	40,000.00		
Body Armor Replacement Fund (N.J.S.A. 40A:4-87 + \$1,573.95)					
Community Energy Plan Grant (N.J.S.A. 40A:4-87 + \$10,000.00)					
Municipal Alliance Grant					
Bulletproof Vest Program (N.J.S.A. 40A:4-87 + \$1,179.73)					
Drive Sober or Get Pulled Over (N.J.S.A. 40A:4-87 + \$7,000.00)					
Preserve Union County Carriage House					
NJ Council for the Humanities (N.J.S.A. 40A:4-87 + \$3,000.00)					
Matching Funds for Grants					
NJ Body Worn Cameras Grant					
Heart Grant - Music Series					
NJ DCA - ARPA Firefighters Grant					
American Rescue Plan Act					
Local Recreation Improvement Grant (N.J.S.A. 40A:4-87 + \$61,000.00)					
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 1,021,599.75	\$ 1,123,251.94	\$ 1,001,420.22	\$ 121,831.72	\$
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"	\$ 69,100.00	\$ 69,100.00	\$ 69,100.00	\$	\$
Capital Improvement Fund					
TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"	\$ 69,100.00	\$ 69,100.00	\$ 69,100.00	\$	\$

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENT OF EXPENDITURES -REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

		APPROPRIATIONS	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	RESERVED	CANCELED
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>							
Payment of Bond Principal		\$ 1,125,000.00	\$ 1,125,000.00	\$ 1,125,000.00	\$ 1,125,000.00	\$	\$
Payment of Bond Anticipation and Capital Notes		49,669.00	49,669.00	49,669.00	49,669.00		
Interest on Bonds		329,070.02	329,070.02	329,070.02	329,070.02		
Interest on Notes		263,307.53	280,137.49	280,137.49	280,137.49		
Loan Repayments for Principal and Interest (Enviro. Infrastructure Loan)		79,027.10	79,027.10	79,027.10	79,027.10		
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"		\$ 1,846,073.65	\$ 1,862,903.61	\$ 1,862,903.61	\$	\$	\$
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL</u>							
Deferred Charges:							
Emergency Authorizations		\$ 41,000.00	\$ 41,000.00	\$ 41,000.00	\$ 41,000.00	\$	\$
Special Emergency Authorizations - 5 years (40A:4-53)		19,920.00	19,920.00	19,920.00	19,920.00		
Special Emergency Authorizations - 5 years (40A:4-53)		22,000.00	22,000.00	22,000.00	22,000.00		
Special Emergency Authorizations - 5 years (40A:4-53)		10,000.00	10,000.00	10,000.00	10,000.00		
TOTAL DEFERRED CHARGES - MUNICIPAL -EXCLUDED FROM "CAPS"		\$ 92,920.00	\$ 92,920.00	\$ 92,920.00	\$ 92,920.00	\$	\$
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>							
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES		\$ 10,983,664.29	\$ 11,085,376.48	\$ 10,811,608.40	\$ 273,768.08	\$	\$
		<u>400,000.00</u>	<u>400,000.00</u>	<u>400,000.00</u>	<u>400,000.00</u>		
TOTAL GENERAL APPROPRIATIONS		\$ 11,383,664.29	\$ 11,485,376.48	\$ 11,211,608.40	\$ 273,768.08	\$	\$
Budget		\$ 11,383,664.29					
Appropriation by 40A:4-87			\$ 101,712.19				
		\$ 11,485,376.48					
State and Federal Programs				\$ 330,492.93			
Reserve for Uncollected Taxes				400,000.00			
Encumbrances Payable				144,603.45			
Deferred Charges				92,920.00			
Cash Disbursements				10,543,999.36			
Less: Refunds				11,512,015.74			
				300,407.34			
				\$ 111,211,608.40			

