

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2025**

**NEW ISSUE (BOOK-ENTRY ONLY)**

**RATING: NOT RATED**

*In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. See "TAX MATTERS" herein. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.*

**\$5,379,000**

**BOROUGH OF WATCHUNG  
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY  
BOND ANTICIPATION NOTES  
(NON-CALLABLE) (BANK QUALIFIED)**

**Coupon: \_\_\_\_% Yield: \_\_\_\_% CUSIP<sup>1</sup>: \_\_\_\_\_**

**Dated: November 12, 2025**

**Due: November 10, 2026**

The aggregate principal amount of \$5,379,000 Bond Anticipation Notes (the "Notes") are general obligations of the Borough of Watchung, in the County of Somerset, State of New Jersey (the "Borough"), for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Notes will be in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry only form in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Borough).

The Notes shall bear interest and shall mature on the dates set forth above. The Notes shall bear interest at the rate shown above, which interest is payable on the due date shown above. The Notes will be payable as to principal upon presentation and surrender thereof at the offices of the Borough, acting in the capacity of paying agent (the "Paying Agent") or a hereafter duly designated paying agent. Interest on the Notes will be paid by check, draft or wire transfer, mailed, delivered or transmitted, as applicable, by the Paying Agent to the registered owner thereof as of the Record Date (as defined herein). While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payment to DTC Participants. DTC Direct Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and the bond ordinance of the Borough duly adopted by Borough Common Council on the dates set forth herein, approved by the Mayor and published as required by law. The Notes are being issued to: (i) temporarily finance \$5,379,000 in various capital improvements in and for the Borough; and (ii) pay the costs associated with the issuance of the Notes.

The Notes are not subject to redemption prior to maturity. See "DESCRIPTION OF THE NOTES – Redemption" herein.

The Notes are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. Certain legal matters will be passed on for the Borough by its Solicitor, Joseph Sordillo, Esquire, of the firm DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about November 12, 2025.

**PROPOSALS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY PHOENIX ADVISORS, A DIVISION OF FIRST SECURITY MUNICIPAL ADVISORS, INC., ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE BOROUGH ON TUESDAY, OCTOBER 28, 2025, EITHER (i) ELECTRONICALLY VIA PARITY® OR (ii) BY E-MAIL TRANSMITTAL TO AINVERSO@MUNIADVISORS.COM.**

<sup>1</sup> Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for the Note maturity is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Note maturity.

**BOROUGH OF WATCHUNG  
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY**

**MAYOR AND BOROUGH COUNCIL**

Ronald Jubin, Ph.D., Mayor  
Christine B. Ead, Council President  
Curt S. Dahl, Councilperson  
Paul Fischer, Councilperson  
Paolo Marano, Councilperson  
Sonia Abi-Habib, Councilperson  
Robert Gibbs, Councilperson

**BOROUGH ADMINISTRATOR**

James J. Damato

**CHIEF FINANCIAL OFFICER**

William J. Hance

**BOROUGH CLERK**

Edith G. Gil

**BOROUGH SOLICITOR**

Joseph Sordillo, Esquire  
DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C.  
Warren, New Jersey

**INDEPENDENT AUDITORS**

Suplee, Clooney & Company  
Westfield, New Jersey

**BOND COUNSEL**

Archer & Greiner P.C.  
Red Bank, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors,  
a division of First Security Municipal Advisors, Inc.  
Hamilton, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough of Watchung, in the County of Somerset, State of New Jersey (the "Borough") to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Borough, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Borough; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Borough, such information is not to be construed as a representation or warranty by the Borough.

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

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, 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 may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial condition of other affairs of the Borough. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of the relevance, materiality or importance, and this Official Statement, including the Appendices, and must be considered in its entirety.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT**  
**OF**  
**\$5,379,000**  
**BOROUGH OF WATCHUNG**  
**IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY**  
**BOND ANTICIPATION NOTES**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Watchung (the "Borough"), in the County of Somerset (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$5,379,000 Bond Anticipation Notes (the "Notes") of the Borough. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Mayor and Borough Council of the Borough and executed by and on behalf of the Borough by the Chief Financial Officer to be distributed in connection with the sale of the Notes.

This Official Statement contains specific information relating to the Notes including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Notes. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Borough from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Borough.

**DESCRIPTION OF THE NOTES**

**General Description**

The Notes comprise an issue of general obligation bond anticipation notes of the Borough in the aggregate principal amount, which Notes are being issued in anticipation of the issuance of bonds.

The Notes shall be dated and shall bear interest from the dated date, shall mature on the due date and shall bear interest at the rate per annum, which interest is payable at maturity, all as shown on the front cover page. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes (the "Securities Depository"). Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Borough). Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made directly by the Borough as Paying Agent, or some other paying agent as may be designated by the Borough, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to

the owners of beneficial interests in the Notes is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

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

### **Redemption**

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

### **Authorization for the Issuance of the Notes**

The Notes have been authorized and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law") and by the bond ordinance duly adopted by the Borough Common Council on the date set forth in the chart that follows, approved by the Mayor and published as required by law. The bond ordinance was published in full or in summary after its final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinance could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

### **Purpose of the Notes**

The Notes are being issued to: (i) temporarily finance \$5,379,000 in various capital improvements in and for the Borough; and (ii) pay the costs associated with the issuance of the Notes.

The purposes for which the Notes are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the Borough, which bond ordinance is described in the following table by ordinance number, description and date of final adoption, and amount of Notes being issued. The bond ordinance is:

[Remainder of page left intentionally blank]



<b><u>Ordinance Number</u></b>	<b><u>Description and Date of Final Adoption</u></b>	<b><u>Amount</u></b>
24/03	Various 2024 Capital Improvements, Finally Adopted March 7, 2024	<u>\$5,379,000</u>
<b>TOTAL</b>		<b><u>\$5,379,000</u></b>

### **SECURITY FOR THE NOTES**

The Notes are valid and legally binding general obligations of the Borough for which the full faith and credit of the Borough are irrevocably pledged for the punctual payment of the principal of and interest on the Notes. Unless otherwise paid from other sources, the Borough has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Borough is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF NOTES" herein.

The Notes are not a debt or obligation, legal or otherwise, of the State or any political subdivision thereof, other than the Borough.

### **NO DEFAULT**

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Borough as of the date hereof.

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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 the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

**THE AGENT 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 DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

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

#### **Discontinuance of Book-Entry Only System**

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough or Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Borough or Paying Agent for such purposes only upon the surrender thereof to the Borough or Paying Agent together with the duly executed assignment in form satisfactory to the Borough or Paying Agent; and (iii) for every exchange or registration of transfer of Notes, the Borough or Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft, mailed on the Interest Payment Date to the registered owners thereof.

### **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

#### **Procedure for Authorization**

The Borough has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Borough debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Borough is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Borough, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the

recorded affirmative vote of at least two-thirds of the full membership of the Borough Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Borough.

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

The Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Borough are general "full faith and credit" obligations.

#### **Short Term Financing**

Local governmental units (including the Borough) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Borough, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

#### **Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)**

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. In certain circumstances, the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

### **Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)**

There are statutory requirements which limit the amount of debt which the Borough is permitted to authorize. The authorized bonded indebtedness of a Borough is limited by the Local Bond Law and other laws to an amount equal to three and one half percent (3½%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Borough for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

### **Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)**

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Borough and that the 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 services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The Borough has not exceeded its debt limit.

### **DEBT INFORMATION OF THE BOROUGH**

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Borough, the Borough must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Borough Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Borough's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

The accounting policies of the Borough conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. 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 to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Borough does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Borough, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Borough's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

### **State Supervision (N.J.S.A. 52:27BB-1 et seq.)**

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

### **Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)**

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44 imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes, including the Notes.