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

TRUST FUND

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Assessment Trust Fund:		
Assessment Liens	\$ 318.56	\$ 318.56
	<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:		
Cash	\$ 766.65	\$ 652.73
Due Current Fund	0.33	652.73
	<u>766.98</u>	<u>652.73</u>
Other Trust Funds:		
Cash	\$ 1,378,965.94	\$ 1,409,396.48
Due General Capital Fund		30,000.00
Due County of Union - Community Development Block Grant	8,385.27	8,385.27
Due Current Fund	37,352.51	
	<u>1,424,703.72</u>	<u>1,447,781.75</u>
	<u>\$ 1,425,789.26</u>	<u>\$ 1,448,753.04</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Assessment Trust Fund:		
Due Current Fund	\$ 318.56	\$ 318.56
	<u>\$ 318.56</u>	<u>\$ 318.56</u>
Animal Control Trust Fund:		
Due Current Fund	\$ 349.00	\$ 2.04
Due State of New Jersey	417.98	350.20
Reserve for Animal Control Fund Expenditures		300.49
	<u>766.98</u>	<u>652.73</u>
Other Trust Funds:		
Due Current Fund	\$	\$ 55,939.43
Due General Capital Fund		95.51
Reserve For:		
Unemployment Compensation Insurance	1.81	6,444.55
Community Development Block Grant	13,151.20	13,151.20
Builders Escrow	54,363.86	78,438.53
Zoning Escrow Trust	64,584.66	40,385.07
Redevelopers Escrow	6,234.13	6,162.85
Recreation Trust	128,400.49	84,464.77
Law Enforcement Trust	4,110.02	3,973.91
Developers Housing Escrow	484,043.18	389,554.34
Library Fund	164,749.97	138,302.67
Tax Sale Premiums and Redemptions	262,890.52	110,047.11
Cell Tower Deposits	14,228.59	14,228.59
Payroll Deductions	35,266.62	29,356.79
Police Off-Duty Pay	4,337.97	5,417.49
Municipal Open Space	45,336.47	117,042.00
Construction Code Enforcement		215,570.49
Green Acres	1.19	1.00
Miscellaneous Trust Deposits	143,003.04	139,205.45
	<u>\$ 1,424,703.72</u>	<u>\$ 1,447,781.75</u>
	<u>\$ 1,425,789.26</u>	<u>\$ 1,448,753.04</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD
GENERAL CAPITAL FUND
BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Cash	\$ 1,844,350.94	\$ 2,035,210.02
Grants Receivable	680,349.18	4,131,944.38
Due Scotch Plains-Fanwood Board of Education	6,000.00	6,000.00
Due Current Fund		634,173.52
Due Sewer Utility Capital Fund	123,132.00	
State of NJ Library Construction Receivable		1,000,000.00
Due Police OS OT Trust Fund		95.51
Deferred Charges to Future Taxation:		
Funded	11,733,795.37	12,931,028.71
Unfunded	<u>11,770,800.28</u>	<u>10,287,060.28</u>
	<u>\$ 26,158,427.77</u>	<u>\$ 31,025,512.42</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
General Serial Bonds	\$ 11,128,000.00	\$ 12,253,000.00
Bond Anticipation Note	9,828,883.00	7,959,000.00
NJEIT Loan Payable	605,795.37	678,028.71
Due Current Fund	435,338.88	
Due Sewer Utility Operating Fund	9,746.00	
Due Sewer Utility Capital Fund		61,991.28
Due Open Space Trust Fund		30,000.00
Improvement Authorizations-Funded	971,511.51	1,166,341.30
Improvement Authorizations-Unfunded	859,833.41	2,745,419.85
Contracts Payable	2,205,481.28	5,887,124.19
Capital Improvement Fund	4,575.78	181.78
Reserve for Debt Service	43,945.00	43,945.00
Fund Balance	<u>65,317.54</u>	<u>200,480.31</u>
	<u>\$ 26,158,427.77</u>	<u>\$ 31,025,512.42</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS

Balance, December 31, 2023	\$ 200,480.31
Increased by:	
Premium on Sale of Bonds and Notes	<u>65,317.54</u>
	\$ <u>265,797.85</u>
Decreased by:	
Anticipated as Revenue in 2024 Budget	<u>200,480.31</u>
Balance, December 31, 2024	<u>\$ 65,317.54</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD
SEWER UTILITY FUND
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 59,311.40	\$ 187,173.87
Due General Capital Fund	9,746.00	83.43
Due Sewer Capital Fund	<u>69,057.40</u>	<u>187,257.30</u>
Receivables with Full Reserves:		
User Accounts Receivable	86,001.91	28,706.69
Sewer Utility Liens	<u>2,346.32</u>	<u>1,660.84</u>
	<u>88,348.23</u>	<u>30,367.53</u>
Deferred Charges:		
Operating Deficit	<u>95,163.68</u>	<u></u>
	<u><u>Total Operating Fund</u></u>	<u><u>252,569.31</u></u>
	<u><u>\$ 252,569.31</u></u>	<u><u>\$ 217,624.83</u></u>
Capital Fund:		
Cash	\$ 338,921.20	\$ 86,311.54
Fixed Capital Authorized and Uncompleted	893,794.00	893,794.00
Due General Capital Fund	61,991.28	61,991.28
Due Current Fund	<u>192,701.00</u>	<u></u>
Due Sewer Operating Fund	<u>9,535.60</u>	<u></u>
	<u><u>Total Capital Fund</u></u>	<u><u>\$ 1,242,250.80</u></u>
	<u><u>\$ 1,242,250.80</u></u>	<u><u>\$ 1,234,797.82</u></u>
	<u><u>\$ 1,494,820.11</u></u>	<u><u>\$ 1,452,422.65</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 103,998.24	\$ 17,237.05
Overpayments	1,548.21	470.83
Due Current Fund	32,638.10	12,731.54
Due Sewer Capital Fund	<u>9,535.60</u>	<u></u>
	<u><u>147,720.15</u></u>	<u><u>30,439.42</u></u>
Reserve for Receivables	88,348.23	30,367.53
Fund Balance	<u>16,500.93</u>	<u>156,817.88</u>
	<u><u>Total Operating Fund</u></u>	<u><u>\$ 252,569.31</u></u>
	<u><u>\$ 252,569.31</u></u>	<u><u>\$ 217,624.83</u></u>
Capital Fund:		
Capital Improvement Fund	\$ 43,122.00	\$ 43,022.00
Due General Capital Fund	123,132.00	83.43
Due Sewer Operating	790,852.00	647,304.00
Bond Anticipation Notes	143,601.61	386,439.50
Encumbrances Payable	13,500.00	13,500.00
Reserve for Amortizations	126,109.09	142,514.79
Improvement Authorizations:		
Unfunded	<u>1,934.10</u>	<u>1,934.10</u>
Fund Balance	<u></u>	<u></u>
	<u><u>Total Capital Fund</u></u>	<u><u>\$ 1,242,250.80</u></u>
	<u><u>\$ 1,242,250.80</u></u>	<u><u>\$ 1,234,797.82</u></u>
	<u><u>\$ 1,494,820.11</u></u>	<u><u>\$ 1,452,422.65</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