### **Deferral of Current Expenses**

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Borough, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the

governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

### **Anticipation of Real Estate Taxes**

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. N.J.S.A 40A:4-29 sets limits on the anticipation of delinquent tax collections and provides that, "[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that, "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies	- Anticipated Revenues	= Cash Required from Taxes to Support Local Municipal Budget and Other Taxes
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<u>Cash Required from Taxes to Support Local Municipal Budget and Other Taxes</u>	=	Amount to be
Prior Year's Percentage of Current Tax Collection (or Lesser %)		Raised by Taxation



## **Anticipation of Miscellaneous Revenues**

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall 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 of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

## **Local Examination of Budgets (N.J.S.A. 40A:4-78(b))**

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Borough's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Borough Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

## **Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)**

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Borough, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

## **Investment of Municipal Funds**

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant

to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

### **CAPITAL IMPROVEMENT PROGRAM**

In accordance with the Local Budget Law, the Borough 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 (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

### **TAX ASSESSMENT AND COLLECTION**

#### **Assessment and Collection of Taxes**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the Borough, the 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 provisions 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 district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures

for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Director of Law (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

### **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1<sup>st</sup> day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

## **TAX MATTERS**

### **Exclusion of Interest on the Notes From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Notes in order to assure that interest on the Notes 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 Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Borough has

covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause interest on the Notes to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume 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 Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Bank Qualification**

The Notes constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3)(B) of the Code.

### **Additional Federal Income Tax Consequences of Holding the Notes**

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, 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.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

### **Changes in Federal Tax Law Regarding the Notes**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

**ADDITIONALLY, EACH PURCHASER OF THE NOTES SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.**

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

### **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Notes and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

**ALL POTENTIAL PURCHASERS OF THE NOTES 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 NOTES.**

### **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks

and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Notes, and such Notes are authorized security for any and all public deposits.

### **RISK TO HOLDERS OF NOTES**

It is understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

### **Municipal Bankruptcy**

**THE BOROUGH HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOROUGH EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

The undertakings of the Borough should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court 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 this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the Borough, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

### **Remedies of Holders of Notes (N.J.S.A. 52:27-1 et seq.)**

If the Borough defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Borough in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Borough is so in

default. Once a judgment is entered by the Superior Court to the effect that the Borough is in default, the Municipal Finance Commission (the "Commission") would become operative in the Borough. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

### **COVID-19 DISCLOSURE**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. 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 due to the outbreak of COVID-19, which spread throughout the State and to all counties within the State. In response to the COVID-19 pandemic, federal and state legislation and executive orders were implemented to mitigate the spread of the disease and to provide relief to state and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health 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 to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities, to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the Borough have not been materially or adversely affected as a result of the COVID-19 pandemic. Nonetheless, the degree of any such impact to the Borough's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic. The continued spread of the outbreak could have a material adverse effect on the Borough and its economy.

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, which included \$350 billion in relief funds for state and local governments, such as the Borough. The Borough received \$628,639.34 from the Plan, in two equal installments. The deadline to spend the funds was December 31, 2024. The Borough intends to utilize the funding for public safety needs and to further mitigate the effects of Covid-19 both from a public health and economic standpoint. The final deadline to spend the obligated funds is December 31, 2026.

## **CYBER DISCLOSURE**

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems.

## **CLIMATE DISCLOSURE**

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

## **CERTIFICATES OF THE BOROUGH**

Upon the delivery of the Notes, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Borough, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Borough from that set forth in or contemplated by this Official Statement. In addition, the respective original purchaser of the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the Notes, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes, as applicable, are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to the respective offices, is being contested.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix C hereto. Certain legal matters with respect to the Notes will be passed on for the Borough by its Attorney, Joseph Sordillo, Esquire, of the firm DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey (“Borough Attorney”).

## **LITIGATION**

To the knowledge of the Borough Attorney, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes to pay the principal of or the interest on the Notes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is



presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. A Certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriter at the closing.

### **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS**

The Borough has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the SEC Rule 15c2-12 (the "Notices"). The Notices will be filed by the Borough with the Municipal Securities Rulemaking Board and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate (the "Note Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Note Certificate to be delivered concurrently with the delivery of the Notes. This covenant is being made by the Borough to assist the purchaser of the Notes in complying with SEC Rule 15c2-12.

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

### **PREPARATION OF OFFICIAL STATEMENT**

Bond Counsel has not participated in the preparation and review of this Official Statement and in the collection of statistical and financial information contained in Appendices A and B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Suplee, Clooney & Company, Westfield, New Jersey, Certified Public Accountants and Registered Municipal Accountants (the "Auditor"), has not participated in the preparation of the information contained in this Official Statement. The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

The Borough attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

## **RATING**

The Notes are not rated. The Borough has a long-term rating of “AA+” from S&P Global Ratings assigned to the Borough’s General Improvement Refunding Bonds, Series 2017. Such long-term rating is neither assigned nor applicable to the Notes.

## **FINANCIAL STATEMENTS**

Appendix "B" contains certain audited financial data of the Borough for the fiscal year ended December 31, 2024 and December 31, 2023. The audited financial data were extracted from the report prepared by the Auditor to the extent and for the period set forth in its report appearing in Appendix "B" to this Official Statement.

## **MUNICIPAL ADVISOR**

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

## **UNDERWRITING**

The Notes have been purchased from the Borough at a public sale by \_\_\_\_\_ (the “Underwriter”) at a purchase price of \$\_\_\_\_\_. The Notes are being offered for sale at the yield set forth on the cover of this Official Statement, which yield may be changed from time to time by the purchaser without notice. The Underwriter is obligated to purchase all of the Notes if any Notes are purchased.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough, William J. Hance, Chief Financial Officer, at [bhance@watchungnj.gov](mailto:bhance@watchungnj.gov) or (908) 756-0080, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

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### **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 Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Notes 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.

**BOROUGH OF WATCHUNG, NEW JERSEY**

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**William J. Hance,  
Chief Financial Officer**

DATED: October \_\_, 2025

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**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC  
INFORMATION CONCERNING THE BOROUGH OF WATCHUNG**

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## **INFORMATION REGARDING THE BOROUGH<sup>1</sup>**

The following material presents certain economic and demographic information of the Borough of Watchung (the “Borough”), in the County of Somerset (the “County”), State of New Jersey (the “State”).

### **Location**

Incorporated in 1926, the Borough is a residential community located in north-central New Jersey, approximately thirty miles west of New York City. The Borough is approximately 6 square miles and resides in the Raritan Valley Region. The Borough is traversed by Interstate 78 and Route 22. The Borough is in close proximity to the Garden State Parkway, Interstate 287 and Route 287.

The Borough is located within the New York metropolitan area. Newark Airport is approximately twenty miles away, and New York City is approximately thirty miles away. Both are accessible by Interstate 78 and Route 22. New Jersey Transit commuter trains and major bus lines are accessible to Borough residents.

### **Form of Government**

The Borough is governed by an elected Mayor for a four-year term and a Borough Council whose six members are elected at large for staggered three-year terms. The Council members select a President annually. The professional staff is headed by an appointed Borough Administrator.

### **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which 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. Membership is mandatory for substantially all full-time employees of the

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<sup>1</sup> Source: The Borough, unless otherwise indicated.

State 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.

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

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which 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.