SEWER UTILITY FUND

STATEMENTS OF OPERATIONS AND CHANGES
IN OPERATING FUND BALANCE-REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2024</u>	YEAR ENDED DECEMBER <u>31, 2023</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 11,503.99	
Sewer Use Charges	657,739.30	789,189.83
Non-Budget Revenue	17,983.46	5,852.91
Sewer Utility Capital Surplus		3,155.01
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>17,237.05</u>	<u>45,515.44</u>
<u>Total Income</u>	\$ <u>692,959.81</u>	\$ <u>855,217.18</u>
<u>EXPENDITURES</u>		
Operating	\$ 757,339.00	\$ 706,154.00
Capital Improvements	100.00	18,522.00
Debt Service	30,684.49	18,463.98
Deferred Charges and Statutory Expenditures		157.57
<u>Total Expenditures</u>	\$ <u>788,123.49</u>	\$ <u>743,297.55</u>
Excess in Revenue	\$	\$ 111,919.63
Operating Deficit to be Raised in Budget of Succeeding Year		95,163.68
<u>Fund Balance</u>		
Balance, January 1	<u>156,817.88</u>	<u>195,450.24</u>
Decreased by:		
Payment to Current Fund as Anticipated Revenue	\$ 140,316.95	\$ 139,048.00
Utilization by Swimming Pool Operating Budget	<u>140,316.95</u>	<u>11,503.99</u>
Balance, December 31	\$ <u>16,500.93</u>	\$ <u>156,817.88</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

SEWER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	CANCELED
Operating:					
Salaries and Wages	\$ 100,000.00	100,000.00	\$ 95,000.00	\$ 5,000.00	\$
Other Expenses	<u>657,339.00</u>	<u>657,339.00</u>	<u>558,340.76</u>	<u>98,998.24</u>	
<u>Total Operating</u>	<u>\$ 757,339.00</u>	<u>757,339.00</u>	<u>\$ 653,340.76</u>	<u>\$ 103,998.24</u>	<u>\$</u>
Capital Improvements:					
Capital Improvement Fund	\$ 100.00	100.00	\$ 100.00	\$	\$
<u>Total Capital Improvements</u>	<u>\$ 100.00</u>	<u>100.00</u>	<u>\$ 100.00</u>	<u>\$</u>	<u>\$</u>
Debt Service:					
Payment of Bond Anticipation Notes & Capital Notes	\$ 9,746.00	\$ 9,746.00	\$ 9,746.00	\$	\$
Interest on Notes	<u>20,939.00</u>	<u>20,939.00</u>	<u>20,938.49</u>		0.51
<u>Total Debt Service</u>	<u>\$ 30,685.00</u>	<u>\$ 30,685.00</u>	<u>\$ 30,684.49</u>	<u>\$</u>	<u>0.51</u>
	<u>\$ 788,124.00</u>	<u>788,124.00</u>	<u>\$ 684,125.25</u>	<u>\$ 103,998.24</u>	<u>\$ 0.51</u>
		D-3		D	
Disbursements			\$ <u>684,125.25</u>		

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Fixed Assets:		
Buildings	\$ 4,178,500.00 *	\$ 1,141,430.00
Land	18,461,200.00 *	3,614,773.00
Machinery and Equipment	<u>6,915,628.27</u>	<u>6,351,864.28</u>
	\$ <u>29,555,328.27</u>	\$ <u>11,108,067.28</u>
Reserve:		
Investments in General Fixed Assets	\$ <u>29,555,328.27</u>	\$ <u>11,108,067.28</u>

* - The Borough completed a revaluation of land and buildings in 2023.

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Fanwood is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Except as noted below, the financial statements of the Borough of Fanwood include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Fanwood, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Fanwood do not include the operations of the regional school district, inasmuch as its activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Fanwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Fanwood are organized on the basis of funds and an account group which is different from the fund structure required by GAAP.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds

Trust Fund - receipts, custodianship and disbursements of funds in accordance with the purpose for which each reserve was created

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund

Sewer Utility Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipality owned Sewer utility

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under, GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

The General Fixed Assets that have been acquired and that are utilized in the Current and General Capital Funds are instead accounted for in the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets or reported in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Fixed Capital - Sewer Utility - Accounting for utility fund "fixed capital" remains uncharged under N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization account in the utility capital fund represents charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - Under GAAP, municipalities are required to record their distributive shares of net pension liability, deferred outflows of resources, and deferred inflows of resources in the statement of Net Position and total pension related expense in the Statements of Revenues, Expenses, and Changes in Net Position and Notes to the Financial Statements in accordance with GASB 68.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68, however, local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 68. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) - Under GAAP, municipalities required to record their distributive shares of OPEB liability, deferred outflows of resources, and deferred inflows of resources in the statement of Net Position and total OPEB related expense in the Statements of Revenues, Expenses, and Changes in Net Position and Notes to the Financial Statements in accordance with GASB 75.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Leases

Under GAAP, lease receivables are measured at the present value of the lease payments expected to be received during the lease term. Payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right -to-use assets on the statements of net position.

New Jersey's municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording lease receivables, deferred outflows, lease liabilities or deferred inflows on their balance sheets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements for the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Fanwood had the following cash and cash equivalents at December 31, 2024:

Fund Type	Reconciling Items				Petty Cash / Change Funds	\$	Reconciled Balance
	Bank Balance	Additions	Deletions				
Current Fund	\$ 2,286,959.94	\$ 142,814.96	\$ 22,748.08	\$ 350.00	\$ 350.00	\$	2,407,376.82
Animal Control Trust Fund	87.79	788.86	110.00				766.65
Trust Other Fund	1,385,597.50	3,236.89	55,204.92				1,333,629.47
Municipal Open Space Trust Fund	45,336.47						45,336.47
General Capital Fund	1,863,997.92	175.00	19,821.98				1,844,350.94
Sewer Utility Operating Fund	132,920.27	74,470.84	148,079.71				59,311.40
Sewer Utility Capital Fund	351,822.21		12,901.01				338,921.20
Total December 31, 2024	\$ 6,066,722.10	\$ 221,486.55	\$ 258,865.70	\$ 350.00	\$ 350.00	\$	6,029,692.95

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$633,286.61 was covered by Federal Depository Insurance and \$5,154,791.89 was covered under the provisions of NJGUDPA. \$278,643.60 is invested in the New Jersey Cash Management fund (cash equivalents) and is uninsured.