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## **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2024	3,189	3,075	114	3.6%
2023	3,173	3,074	99	3.1%
2022	3,146	3,047	99	3.1%
2021	3,078	2,910	168	5.5%
2020	3,051	2,822	229	7.5%
<b><u>County</u></b>				
2024	193,133	185,726	7,407	3.8%
2023	192,408	185,662	6,746	3.5%
2022	188,697	182,855	5,842	3.1%
2021	183,890	174,359	9,531	5.2%
2020	181,257	168,195	13,062	7.2%
<b><u>State</u></b>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Income (as of 2023)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$166,536	\$135,960	\$101,050
Median Family Income	207,981	167,353	123,892
Per Capita Income	85,269	70,321	53,118

Source: US Bureau of the Census, 2023 American Community Survey 5-Year Estimates

## **Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2024 est.	6,606	2.43%	357,467	3.51%	9,500,851	2.28%
2020	6,449	11.17	345,361	6.78	9,288,994	5.65
2010	5,801	3.35	323,444	8.72	8,791,894	4.49
2000	5,613	9.84	297,490	23.81	8,414,350	8.85
1990	5,110	-3.40	240,279	18.29	7,730,188	4.96

Source: United States Department of Commerce, Bureau of the Census

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2024 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Crystal Ridge Owner, LLC & ET AL	\$77,000,000	3.28%
Watchung Square Associates, LLC	75,169,000	3.20%
Levin Properties LP	47,013,400	2.00%
Watchung UE LLC	26,782,000	1.14%
Sears Roebuck & Company	23,083,000	0.98%
Walmart	19,006,000	0.81%
Target Corp.	17,610,000	0.75%
HD Development of Maryland, Inc	16,182,000	0.69%
680 Mountain Boulevard, LLC	12,800,000	0.55%
Weldon Materials Inc.	<u>11,951,400</u>	<u>0.51%</u>
<b>Total</b>	<b><u>\$326,596,800</u></b>	<b><u>13.92%</u></b>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

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**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$43,248,069	\$42,999,080	99.42%
2023	41,258,273	41,079,498	99.57%
2022	40,505,853	40,167,768	99.17%
2021	39,566,275	39,354,099	99.46%
2020	38,734,356	38,172,330	98.55%

Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$0	\$227,440	\$227,440	0.53%
2023	0	200,698	200,698	0.49%
2022	0	262,565	262,565	0.65%
2021	0	204,575	204,575	0.52%
2020	0	536,384	536,384	1.38%

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2024	\$0
2023	0
2022	0
2021	0
2020	0

Source: Annual Audit Reports of the Borough

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### **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for Borough residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2025	\$0.604	\$0.660	\$0.351	\$0.337	\$1.952
2024	0.619	0.657	0.367	0.355	1.998
2023	0.631	0.643	0.394	0.373	2.041
2022	0.650	0.651	0.419	0.381	2.101
2021	0.656	0.663	0.430	0.397	2.146

Source: Abstract of Ratables and State of New Jersey – Property Taxes

### **Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$2,345,083,300	\$2,438,730,553	96.16%	\$1,400,700	2,440,131,253
2024	2,156,346,200	2,128,673,445	101.30	1,381,500	2,130,054,945
2023	2,012,071,600	2,079,875,543	96.74	1,373,300	2,081,248,843
2022	1,907,162,300	1,984,560,146	96.10	1,338,600	1,985,898,746
2021	1,834,782,300	1,855,940,016	98.86	1,328,571	1,857,268,587

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

### **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$32,361,900	\$1,861,648,800	\$480,000	\$360,352,500	\$10,160,100	\$80,080,000	\$2,345,083,300
2024	31,468,200	1,696,431,800	435,000	341,389,200	9,622,000	77,000,000	2,156,346,200
2023	30,303,100	1,584,527,400	409,600	318,307,300	8,524,200	70,000,000	2,012,071,600
2022	28,718,400	1,497,440,500	393,000	310,313,800	8,276,600	62,020,000	1,907,162,300
2021	28,239,600	1,435,923,400	378,800	303,640,200	6,700,300	59,900,000	1,834,782,300

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

## **Financial Operations**

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Fund Balance Utilized	\$1,020,000	\$2,000,000	\$2,800,000	\$4,800,000	\$2,400,000
Miscellaneous Revenues	2,870,433	3,153,667	3,447,802	3,406,883	3,433,018
Receipts from Delinquent Taxes	230,000	195,000	195,000	168,000	201,000
Amount to be Raised by Taxation	<u>11,706,567</u>	<u>12,027,205</u>	<u>12,290,198</u>	<u>12,923,117</u>	<u>13,698,482</u>
Total Revenue:	<u>\$15,827,000</u>	<u>\$17,375,872</u>	<u>\$18,733,000</u>	<u>\$21,298,000</u>	<u>\$19,732,500</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$11,626,059	\$11,947,027	\$12,743,420	\$13,368,173	\$13,901,567
Operations (Excluded from CAPS)	1,187,841	1,207,345	1,289,352	1,377,420	1,598,758
Deferred Charges	0	0	80,500	152,855	0
Judgments	0	0	0	0	0
Capital Improvement Fund	330,000	1,409,000	1,531,000	3,338,000	1,299,000
Municipal Debt Service	2,083,100	2,212,500	2,488,729	2,461,552	2,433,175
Reserve for Uncollected Taxes	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>500,000</u>
Total Appropriations:	<u>\$15,827,000</u>	<u>\$17,375,872</u>	<u>\$18,733,000</u>	<u>\$21,298,000</u>	<u>\$19,732,500</u>

Source: Annual Adopted Budgets of the Borough

## **Fund Balance**

### **Current Fund**

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<b><u>Year</u></b>	<b><u>Fund Balance - Current Fund</u></b>	
	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2024	\$5,648,722	\$2,400,000
2023	7,541,537	4,800,000
2022	7,816,488	2,800,000
2021	6,718,497	2,000,000
2020	4,665,052	1,020,000

Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2024****General Purpose Debt**

Serial Bonds	\$11,895,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	5,379,000
Other Bonds, Notes and Loans	781,451
Total:	<u>\$18,055,451</u>

**Local School District Debt**

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$0</u>

**Regional School District Debt**

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$0</u>

**Self-Liquidating Debt**

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>

**TOTAL GROSS DEBT****\$18,055,451**

Less: Statutory Deductions	
General Purpose Debt	\$248,531
Local School District Debt	0
Regional School District Debt	0
Self-Liquidating Debt	0
Total:	<u>\$248,531</u>

**TOTAL NET DEBT****\$17,806,920**

Source: Annual Audit Report of the Borough

**Overlapping Debt (as of December 31, 2024)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$0	100.00%	\$0
Regional School District	14,807,000	22.29%	3,300,781
County	515,582,955	2.56%	<u>13,176,044</u>
Net Indirect Debt			\$16,476,826
Net Direct Debt			<u>17,806,920</u>
Total Net Direct and Indirect Debt			<b><u>\$34,283,745</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2022, 2023, 2024)	\$2,064,369,711
Permitted Debt Limitation (3 1/2%)	72,252,940
Less: Net Debt	<u>17,806,920</u>
Remaining Borrowing Power	<u>\$54,446,020</u>
Percentage of Net Debt to Average Equalized Valuation	0.863%
 Gross Debt Per Capita based on 2020 population of 6,449	 \$2,800
Net Debt Per Capita based on 2020 population of 6,449	\$2,761

Source: Annual Audit Report of the Borough

**Litigation**

The status of pending litigation is included in the Notes to Financial Statements of the Borough's annual audit report.

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<sup>2</sup> Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2024 AND 2023**

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**INDEPENDENT AUDITOR'S REPORT**

**AUDITED FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

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# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
County of Somerset  
Watchung, New Jersey 07069

### **Report on the Audit of the Financial Statements**

#### ***Adverse and Unmodified Opinions***

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Watchung (the "Borough"), as of and for the year ended December 31, 2024 and 2023, the related statements of operations and changes in fund balance - regulatory basis for the year 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.

#### **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 year then ended or the revenues or expenditures for the year ended December 31, 2024.

#### **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 year 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.

# 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 August 20, 2025 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 internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Robert W. Swisher  
Robert W. Swisher, C.P.A., R.M.A

August 20, 2025

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Current Fund:		
Cash	\$ 8,532,174.43	\$ 10,164,567.82
Cash-Change Fund	250.00	250.00
Due State of NJ-Senior Citizen and Veteran Deductions	3,141.79	3,141.79
	<u>\$ 8,535,566.22</u>	<u>\$ 10,167,959.61</u>
Receivables and Other Assets With		
Full Reserves:		
Delinquent Property Taxes Receivable	\$ 227,439.57	\$ 200,698.47
Revenue Accounts Receivable	8,961.46	5,916.00
Prepaid Local School Tax	160,002.00	
Prepaid Regional School Tax		174,301.00
Interfunds Receivable	5,705.47	79,919.80
	<u>\$ 402,108.50</u>	<u>\$ 460,835.27</u>
	<u>\$ 8,937,674.72</u>	<u>\$ 10,628,794.88</u>
Grant Fund:		
Cash	\$ 462,451.27	\$ 829,627.50
Grant Aid Receivable	32,000.00	123,823.00
	<u>\$ 494,451.27</u>	<u>\$ 953,450.50</u>
	<u>\$ 9,432,125.99</u>	<u>\$ 11,582,245.38</u>

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



BOROUGH OF WATCHUNG

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>		
Current Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,729,385.18	\$ 897,192.28
Encumbrances	318,371.23	888,757.57
Accounts Payable	328,900.48	219,851.83
Local School Taxes Payable		2.00
Prepaid Taxes	298,749.42	322,122.69
Tax Overpayments	19,792.51	350.00
Interfunds Payable	12,037.41	5.20
Reserve for:		
Tax Appeals	55,840.61	55,840.61
Sewer Repair Emergency	11,792.76	11,792.76
Prepaid Licenses	3,275.00	1,075.00
Tax Sale Premiums & Outside Liens	108,700.00	107,400.00
Municipal Relief Fund		73,023.52
	<u>\$ 2,886,844.60</u>	<u>\$ 2,577,413.46</u>
Reserve for Receivables and Other Assets	402,108.50	460,835.27
Fund Balance	<u>5,648,721.62</u>	<u>7,590,546.15</u>
	<u>\$ 8,937,674.72</u>	<u>\$ 10,628,794.88</u>
Grant Fund:		
Grants-Appropriated	\$ 442,893.23	\$ 926,975.69
Grants-Unappropriated	36,558.04	2,419.64
Encumbrances Payable	15,000.00	870.00
Interfunds Payable		23,185.17
	<u>\$ 494,451.27</u>	<u>\$ 953,450.50</u>
	<u>\$ 9,432,125.99</u>	<u>\$ 11,582,245.38</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS  
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 4,800,000.00	\$ 2,800,000.00
Miscellaneous Revenue Anticipated	3,887,352.27	3,935,539.65
Receipts From Delinquent Taxes	200,698.47	262,703.84
Receipts From Current Taxes	42,999,080.42	41,132,226.45
Non-Budget Revenue	1,097,101.44	1,098,816.28
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	671,064.25	586,610.31
Accounts Payable Canceled		6,160.50
Excess Animal Control Reserve		
Grant Appropriations Canceled		38,844.79
Prepaid Regional School Tax Applied	174,301.00	
Interfunds Returned	74,214.33	
<u>TOTAL INCOME</u>	<u>\$ 53,903,812.18</u>	<u>\$ 49,860,901.82</u>
<u>EXPENDITURES</u>		
Budget and Emergency Authorizations:		
Operations:		
Salaries and Wages	\$ 6,021,250.00	\$ 5,860,200.00
Other Expenses	5,695,418.00	5,355,584.00
Municipal Debt Service	2,445,187.63	2,483,468.30
Capital Improvement Fund	3,338,000.00	1,531,000.00
Public and Private Programs Offset by Revenues	212,419.64	337,007.51
Interlocal Service Agreements	1,163,500.00	1,060,500.00
Deferred Charges and Statutory Expenditures	1,805,860.36	1,592,136.00
Refund of Prior Year Taxes		
Refund of Prior Year Tax Overpayments		
Municipal Open Space Taxes	431,545.54	402,703.42
County Taxes	7,680,004.54	7,539,109.78
Local District School Tax	14,178,726.00	12,939,706.00
Prepaid Local District School Tax	160,002.00	
Regional High School Tax	7,913,723.00	7,938,394.00
Prepaid Regional School Tax		174,301.00
Interfunds Advanced		72,733.56
<u>TOTAL EXPENDITURES</u>	<u>\$ 51,045,636.71</u>	<u>\$ 47,286,843.57</u>
Excess in Revenue	\$ 2,858,175.47	\$ 2,574,058.25
Fund Balance, January 1	7,590,546.15	7,816,487.90
	<u>\$ 10,448,721.62</u>	<u>\$ 10,390,546.15</u>
Decreased by:		
Utilized as Anticipated Revenue	4,800,000.00	2,800,000.00
Fund Balance, December 31	<u>\$ 5,648,721.62</u>	<u>\$ 7,590,546.15</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	<u>BUDGET</u> <u>ADOPTED</u>	<u>REALIZED</u>	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ <u>4,800,000.00</u>	\$ <u>4,800,000.00</u>	
Miscellaneous Revenues:			
Alcoholic Beverage Licenses	\$ 15,000.00	\$ 15,866.00	\$ 866.00
Other Licenses	20,000.00	18,254.00	(1,746.00)
Fees and Permits:			
Construction Code Official	270,000.00	388,862.00	118,862.00
Other	194,000.00	338,160.42	144,160.42
Municipal Court - Fines and Costs	100,000.00	125,183.28	25,183.28
Interest and Costs on Taxes	80,000.00	79,750.23	(249.77)
Interest on Investments and Deposits	113,000.00	299,819.35	186,819.35
Sewer Rents	1,338,000.00	1,369,812.91	31,812.91
Energy Receipts Tax	708,440.00	708,439.88	(0.12)
Municipal Property Relief	73,023.52	73,023.52	
Uniform Fire Safety Act	35,000.00	37,976.27	2,976.27
Open Space Trust Fund Debt Payment	250,000.00	250,000.00	
Bulk Pickup Fees	8,000.00	9,819.77	1,819.77
Shared Court Reimbursement	50,000.00	19,965.00	(30,035.00)
Reserve for Debt Service	150,000.00	150,000.00	
State of New Jersey Body Armor Grant	2,419.64	2,419.64	
<u>Sub-Total Miscellaneous Revenues</u>	\$ <u>3,406,883.16</u>	\$ <u>3,887,352.27</u>	\$ <u>480,469.11</u>
Receipts From Delinquent Taxes	\$ <u>168,000.00</u>	\$ <u>200,698.47</u>	\$ <u>32,698.47</u>
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	\$ <u>12,923,116.84</u>	\$ <u>13,395,081.34</u>	\$ <u>471,964.50</u>
<u>Budget Totals</u>	\$ <u>21,298,000.00</u>	\$ <u>22,283,132.08</u>	\$ <u>985,132.08</u>
Non-Budget Revenues		<u>1,097,101.44</u>	<u>1,097,101.44</u>
	\$ <u>21,298,000.00</u>	\$ <u>23,380,233.52</u>	\$ <u>2,082,233.52</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:		
Revenue From Collections		\$ 42,999,080.42
Allocated to:		
Local District School Taxes	\$ 14,178,726.00	
Regional High School Taxes	7,913,723.00	
Municipal Open Space Tax	431,545.54	
County Taxes	<u>7,680,004.54</u>	
		<u>30,203,999.08</u>
Balance for Support of Municipal Budget		
Appropriations		\$ 12,795,081.34
Add: Appropriation "Reserve for Uncollected Taxes"		<u>600,000.00</u>
Amount for Support of Municipal Budget Appropriations		<u>\$ 13,395,081.34</u>
Other Licenses:		
Board of Health		\$ 15,960.00
Registrar		259.00
Borough Clerk		960.00
Prepaid Licenses Applied		<u>1,075.00</u>
		<u>\$ 18,254.00</u>
Fees and Permits-Other:		
Board of Adjustment		\$ 6,090.00
Board of Health		2,310.00
Clerk & Other Fees and Permits		3,600.00
Engineer		11,930.00
Fire Official		11,882.00
Miscellaneous		8,260.00
Planning Board		1,040.00
Police		13,858.00
Public Works		7,445.00
Recreation		71,780.00
Registrar		1,430.00
Tower Lease		<u>198,535.42</u>
		<u>\$ 338,160.42</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