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
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 Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
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;
 - 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. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2024, the Borough has \$278,643.60 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond and note transactions for the year ended December 31, 2024 are detailed on Exhibits "C-11", "C-12" and "D-17".

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING
DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 21,562,678.37	\$ 20,890,028.71	\$ 16,272,262.05
Bonds and Notes Guaranteed by the Borough		2,000,000.00	2,000,000.00
Sewer Utility:			
Bonds and Notes	790,852.00	647,304.00	376,150.00
	<u>\$ 22,353,530.37</u>	<u>\$ 23,537,332.71</u>	<u>\$ 18,648,412.05</u>
Less: Bonds Issued by Another Public Entity		2,000,000.00	2,000,000.00
Less: Cash on Hand to Pay Notes	24,194.00	197,500.00	
Less: Reserve to Pay Bonds and Notes	43,945.00	43,945.00	43,945.00
Net Debt Issued	<u>\$ 22,285,391.37</u>	<u>\$ 21,295,887.71</u>	<u>\$ 16,604,467.05</u>
Authorized But Not Issued			
General:			
Bonds and Notes	\$ 1,966,111.28	\$ 2,525,560.28	\$ 7,855,102.79
Bonds and Notes Guaranteed by the Borough		6,000,000.00	6,000,000.00
Assessment Trust:			
Bonds and Notes	318.56	318.56	318.56
Sewer Utility:			
Bonds and Notes	79,696.00	232,990.00	350,850.00
	<u>\$ 2,046,125.84</u>	<u>\$ 8,758,868.84</u>	<u>\$ 14,206,271.35</u>
Less: Bonds Authorized by Another Public Entity		6,000,000.00	6,000,000.00
Net Authorized But Not Issued	<u>\$ 2,046,125.84</u>	<u>\$ 2,758,868.84</u>	<u>\$ 8,206,271.35</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 24,331,517.21</u>	<u>\$ 24,054,756.55</u>	<u>\$ 24,810,738.40</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement as amended and indicates a statutory net debt of 1.511%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$ -0-	\$ -0-	\$ -0-
Sewer Utility Debt	870,548.00	256,858.20	613,689.80
General Debt	<u>23,529,108.21</u>	<u>68,139.00</u>	<u>23,460,969.21</u>
	<u>\$ 24,399,656.21</u>	<u>\$ 324,997.20</u>	<u>\$ 24,074,659.01</u>

NET DEBT \$24,074,659.01 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S. 40A:2-2, AS AMENDED, \$1,592,904,266.00 EQUALS 1.511%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2024	\$1,592,904,266.00
3-1/2 of Equalized Valuation Basis	55,751,649.31
Net Debt	<u>24,074,659.01</u>
Remaining Borrowing Power	<u>\$31,676,990.30</u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY PER N.J.S.A. 40A:2-45

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year	\$ 675,722.76
 Deductions:	
Operating and Maintenance Cost	\$ 757,339.00
Debt Service	<u>30,685.00</u>
Total Deductions	<u>788,024.00</u>
Deficit in Revenues (Not Self-Liquidating)	\$ <u>(112,301.24)</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTES

	<u>Interest Rate</u>	<u>Issue and Maturity Dates</u>	<u>Amount</u>
General Capital Fund	4.25%	02/29/24 to 02/28/25	\$ 7,659,233.00
General Capital Fund	3.50%	08/22/24 to 02/28/25	2,169,650.00
			<u>\$ 9,828,883.00</u>
Sewer Capital Fund	4.25%	02/29/24 to 02/28/25	<u>\$ 790,852.00</u>

EMERGENCY NOTES PAYABLE

	<u>Interest Rate</u>	<u>Issue and Maturity Dates</u>	<u>Amount</u>
Emergency Note	4.25%	02/29/24 to 02/28/25	<u>\$ 151,680.00</u>

LONG-TERM DEBT – ISSUED

General Serial Bonds:	<u>OUTSTANDING BALANCE DECEMBER 31, 2024</u>
\$6,240,000.00 2016 Bonds due in annual remaining installments of \$250,000.00 to \$500,000 through September 2033 at interest rates between 2.000% and 3.000%.	\$4,050,000.00
\$4,600,000.00 2013 Bonds due in annual remaining installments of \$170,000.00 to \$240,000.00 through August 2036 at interest rates between 3.250% and 4.500%.	2,790,000.00
\$5,348,000.00 2021 Bonds due in annual remaining installments of \$250,000.00 to \$500,000.00 through April 2036 at interest rates between 1.000% and 4.000%.	<u>4,288,000.00</u>
	<u>\$11,128,000.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Environmental Infrastructure Loans:	OUTSTANDING BALANCE DECEMBER <u>31, 2024</u>
\$350,000.00 2014 Loan due in annual remaining installments of \$15,000.00 to \$25,000.00 through August 2033 at interest rates between 3.00% and 5.00%.	\$190,000.00
\$1,027,255.50 2004 Interest Free Loan due in annual remaining installments between \$52,233.34 to \$50,161.99 through August 2032	<u>415,795.37</u>
	<u>\$605,795.37</u>