ANALYSIS OF NON-BUDGET REVENUE

Cable TV Franchise Fees	\$	86,946.31
Clerk - Copies/Bid Specs		427.00
Other Miscellaneous		40,190.75
Police Outside Overtime Administrative Fee		101,777.74
Prior Year Refunds		2,564.13
Sale of Property		21,402.00
Senior Citizens' and Veterans' Administrative Fee		335.00
State of NJ -Road Aid		384,940.34
Infrastructure Projects Reimbursement		458,072.17
Tax Collector		<u>446.00</u>
	\$	<u><u>1,097,101.44</u></u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 302,000.00	\$ 302,000.00	\$ 299,276.85	\$ 2,723.15	\$
Other Expenses	66,000.00	66,000.00	64,668.58	1,331.42	
Mayor and Council:					
Salaries and Wages	48,000.00	48,000.00	46,548.14	1,451.86	
Other Expenses	98,000.00	98,000.00	91,835.48	6,164.52	
Municipal Clerk:					
Salaries and Wages	165,000.00	165,000.00	165,000.00		
Other Expenses	92,000.00	92,000.00	87,184.14	4,815.86	
Elections:					
Other Expenses	8,000.00	8,000.00	6,301.70	1,698.30	
Financial Administration:					
Salaries and Wages	192,000.00	192,000.00	192,000.00		
Other Expenses	40,000.00	40,000.00	39,278.81	721.19	
Audit Services	42,500.00	42,500.00	42,500.00		
Assessment of Taxes:					
Salaries and Wages	99,700.00	99,700.00	97,674.32	2,025.68	
Other Expenses	23,000.00	23,000.00	14,472.29	8,527.71	
Collection of Taxes:					
Salaries and Wages	79,400.00	79,400.00	77,835.49	1,564.51	
Other Expenses	8,000.00	8,000.00	7,999.09	0.91	
Legal Services and Costs:					
Other Expenses	200,000.00	200,000.00	168,722.18	31,277.82	
Engineering Services and Costs:					
Salaries and Wages	66,000.00	66,000.00	58,566.85	7,433.15	
Other Expenses	125,000.00	125,000.00	121,985.53	3,014.47	
Public Building and Grounds:					
Other Expenses	220,000.00	220,000.00	168,507.99	51,492.01	
Bulk Clean Up	13,000.00	13,000.00	11,984.97	1,015.03	

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Planning Board:					
Salaries and Wages	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$	\$
Other Expenses	43,000.00	43,000.00	25,374.49	17,625.51	
Board of Adjustment:					
Salaries and Wages	15,000.00	15,000.00	14,995.35	4.65	
Other Expenses	52,000.00	52,000.00	38,349.88	13,650.12	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	163,700.00	163,700.00	126,266.05	37,433.95	
Fire Official:					
Salaries and Wages	60,000.00	60,000.00	58,666.76	1,333.24	
Other Expenses	5,500.00	5,500.00	3,765.55	1,734.45	
Police:					
Salaries and Wages	3,900,000.00	3,900,000.00	3,736,429.10	163,570.90	
Other Expenses	510,218.00	510,218.00	510,132.45	85.55	
First Aid Organization Contributions	43,000.00	43,000.00	43,000.00		
Emergency Management Service:					
Salaries and Wages	6,700.00	6,700.00	5,843.75	856.25	
Other Expenses	14,000.00	14,000.00	3,065.15	10,934.85	
Public Defender:					
Salaries and Wages	100.00	100.00	100.00		
Municipal Court:					
Salaries and Wages	68,000.00	68,000.00	68,000.00		
Other Expenses	55,000.00	55,000.00	51,308.13	3,691.87	
Audit Services	5,000.00	5,000.00		5,000.00	
Streets and Roads:					
Salaries and Wages	700,000.00	700,000.00	696,556.28	3,443.72	
Other Expenses	290,000.00	290,000.00	273,555.75	16,444.25	

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>HEALTH AND WELFARE</u>					
Dog Regulation:					
Other Expenses	\$ 23,000.00	\$ 23,000.00	\$ 23,000.00	\$	
Sewer System:					
Other Expenses	54,000.00	54,000.00	45,132.68	8,867.32	
Condo Act Reimbursement:					
Other Expenses	13,000.00	13,000.00		13,000.00	
<u>RECREATION AND EDUCATION</u>					
Recreation:					
Salaries and Wages	40,000.00	40,000.00	38,560.38	1,439.62	
Other Expenses	92,000.00	92,000.00	83,438.83	8,561.17	
Traffic and Beautification:					
Other Expenses	7,000.00	7,000.00	4,561.77	2,438.23	
Environmental Commission:					
Other Expenses	5,000.00	5,000.00	1,107.27	3,892.73	
Historical Preservation:					
Other Expenses	15,000.00	15,000.00	7,073.21	7,926.79	
Free Public Library:					
Other Expenses	10,000.00	10,000.00	1,429.90	8,570.10	

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



BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Official:					
Salaries and Wages	\$ 191,000.00	\$ 191,000.00	\$ 191,000.00	\$	\$
Other Expenses	38,000.00	38,000.00	34,502.40	3,497.60	
Plumbing Inspector:					
Salaries and Wages	18,250.00	18,250.00	18,250.00		
Electrical Inspector:					
Salaries and Wages	25,600.00	25,600.00	25,600.00		
Fire Sub-Code Inspector:					
Salaries and Wages	19,500.00	19,500.00	17,199.97	2,300.03	
INSURANCE					
Group Insurance for Employees	2,075,000.00	2,075,000.00	2,011,713.12	63,286.88	
Workers Compensation	173,000.00	173,000.00	173,000.00		
Other Insurance Premiums	250,000.00	250,000.00	250,000.00		
Health Insurance Waiver	35,000.00	35,000.00	34,918.70	81.30	
UNCLASSIFIED					
Electricity	121,000.00	121,000.00	82,973.92	38,026.08	
Telephone	133,000.00	133,000.00	132,743.46	256.54	
Water	21,000.00	21,000.00	18,432.48	2,567.52	
Natural Gas	42,000.00	42,000.00	41,787.85	212.15	
Fire Hydrant Service	255,000.00	255,000.00	253,375.78	1,624.22	
Gasoline	130,000.00	130,000.00	81,041.76	48,958.24	
Street Lighting	85,000.00	85,000.00	71,550.89	13,449.11	
Salary and Wage Adjustment Account	10,000.00	10,000.00		10,000.00	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 11,715,168.00	\$ 11,715,168.00	\$ 11,075,145.47	\$ 640,022.53	\$
Detail:					
Salaries and Wages	\$ 6,021,250.00	\$ 6,021,250.00	\$ 5,823,103.24	\$ 198,146.76	\$
Other Expenses	5,693,918.00	5,693,918.00	5,252,042.23	441,875.77	

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 250,745.14	\$ 250,745.14	\$ 239,527.93	\$ 11,217.21	\$
Contribution to:					
Public Employee's Retirement System	258,113.00	258,113.00	258,113.00		
Police and Firemen's Retirement Fund	1,132,147.00	1,132,147.00	1,132,147.00		
Defined Contribution Retirement Plan	12,000.00	12,000.00	1,740.62	10,259.38	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	\$ 1,653,005.14	\$ 1,653,005.14	\$ 1,631,528.55	\$ 21,476.59	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 13,368,173.14	\$ 13,368,173.14	\$ 12,706,674.02	\$ 661,499.12	\$
OPERATIONS EXCLUDED FROM "CAPS"					
Municipal Alliance Contribution - Match	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$	\$
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Sewer Interlocal Agreements:					
Other Expenses	965,000.00	965,000.00	571,524.92	393,475.08	
Somerset County Interlocal Agreements:					
Recycling	65,000.00	65,000.00	62,046.00	2,954.00	
Board of Health:					
Other Expenses	133,500.00	133,500.00	133,500.00		

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
PUBLIC AND PRIVATE PROGRAMS					
OFF-SET BY REVENUES					
Safe and Secure Communities Program:					
Local Share	\$ 210,000.00	\$ 210,000.00	\$ 210,000.00	\$	\$
Body Armor Replacement Fund	2,419.64	2,419.64	2,419.64		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 1,377,419.64</u>	<u>\$ 1,377,419.64</u>	<u>\$ 980,990.56</u>	<u>\$ 396,429.08</u>	<u>\$</u>
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 2,000,000.00	\$ 2,000,000.00	\$ 2,000,000.00	\$	\$
Building & Ground Improvements	65,000.00	65,000.00	45,261.73	19,738.27	
Office Equipment	30,000.00	30,000.00	18,602.95	11,397.05	
Records Archiving	25,000.00	25,000.00	6,885.00	18,115.00	
Infrastructure Improvements	1,000,000.00	1,000,000.00	457,820.84	542,179.16	
Fire Department Equipment	90,000.00	90,000.00	61,739.63	28,260.37	
Police Department Equipment	104,000.00	104,000.00	52,232.87	51,767.13	
Rescue Squad Equipment	24,000.00	24,000.00	24,000.00		
<u>TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>	<u>\$ 3,338,000.00</u>	<u>\$ 3,338,000.00</u>	<u>\$ 2,666,543.02</u>	<u>\$ 671,456.98</u>	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 1,840,000.00	\$ 1,840,000.00	\$ 1,840,000.00	\$	\$
Interest on Bonds	506,625.00	506,625.00	506,625.00		
Best Lake Loan	47,500.00	47,500.00	46,637.39		862.61
NJEIT Loan Principal and Interest	67,427.00	67,427.00	51,925.24		15,501.76
<u>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>	<u>\$ 2,461,552.00</u>	<u>\$ 2,461,552.00</u>	<u>\$ 2,445,187.63</u>	<u>\$</u>	<u>\$ 16,364.37</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"					
Ordinance 2012-09	152,855.22	152,855.22	152,855.22		
TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"	\$ 152,855.22	\$ 152,855.22	\$ 152,855.22	\$	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 7,329,826.86	\$ 7,329,826.86	\$ 6,245,576.43	\$ 1,067,886.06	\$ 16,364.37
SUB-TOTAL GENERAL APPROPRIATIONS	\$ 20,698,000.00	\$ 20,698,000.00	\$ 18,952,250.45	\$ 1,729,385.18	\$ 16,364.37
RESERVE FOR UNCOLLECTED TAXES	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00	\$	\$
TOTAL GENERAL APPROPRIATIONS	\$ 21,298,000.00	\$ 21,298,000.00	\$ 19,552,250.45	\$ 1,729,385.18	\$ 16,364.37

Reserve for Uncollected Taxes	\$ 600,000.00
Encumbrances Payable	318,371.23
Reserve for Grants Appropriated	212,419.64
Disbursements	18,436,709.64
NJEIT Loan - Due from Trust Assessment	(15,250.06)
	\$ 19,552,250.45

"B"

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Assessment Fund:		
Cash	\$ 40,089.46	\$ 300,186.02
Assessment Receivable	301,123.94	355,957.73
Due Current Fund	12,037.41	
	<u>\$ 353,250.81</u>	<u>\$ 656,143.75</u>
Animal Control Fund:		
Cash	\$ 55.60	\$ 14.00
Due Current Fund		5.20
	<u>\$ 55.60</u>	<u>\$ 19.20</u>
Other Funds:		
Cash	\$ 4,366,694.83	\$ 4,146,656.25
	<u>\$ 4,366,694.83</u>	<u>\$ 4,146,656.25</u>
	<u>\$ 4,720,001.24</u>	<u>\$ 4,802,819.20</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Assessment Fund:		
Assessment Loans:		
NJEIT Trust Loans Payable	\$ 85,000.00	\$ 92,500.00
NJEIT Fund Loans Payable	205,851.10	229,101.26
Due Current Fund		36,532.18
Reserve for Assessments	14,785.04	14,785.04
Due General Capital Fund		235,610.60
Fund Balance	47,614.67	47,614.67
	<u>\$ 353,250.81</u>	<u>\$ 656,143.75</u>
Animal Control Fund:		
Reserve For Animal Control Fund Expenditures	\$ 55.60	\$
Due to State of New Jersey		19.20
	<u>\$ 55.60</u>	<u>\$ 19.20</u>
Other Funds:		
Reserve For:		
Open Space Trust Deposits	\$ 564,245.89	\$ 379,511.94
State Unemployment Compensation Insurance	133,372.92	127,587.26
COAH Deposits	1,700,680.66	1,547,838.42
Various Trust Deposits	557,149.24	595,136.85
Police Outside Overtime	49,715.24	91,709.35
Recreation Deposits	48,062.24	29,336.72
Law Enforcement Trust Fund	17,042.52	15,345.24
Law Enforcement Trust Fund - Federal	2,297.53	2,297.53
Developers Deposits	1,288,423.12	1,355,190.49
Due Current Fund	5,705.47	2,702.45
	<u>\$ 4,366,694.83</u>	<u>\$ 4,146,656.25</u>
	<u>\$ 4,720,001.24</u>	<u>\$ 4,802,819.20</u>

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

BOROUGH OF WATCHUNG

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023 and  
Balance, December 31, 2024

\$ 47,614.67

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

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>ASSETS</u>		
Cash	\$ 3,449,117.26	\$ 2,061,576.87
Due Assessment Trust Fund		235,610.60
State Aid Receivable	27,137.96	179,993.18
Unconfirmed Assessment Receivable	18,110.40	18,110.40
Deferred Charges to Future Taxation:		
Funded	12,385,599.51	14,298,360.90
Unfunded	5,379,000.00	
	<u>\$ 21,258,965.13</u>	<u>\$ 16,793,651.95</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
General Serial Bonds Payable	\$ 11,895,000.00	\$ 13,735,000.00
State of New Jersey Loan Payable:		
Environmental Infrastructure Trust Loans	85,000.00	92,500.00
Environmental Infrastructure Fund Loans	205,851.14	229,101.32
Green Trust Loan Program	199,748.37	241,759.58
Improvement Authorizations:		
Funded	1,784,755.19	985,569.57
Unfunded	5,379,000.00	
Contracts Payable	481,239.49	63,850.54
Due Current Fund		17,500.00
Reserve for Payment of Debt Service	248,531.09	398,531.09
Reserve for Capital Projects	27,942.00	27,942.00
Capital Improvement Fund	608,866.72	658,866.72
Reserve for Grant Receivable	27,137.96	27,137.96
Reserve for Confirmed Assessments Receivable	18,110.40	18,110.40
Fund Balance	<u>297,782.77</u>	<u>297,782.77</u>
	<u>\$ 21,258,965.13</u>	<u>\$ 16,793,651.95</u>

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

"C-1"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023 and  
Balance December 31, 2024

\$ 297,782.77

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



"F"

BOROUGH OF WATCHUNG

STATEMENT OF GENERAL FIXED ASSETS

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>FIXED ASSETS:</u>		
Land	\$ 13,189,000.00	\$ 13,189,000.00
Buildings	6,129,836.00	6,129,836.03
Machinery and Equipment	<u>9,807,781.78</u>	<u>8,888,038.76</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 29,126,617.78</u>	<u>\$ 28,206,874.79</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 29,126,617.78</u>	<u>\$ 28,206,874.79</u>

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

## BOROUGH OF WATCHUNG

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2024 AND 2023

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The Borough of Watchung 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 Watchung include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Watchung, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Watchung do not include the operations of the regional and local boards of education, inasmuch as their activities are administered by separate boards.

##### 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 Watchung 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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 Watchung are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. 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 grant funds.

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

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

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 government 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. Federal and State 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 amount 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. General 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 31st 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 31st 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 - 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 revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

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

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, 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 non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 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 system are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm and updated by the Borough. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

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 net pension liability, deferred outflows of resources, deferred inflows of resources in the statement of Net Position and total pension related expense in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) 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, 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 75. 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.