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2024, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$ 1,966,111.28</u>
Assessment Trust Fund	<u>\$ 318.56</u>
Sewer Capital Fund	<u>\$ 79,696.00</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2024

YEAR	GENERAL CAPITAL		
	PRINCIPAL	INTEREST	TOTAL
2025	\$ 1,155,000.00	\$ 296,520.02	\$ 1,451,520.02
2026	1,125,000.00	262,845.02	1,387,845.02
2027	895,000.00	232,120.02	1,127,120.02
2028	905,000.00	205,645.02	1,110,645.02
2029	920,000.00	178,520.02	1,098,520.02
2030-2034	4,648,000.00	532,423.15	5,180,423.15
2035-2036	<u>1,480,000.00</u>	<u>51,775.00</u>	<u>1,531,775.00</u>
	<u>\$11,128,000.00</u>	<u>\$ 1,759,848.25</u>	<u>\$12,887,848.25</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR ENVIRONMENTAL INFRASTRUCTURE LOAN DEBT ISSUED AND
OUTSTANDING AS OF DECEMBER 31, 2024**

CALENDAR YEAR	TOTAL	TRUST LOAN		FUND LOAN PRINCIPAL
		PRINCIPAL	INTEREST	
2025	\$ 78,027.10	\$ 20,000.00	\$ 5,793.76	\$ 52,233.34
2026	77,427.10	20,000.00	5,193.76	52,233.34
2027	76,827.10	20,000.00	4,593.76	52,233.34
2028	76,227.10	20,000.00	3,993.76	52,233.34
2029	75,627.10	20,000.00	3,393.76	52,233.34
2030-2033	<u>252,022.45</u>	<u>90,000.00</u>	<u>7,393.78</u>	<u>154,628.67</u>
	<u><u>\$ 636,157.95</u></u>	<u><u>\$ 190,000.00</u></u>	<u><u>\$ 30,362.58</u></u>	<u><u>\$ 415,795.37</u></u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund Balance at December 31, 2024, which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2025, was as follows:

Current Fund	<u>\$ 700,000.00</u>
Sewer Utility Fund	<u>\$ -0-</u>

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, <u>2024</u>	BALANCE DECEMBER 31, <u>2023</u>
Prepaid Taxes	<u>\$126,043.42</u>	<u>\$111,464.46</u>

NOTE 6: PENSION PLANS

Substantially, all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Firemen's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrprts.shtml.

Plan Descriptions

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately vested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully vested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.50% of base salary. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. PFRS members contributed at a rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$891,323.00 for 2024, \$816,456.00 for 2023, and \$834,820.00 for 2022.

All contributions were equal to the required contributions for each of the three years, respectively. Certain Township employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

As discussed in Note 1, as of the date of this report the information for the period ended June 30, 2024, for PERS and PFRS was not available, therefore the information dated June 30, 2023 is disclosed.

NOTE 6: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$3,092,657.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Borough's proportion was 0.0213516782 percent, which was an increase of 0.0017700290 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$647.00 for the Borough's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statements based on the April 1, 2023 billing was \$246,934.00.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 29,570.00	\$ 12,642.00
Changes of assumptions	6,794.00	187,428.00
Net difference between projected and actual earnings on pension plan investments	14,242.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>260,716.00</u>	<u>122,930.00</u>
	<u><u>\$ 311,322.00</u></u>	<u><u>\$ 323,000.00</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended June 30,	Amount
2024	(\$135,723.80)
2025	(63,579.80)
2026	154,915.20
2027	4,765.20
2028	<u>27,945.20</u>
	<u><u>(\$11,678.00)</u></u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. These actuarial valuations used the following assumptions:

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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 rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2023 asset are summarized in the following table:

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

Discount Rate

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the Borough's proportionate share of net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023 respectively, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
Borough's proportionate share of the pension liability	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
	\$4,025,981.00	\$3,092,657.00	\$2,298,274.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation 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, 2023, there is no net pension liability associated with this special funding situation as 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 amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of December 31, 2023 was 0.0214327442% which was an increase of 0.0017728632 percent from its proportion measured as of June 30, 2022. The non-employer contributing entities' contribution and employer pension expense and related revenue for the years ended June 30, 2023 and December 31, 2022 was \$9,645.00 and \$6,218.00, respectively.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$4,638,310.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2023, the Borough's proportion was 0.0419802800 percent, which was an increase of 0.0009360600 percent from its proportion measured as of June 30, 2022.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

For the year ended June 30, 2023, the State recognized an actuarially determined pension benefit of \$25,328.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023, billing was \$533,802.00.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 198,603.00	\$ 221,206.00
Changes of assumptions	10,011.00	313,197.00
Net difference between projected and actual earnings on pension plan investments	236,220.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>128,327.00</u>	<u>1,225,735.00</u>
	<u>\$ 573,161.00</u>	<u>\$ 1,760,138.00</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
	<u>June 30</u>	<u>Amount</u>
2024	\$ (399,988.60)	
2025	(392,709.60)	
2026	59,225.40	
2027	(243,452.60)	
2028	(210,926.60)	
Thereafter	<u>875.00</u>	
		<u>\$ (1,186,977.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	All future years 3.25-16.25% Based on years of Service
Investment Rate of Return	7.00%

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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 rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Discount Rate

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

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2023		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$6,462,673.00	\$4,638,310.00	\$3,119,052.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2023 and 2022 is 0.0419800800% and 0.0410443600% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$97,740.00 and \$104,093.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$97,216.00 and \$96,466.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$854,663.00 and \$836,118.00, respectively.