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 financial statements required by GAAP.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of 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. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits (Continued)

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

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Total</u>
Current Fund	\$ 9,077,453.10	\$ (545,028.67)	\$ 8,532,424.43
Grant Fund	463,069.08	(617.81)	462,451.27
Assessment Trust Fund	40,257.23	(167.77)	40,089.46
Animal Control Trust Fund	77.46	(21.86)	55.60
Other Trust Fund	4,351,028.84	15,665.99	4,366,694.83
General Capital Fund	<u>3,547,813.23</u>	<u>(98,695.97)</u>	<u>3,449,117.26</u>
<u>Total December 31, 2024</u>	<u>\$ 17,479,698.94</u>	<u>\$ (628,866.09)</u>	<u>\$ 16,850,832.85</u>

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 balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$14,616,775.58 was covered by NJGUDPA. The New Jersey Asset and Rebate Management Fund ("NJARM") is an investment pool and is not insured by either FDIC or GUDPA. The Borough has \$2,612,923.36 in the NJARM.

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 type 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;



NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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;
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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

New Jersey Asset and Rebate Management Fund

The Borough also invests funds in the New Jersey Asset and Rebate Management Fund ("NJARM"), which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the Borough's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty.

At December 31, 2024, the Borough's balance in NJARM was \$2,612,923.36 and was classified as cash equivalents due to its short-term nature. NJARM is rated AAA by Standard & Poors.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, 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. In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ <u>12,676,450.61</u>	\$ <u>14,619,962.16</u>	\$ <u>16,537,645.93</u>
	\$ <u>12,676,450.61</u>	\$ <u>14,619,962.16</u>	\$ <u>16,537,645.93</u>
Less:			
Reserve for Payment of Debt Service	<u>248,531.09</u>	<u>398,531.09</u>	<u>648,531.09</u>
	<u>12,427,919.52</u>	<u>14,221,431.07</u>	<u>15,889,114.84</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	\$ <u>5,379,000.00</u>	\$ <u>                    </u>	\$ <u>63,000.00</u>
Total Authorized but not Issued	\$ <u><u>5,379,000.00</u></u>	\$ <u><u>                    </u></u>	\$ <u><u>63,000.00</u></u>
Net Bonds and Notes Issued and and Authorized but not issued	\$ <u><u>17,806,919.52</u></u>	\$ <u><u>14,221,431.07</u></u>	\$ <u><u>15,952,114.84</u></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 and indicates a statutory net debt of 0.862%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
School Debt	\$5,074,478.03	\$5,074,478.03	-0-
General Debt	<u>18,055,450.61</u>	<u>248,531.09</u>	<u>\$17,806,919.52</u>
	<u>\$23,129,928.64</u>	<u>\$5,323,009.12</u>	<u>\$17,806,919.52</u>

Net debt of \$17,806,919.52 divided by equalized valuation basis per N.J.S.A. 40A:2-2, \$2,064,830,211.33 equals 0.862%.

Borrowing Power Under NJSA 40A:2-6 as Amended

Equalized Valuation Basis* - December 31, 2024	<u>\$ 2,064,830,211.33</u>
3-1/2 of Equalized Valuation Basis	72,269,057.40
Net Debt	<u>17,806,919.52</u>
Remaining Borrowing Power	<u>\$ 54,462,137.88</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 of Watchung for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

OUTSTANDING  
BALANCE DECEMBER  
31, 2024

LONG-TERM DEBT

General Serial Bonds:

\$8,170,000.00 General Obligation Bonds of 2016 due in annual installments of \$475,000.00 to \$630,000.00 through February 2032 at an interest rate of 2.000% to 3.000%. \$ 4,835,000.00

\$8,070,000.00 General Obligation Refunding Bonds of 2017 due in annual installments of \$900,000.00 to \$870,000.00 through August 2027 at an interest rate of 4.000%. 2,625,000.00

\$5,315,000.00 SCIA County Guaranteed Pooled Bond Program of 2022 due in annual installments of \$440,000.00 to \$655,000.00 through August 2032 at an interest rate of 5.000%. 4,435,000.00

\$ 11,895,000.00

Green Trust Loans:

\$750,000.00 Dam Restoration Loan due in semi-annual installments of \$17,129.38 to \$23,087.82 through January 2029 at an interest rate of 2.000%. \$ 199,748.37

New Jersey Environmental Infrastructure Loans:

\$300,000.00 Infrastructure Trust Loan of 2014 due in annual installments of \$15,000.00 to \$20,000.00 through August 2033 at an interest rate of 3.00% to 5.00% \$ 170,000.00

\$914,507.00 Infrastructure Fund Loan of 2014 due in annual installments of \$39,699.40 to \$46,500.34 through August 2033 at an interest rate of 0.00%. 411,702.24

\$ 581,702.24

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2024, there were bonds and notes authorized but not issued in the amount of \$5,379,000.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTES

At December 31, 2024, the Borough did not have any outstanding bond anticipation notes.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

	<u>GENERAL CAPITAL</u>		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$1,880,000.00	\$438,575.00	\$2,318,575.00
2026	1,930,000.00	369,125.00	2,299,125.00
2027	1,965,000.00	298,125.00	2,263,125.00
2028	1,165,000.00	225,675.00	1,390,675.00
2029	1,195,000.00	185,537.50	1,380,537.50
2030	1,225,000.00	140,750.00	1,365,750.00
2031	1,250,000.00	92,100.00	1,342,100.00
2032	1,285,000.00	42,200.00	1,327,200.00
	<u>\$11,895,000.00</u>	<u>\$1,792,087.50</u>	<u>\$13,687,087.50</u>

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loans Payable – Watchung Lake Development & Dam Restoration

	<u>GREEN TRUST LOAN</u>		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$42,855.63	\$4,626.18	\$47,481.81
2026	43,717.04	3,781.75	47,498.79
2027	44,595.75	2,920.36	47,516.11
2028	45,492.13	2,041.65	47,533.78
2029	23,087.82	1,145.27	24,233.09
	<u>\$199,748.37</u>	<u>\$14,515.21</u>	<u>\$214,263.58</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for New Jersey Environmental Infrastructure Loan Payable – 2014 Infrastructure Trust Loan

<u>YEAR</u>	<u>PRINCIPAL - CAPITAL</u>	<u>PRINCIPAL - ASSESSMENT</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$7,500.00	\$7,500.00	\$5,175.00	\$20,175.00
2026	7,500.00	7,500.00	4,725.00	19,725.00
2027	10,000.00	10,000.00	4,275.00	24,275.00
2028	10,000.00	10,000.00	3,675.00	23,675.00
2029	10,000.00	10,000.00	3,075.00	23,075.00
2030	10,000.00	10,000.00	2,475.00	22,475.00
2031	10,000.00	10,000.00	1,875.00	21,875.00
2032	10,000.00	10,000.00	1,275.00	21,275.00
2033	10,000.00	10,000.00	650.00	20,650.00
	<u>\$85,000.00</u>	<u>\$85,000.00</u>	<u>\$27,200.00</u>	<u>\$197,200.00</u>

Schedule of Annual Debt Service for Principal for New Jersey Environmental Infrastructure Loan Payable – 2014 Infrastructure Fund Loan

<u>YEAR</u>	<u>PRINCIPAL - CAPITAL</u>	<u>PRINCIPAL - ASSESSMENT</u>	<u>TOTAL</u>
2025	\$23,250.17	\$23,250.17	\$46,500.34
2026	23,250.17	23,250.17	46,500.34
2027	23,250.17	23,250.17	46,500.34
2028	23,250.17	23,250.17	46,500.34
2029	23,250.17	23,250.17	46,500.34
2030	23,250.17	23,250.17	46,500.34
2031	23,250.17	23,250.17	46,500.34
2032	23,250.17	23,250.17	46,500.34
2033	19,849.81	19,849.71	39,699.52
	<u>\$205,851.17</u>	<u>\$205,851.07</u>	<u>\$411,702.24</u>

NOTE 4: FUND BALANCE APPROPRIATED

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

Current Fund	\$2,400,000.00
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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 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 Local and Regional High School Districts. 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>\$298,749.22</u>	<u>\$322,122.69</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 Fireman'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/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

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.



NOTE 6: PENSION PLANS (CONTINUED)

Police and Fireman's Retirement System (PFRS) - The Police and Fireman'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.