At June 30, 2023, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$4,638,310.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>854,663.00</u>
	<u><u>\$5,492,973.00</u></u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295

NOTE 7: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 8: SCHOOL TAXES

Regional School Taxes have been raised and liabilities deferred by statute, resulting in the school taxes prepaid set forth in the Current Fund as follows:

REGIONAL SCHOOL TAX		
	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Balance of Tax	\$11,653,836.23	\$11,274,825.23
Deferred	<u>11,740,906.50</u>	<u>11,361,893.50</u>
Tax Payable(Prepaid)	<u>(\$87,070.27)</u>	<u>(\$87,068.27)</u>

NOTE 9: TERMINATION BENEFITS

Under existing contracts and policies of the Borough, employees, upon attaining retirement, accumulate benefits which may be taken as time off or paid in a lump sum. The accumulated cost of such unpaid termination compensation is not required to be reported in the financial statements as presented. The Borough has estimated its liability to be \$58,155.46. The Borough annually appropriates the amounts that are required to be paid in that year's budget and no liability is accrued at December 31, 2024.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2024, the Borough does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Borough 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. The Borough participates in a self insurance program through the Garden State Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Borough's contribution to the Fund for claim payments is based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

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

<u>Year</u>	Borough		<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
	<u>Contributions and Interest</u>				
2024	\$ 96.88	\$ 8,699.50	\$ 15,239.12	\$ 1.81	
2023	208.04	6,187.20	8,373.85	6,444.55	
2022	48.85	6,100.97	6,777.47	8,423.16	

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2024:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$468,295.54	\$37,352.84
Assessment Trust Fund		\$318.56
Animal Control Fund	0.33	
Trust Other Fund	37,352.51	
General Capital Fund	123,132.00	445,084.88
Sewer Utility Operating Fund	9,746.00	42,173.70
Sewer Utility Capital Fund	9,535.60	123,132.00
	<u>\$648,061.98</u>	<u>\$648,061.98</u>

All balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 13: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the plan are held by an independent administrator, the Lincoln National Life Insurance Company.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 14: LENGTH OF SERVICE AWARDS PROGRAM

The Borough of Fanwood adopted an ordinance establishing a Length of Service Awards Program for the members of the Fanwood Volunteer Fire Department and the Fanwood Volunteer First Aid Squad pursuant to N.J.S.A. 40A:14-183 et seq.

Under this program, each volunteer that performs the minimum amount of service will have an annual contribution deposited into a tax deferred income account that will earn interest for the volunteer. New Jersey statutes establish a minimum contribution of \$100 and a maximum contribution of \$1,150 per year, subject to annual increases as certified by the Division of Local Government Services. The cost will be budgeted annually in the budget of the Borough and amounted to \$26,000.00 in 2024.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by State regulations.

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description

The Borough's defined benefit OPEB plan, Borough of Fanwood Postretirement Healthcare Plan (the Plan), provides OPEB for all eligible employees of the Borough in accordance with the terms of their labor agreements. The Plan is a single-employer defined benefit OPEB plan administered by the Borough. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Summary of Benefits

The Plan provides retirees and their eligible dependents medical and prescription, benefits provided that they have meet the eligibility requirement contained in the Borough' various labor agreements.

Employees Covered by Benefits Terms

Inactive employees or beneficiaries currently receiving benefits payments	46
Inactive employees entitled to but not currently receiving benefits payments	-0-
Active Employees	27
	<u>73</u>

Contributions

The contribution requirements of the Borough and Plan members are established and maybe be amended by the Borough's governing body.

Retirees and their dependents are required to contribute toward the cost of the postretirement medical and prescription drug coverage in accordance with the provisions set forth under Chapter 78. An employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS service as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retirement contributions are based on a percentage of the postretirement healthcare cost and vary based on coverage tier and amount of PERS or PFRS pension amounts based on tables presented in the Borough's plan document, ranging from 3.5% to 35%.

Net OPEB Liability

The Borough's total net OPEB liability of \$23,452,813 was measured as of July 1, 2023 and was determined by an actuarial valuation as of December 31 2024.

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 4.08%

Salary Increases 2.50%

Healthcare cost trend rates: Medical 6.5 percent decreasing by 0.25 percent per annum, leveling at 4.5 percent per annum in 2032. Drug 14.0 percent in 2024 reducing by 0.75 percent per annum, leveling at 4.5 percent per annum in 2030. Medicare Advantage: 4.5 percent per annum. Dental and Vision: 3.5 percent per annum.

Mortality rates were based on the December 31, 2023 PUB 2010 "General" classification headcount weighted mortality with generational improvement using Scale MP-2021.

Demographic assumptions were selected based on those used by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2023 report from Aon Consultants. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of Local Finance Notice 2007-15.

Health care (economic) assumptions were selected based on those used by the State health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2023 report from Aon Consultants.

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/AAa or higher (or an equivalent quality on another scale) to the extent that the conditions in (a) are not met. The discount rates used for determining the Total OPEB liabilities at December 31, 2023, based on the Bond Buyers 20 Index, is 4.08%.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/23	\$26,055,248
<u>Changes for the year:</u>	
Service cost	148,299
Interest Cost	844,330
Differences between expected and actual experience	-0-
Changes in assumptions or other inputs	(2,987,384)
Benefit payments including employee refunds	(607,680)
Net change in OPEB Liability	<u>(2,602,435)</u>
Balance at 12/31/24	<u>\$23,452,813</u>

Sensitivity of the Total OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the total OPEB liability of the Borough, as well as what the Borough's total OPEB 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 discount rate:

	December 31, 2024		
	1.00% <u>Decrease (3.08%)</u>	At Discount Rate (4.08%)	1.00% <u>Increase (5.08%)</u>
Net OPEB Liability	\$26,065,608	\$23,452,813	\$21,421,165

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2024	
	1.00% <u>Decrease</u>	1.00% <u>Increase</u>
Net OPEB Liability	\$21,422,243	\$23,452,813
		\$26,012,855

At December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Subtotals Based on Prior Year Valuations	\$ -0-	(\$588,597)
Change of Assumptions	6,711,489	(2,655,083)
	<u>\$6,711,489</u>	<u>(\$3,243,680)</u>

The Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Borough's actuarially calculated OPEB (benefit)/expense as follows:

<u>Year Ended</u>	<u>Amount</u>
<u>December 31</u>	
2025	\$59,878
2026	231,146
2027	628,074
2028	502,565
2029	502,565
Total Thereafter	<u>1,543,581</u>
	<u>\$3,467,809</u>

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2024, the following deferred charges are shown:

	BALANCE DECEMBER 31, 2024	2025 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING YEARS
Current Fund:			
Emergency Appropriations-40A:4-53	\$ 171,680.00	\$ 79,920.00	\$ 91,760.00
Sewer Utility Operating Fund:			
Overexpenditure of Appropriations	17,448.23	17,448.23	-
	<u>\$ 189,128.23</u>	<u>\$ 97,368.23</u>	<u>\$ 91,760.00</u>

NOTE 17: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for the prior year. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has made provision in the amount of \$12,410.15 for these appeals in the event tax reductions are granted.

NOTE 18: TAX ABATEMENTS

The Borough negotiates property tax abatement agreements on an individual basis. The Borough has a tax abatement agreement with four entities as of December 31, 2024:

<u>Purpose of Agreement</u>	<u>Taxes if billed at full 2024</u>	<u>Received for Payments in Lieu of Taxes & Land Tax</u>	<u>Taxes Abated</u>
<u>Tax Rate</u>			
Fanwood Crossing II - Construction of low and moderate income housing project	\$ 208,424.21	\$ 93,924.21	\$ 114,500.00
Fanwood Crossing III - Construction of low and moderate income housing project	101,258.95	49,519.33	51,739.62
250 South Ave - Construction of low and moderate income housing project	163,341.26	63,117.98	100,223.28
Station Square at Fanwood LLC - Construction of low and moderate income housing project	213,047.66	176,190.63	36,857.03
Total	\$ 686,072.07	\$ 382,752.15	\$ 303,319.92

The full amount to be raised by taxes for support of each Government's budget is levied on properties not subject to such agreements, therefore there is no aggregate reduction of tax revenue to the Governments as a result of the abatement.

These agreements were negotiated under the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq (the Law), which authorizes municipalities to enter into financial agreements with Urban Renewal Entities. An Urban Renewal Entity is a limited-dividend entity or a nonprofit entity which undertakes redevelopment projects (both commercial and residential), relocation projects for residents displaced by the redevelopment area, and low and moderate income housing projects in return for tax exemptions, or payments in lieu of taxes referred to as "annual service charges".

The Law allows annual service charges to be calculated as a percentage of either gross revenue from each unit of the project or from total project cost, if the project is not undertaken in units. In the case of low and moderate income housing projects, the annual service charge shall not exceed 15% of annual gross revenue or 2% of total project cost. For all other projects, the annual service charge shall not be less than 10% of annual gross revenue or 2% of total project cost. The Borough's abatements are categorized as low and moderate income housing projects. There are a total of five stages in the abatement period. The final four phases require the Urban Renewal Entity to remit the greater of the agreed upon annual service charge or 20%, 40%, 60% and 80%, respectively, of the amount of taxes otherwise due on the value of the land and improvements.

NOTE 18: TAX ABATEMENTS (CONTINUED)

The Law only allows for taxes on improvements to be abated. Taxes on land are billed quarterly to the Urban Renewal Entity and are credited against the annual service charges due. To administer the billing, the land value and improvement value of the abated property are separate line items in the tax assessment and collection records. The land value is billed quarterly at the total property tax rate. The improvement value is classified as exempt property (Class 15F), generating no bill.

Under the Law, abatements may provide for an exemption period of less than 30 years from the completion of the entire project or less than 35 years from the execution of the financial agreement. Further, Urban Renewal Entity profits are restricted and any excess profits are payable to the municipality as an additional annual service charge.

The Law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement. However, in the event of default, the Borough has the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 and/or may terminate the agreement. The Borough has not made any commitments as part of the agreements other than reduce taxes. The Borough is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 19: FIXED ASSETS

Below is a summary of the General Fixed Assets Account Group for the year ended December 31, 2024:

	Balance December 31, <u>2023</u>	Additions	Deletions	Balance December 31, <u>2024</u>
Land	\$ 3,614,773.00	\$ 14,846,427.00		\$ 18,461,200.00
Buildings	1,141,430.00	3,037,070.00		4,178,500.00
Machinery and Equipment	<u>6,351,864.28</u>	<u>769,638.99</u>	<u>205,875.00</u>	<u>6,915,628.27</u>
	<u>\$ 11,108,067.28</u>	<u>\$ 18,653,135.99</u>	<u>\$ 205,875.00</u>	<u>\$ 29,555,328.27</u>

NOTE 20: LEASES

The Borough, as lessor, has entered into the following leases:

- Cell Tower – Verizon Wireless. The current lease term expires 9/27/27 with three successive five-year extensions available and includes annual increases of 3.00%. Payments in 2024 totaled \$48,122.70.
- Cell Tower – T-Mobile. The current lease term expires 8/29/29 with no successive extensions available and includes annual increases of 3.00%. Payments in 2024 totaled \$59,940.32.

NOTE 21: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through June 9, 2025 which is the date the financial statements were available to be issued.

Issuance of Debt:

The Borough issued \$10,517,690.00 in General Bond Anticipation Notes, Sewer Utility Bond Anticipation Notes, and Special Emergency Notes at an interest rate of 4.00% dated February 27, 2025 and maturing on February 26, 2026.

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APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of February 1, 2026 by the Borough of Fanwood, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the “Issuer”).

WITNESSETH:

WHEREAS, the Issuer is issuing its General Obligation Bonds, Series 2026, consisting of \$9,879,000 General Improvement Bonds, Series 2026, \$781,000 Sewer Utility Bonds, Series 2026, and \$39,000 Special Emergency Bonds, Series 2026, dated February 25, 2026, in the aggregate principal amount of \$10,699,000 (the “Bonds”) on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to bond ordinances and resolutions adopted by the Issuer and a certificate signed by the Issuer on February 10, 2026; and

WHEREAS, the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board, as the same may be amended or officially interpreted from time to time (“Rule 15c2-12”); and

WHEREAS, the Issuer represented in its Notice of Sale dated January 29, 2026 (the “Notice of Sale”) that it would deliver on the closing date for the Bonds a “Continuing Disclosure Certificate” pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and event notices required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on February 10, 2026, the Issuer accepted the bid of _____, on behalf of itself and each of the original underwriters for the Bonds (each, a “Participating Underwriter”) for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Issuer	Rule 15c2-12
Notice of Sale	SEC Securities and Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually.

“Bondholder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Newark, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(d) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.4(a).

“Disclosure Representative” means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

“Final Official Statement” means the final Official Statement of the Issuer dated February 10, 2026 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time, consistently applied.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Operating Data” means the financial and statistical information of the Issuer of the type included in Appendix A to the Final Official Statement under the heading “Financial Information.”

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than October 1 of each year, commencing October 1, 2026 for the fiscal year ending December 31, 2025, an Annual Report to the MSRB; notwithstanding the foregoing,

if the Fiscal Year is not a calendar year then by not later than the first day of the tenth month of each fiscal year;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”);

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey pursuant to chapter 5 of Title 40A of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB

Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carry out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

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

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

ARTICLE III

DISCLOSURE DEFAULT AND REMEDIES

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all

rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, Municipal Building, 75 North Martine Avenue, Fanwood, New Jersey 07023, Attention: Chief Financial Officer.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

- (i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;
- (ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or

practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the Dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such

effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE BOROUGH OF FANWOOD, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

[SEAL]

BOROUGH OF FANWOOD

By: _____
Patricia Celardo, Chief Financial Officer

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APPENDIX D
FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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February __, 2026

Mayor and Borough Council
Borough of Fanwood
Municipal Building
75 N. Martine Avenue
Fanwood, New Jersey 07023

Dear Mayor and Borough Council:

We have examined certified copies of the proceedings of the Council of the Borough of Fanwood, in the County of Union, State of New Jersey (the “Borough”), including ordinances, affidavits and certificates delivered by officials of the Borough, and other proofs submitted to us relative to the issuance and sale by the Borough of its \$10,699,000 General Obligation Bonds, Series 2026, consisting of \$9,879,000 General Improvement Bonds, Series 2026, \$781,000 Sewer Utility Bonds, Series 2026, and \$39,000 Special Emergency Bonds, Series 2026 (the “Bonds”), dated the date of delivery.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the “Local Bond Law”), the Local Budget Law, constituting Chapter 4 of Title 40A of the New Jersey Statutes, as amended (the “Local Budget Law”), a bond resolution of the Borough adopted on January 20, 2026, various bond ordinances and a resolution of the Borough, in all respects duly adopted by the Council of the Borough.

Each of the Bonds is dated the date of delivery, bears interest at the interest rate set forth on the face of the Bonds and matures on February 15 in the years and principal amounts as set forth below:

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Sewer Utility Bonds</u>	<u>Special Emergency Bonds</u>
2027	\$279,000	\$31,000	\$20,000
2028	300,000	30,000	19,000
2029	310,000	30,000	-
2030	310,000	30,000	-
2031	310,000	30,000	-
2032	310,000	35,000	-
2033	310,000	35,000	-
2034	415,000	35,000	-
2035	350,000	35,000	-
2036	370,000	35,000	-
2037	385,000	35,000	-
2038	390,000	35,000	-
2039	415,000	35,000	-
2040	440,000	35,000	-
2041	450,000	35,000	-
2042	465,000	35,000	-
2043	465,000	35,000	-
2044	515,000	35,000	-
2045	515,000	35,000	-

2046	515,000	35,000	-
2047	515,000	35,000	-
2048	515,000	35,000	-
2049	515,000	35,000	-
2050	515,000	-	-

The Bonds are subject to redemption prior to their stated maturities.

We have examined the Local Bond Law, the Local Budget Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, the Local Budget Law and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are a valid and legally binding obligation of the Borough.
2. The Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.
3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. We express no opinion regarding any other Federal income tax consequences arising with respect to the Bonds.
4. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Borough has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Bonds, as to various tax requirements. In addition, the Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or

cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the Borough with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter we have not been requested to examine and have not examined any documents or information relating to the Borough other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Bonds.

Our opinion concerning the enforceability of the Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Borough with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

FBT Gibbons LLP

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