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 invested 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 invested. 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 is set by 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.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy (Continued)

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 uniform rate of 10.00% of base salary.

Certain portions of the cost 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 \$1,271,136.00 for 2023, \$1,289,643.00 for 2022 and \$1,244,351.00 for 2021.

Certain Borough employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

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 was not available, therefore the information dated June 30, 2023 is disclosed.

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$2,797,253.00 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 0.0193855364 percent, which was an increase of 0.0015968687 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension benefit of \$126,334.00 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 \$223,431.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 26,745.00	\$ 11,434.00
Changes of assumptions	6,145.00	169,526.00
Net difference between projected and actual earnings on pension plan investments	12,882.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>222,306.00</u>	<u>439,651.00</u>
	\$ <u><u>268,078.00</u></u>	\$ <u><u>620,611.00</u></u>

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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	(\$191,154.00)
2025	(125,901.00)
2026	71,724.00
2027	(64,084.00)
2028	<u>(43,118.00)</u>
	<u><u>(\$352,533.00)</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (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. These actuarial valuations used the following assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	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.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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.

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 Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets 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. Treasuries	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)

Public Employees Retirement System (PERS) (Continued)

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.

Sensitivity of the collective 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 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% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$3,641,429	\$2,797,253	\$2,078,748

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (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. 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.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of December 31, 2023 and 2022 was 0.0193855364 and 0.0177886677%, respectively. The non-employer contributing entities' contribution and employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$8,724.00 and \$5,626.00, 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)

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

At June 30, 2023, the State reported a net pension liability of \$9,396,662.00 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 0.08504703 percent, which was an increase of 0.00448863 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 \$336,029.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023 billing was \$1,132,147.00.

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

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 402,346.00	\$ 448,137.00
Changes of assumptions	20,281.00	634,500.00
Net difference between projected and actual earnings on pension plan investments	478,554.00	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>740,840.00</u>	<u>1,132,938.00</u>
	\$ <u><u>1,642,021.00</u></u>	\$ <u><u>2,215,575.00</u></u>



NOTE 6: PENSION PLANS (CONTINUED)

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

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

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	(\$444,104.60)
2025	(429,359.60)
2026	486,206.40
2027	(1326,981.60)
2028	(61,086.60)
Thereafter	<u>1,772.00</u>
	<u>(\$573,554.00)</u>

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 rate:

Price	2.75%
Wage	3.25%

Salary Increases

Through	All Future Years 3.25-16.25% Based on Years of Service
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Thereafter	Not Applicable
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Investment Rate of Return	7.00%
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NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions (Continued)

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.

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 Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets 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. Treasuries	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 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 collective 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 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% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$13,092,603.00	\$9,396,662.00	\$6,318,826.00

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. 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.

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 (Continued)

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 0.08504724% and 0.08055841% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$198,011.00 and \$204,305.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$196,948.00 and \$189,336.00, 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 \$1,731,444.00 and \$1,641,068.00 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	\$9,396,662.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,731,444.00</u>
	<u>\$11,128,106.00</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 <http://www.state.nj.us/treasury/pensions>.

NOTE 7: COMPENSATED ABSENCES

The Borough has not permitted non-police department employees to carry over unused vacation days. Under special circumstances, vacation time may be carried over with mayor and Council approval. After a minimum of five years of service with the Borough, an employee, upon separation from service with the Borough, will receive pay based upon unused accumulated sick leave, up to a maximum of 120 days of such credit. Payment shall be made in accordance with the following schedule:

Upon retirement: 50% of the employee's then current rate of pay  
Other separation: 25% of the employee's then current rate of pay

Police Department employees may not carry over vacation unless approved by the Mayor and Council. Sick days may be accumulated up to 360 days per employee with a maximum of 60 days to be reimbursed to the employee at retirement. The Borough has estimated the liability for unpaid sick pay to be \$571,960.83 and \$539,895.56 at December 31, 2024 and 2023, respectively. In accordance with New Jersey accounting principles and practices these amounts are not reported as an expenditure or liability in the accompanying financial statements. At December 31, 2024, the Borough has a reserve in the Trust Fund of \$154,955.36.

NOTE 8: 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 Equitable Life Assurance Society of the United States (the "Equitable").

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2024. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has a reserve balance in the amount of \$55,840.61 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated 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. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2024 audit. In addition, these programs are also 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 12: 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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>	<u>Borough Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$6,472.28	\$686.62	\$133,372.92
2023	9,100.93	156.11	127,587.26
2022	8,138.66	321.60	118,642.44

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2024:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$5,705.47	\$12,037.41
Assessment Trust Fund	12,037.41	
Trust Other Fund		5,705.47
	<u>\$17,742.88</u>	<u>\$17,742.88</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for other post-employment obligations for the year ended June 30, 2024. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2023.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Total Net OPEB Liability

At June 30, 2023, the Plan reported a liability of \$14,476,358.00 for the Borough's proportionate share of the collective net OPEB liability. The total OPEB liability measured as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

The Borough's proportion of the OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023.



NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

At June 30, 2023, the Borough's proportion was 0.096467 percent, which was an increase of 0.012706 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State reported OPEB benefit of \$449,122.00. This OPEB benefit was based on the OPEB plans June 30, 2023 measurement date.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$667,575.00	\$3,931,306.00
Changes of assumptions	1,875,232.00	4,092,003.00
Net difference between projected and actual earnings on OPEB plan investments		2,389.00
Changes in proportion	<u>3,070,090.00</u>	<u>1,061,894.00</u>
	<u>\$5,612,897.00</u>	<u>\$9,087,592.00</u>

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 OPEB will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2024	(\$1,240,694.80)
2025	(943,535.80)
2026	(326,077.80)
2027	60,511.20
2028	(286,941.80)
Thereafter	<u>(737,956.00)</u>
	<u>(\$3,474,695.00)</u>

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. this actuarial valuation used the following actuarial assumptions, applied to all period measurements:

Salary Increases\*:

Public Employees Retirement System (PERS):	
Rate for all future years	2.75% to 6.55% Based on years of service
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	3.25% to 16.25% Based on years of service

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021

\*Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Discount Rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability associated with the Borough as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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		
	1.00% <u>Decrease (2.65%)</u>	At Discount <u>Rate (3.65%)</u>	1.00% <u>Increase (4.65%)</u>
Borough's proportionate share of the Net OPEB Liability	\$16,768,237	\$14,476,358	\$12,632,895

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the net OPEB liability associated with the Borough as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% <u>Increase</u>
Borough's proportionate share of the Net OPEB Liability	\$12,303,201	\$14,476,358	\$17,258,664

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation

The Borough, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2023 and 2022, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$177,211.00 and \$205,229.00 respectively.

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

Borough's proportionate share of the Net OPEB Liability	\$14,476,358.00
State of New Jersey's proportionate share of Net OPEB Liability associated with the Borough	<u>177,211.00</u>
	<u><u>\$14,653,569.00</u></u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. 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>.

NOTE 15: FIXED ASSETS

The Borough's general fixed assets are reported as follows:

<u>Description</u>	Balance Dec. 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance Dec. 31, <u>2024</u>
Land	\$ 13,189,000.00	\$	\$	\$ 13,189,000.00
Building and Building Improvements	6,129,836.03			6,129,836.03
Machinery and Equipment	<u>8,888,038.76</u>	<u>1,020,812.09</u>	<u>101,069.07</u>	<u>9,807,781.78</u>
	<u>\$ 28,206,874.79</u>	<u>\$ 1,020,812.09</u>	<u>\$ 101,069.07</u>	<u>\$ 29,126,617.81</u>

NOTE 16: LEASES

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

- Cell Tower – Crown Castle. The current lease term, which includes two sub-leases, expires 12/31/25 with no available extensions and includes annual increases 4.00%. Payments in 2024 totaled \$198,535.42.

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through August 20, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there are no subsequent events required to be disclosed.

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**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**

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732-268-8000  
FAX 732-345-8420

November 12, 2025

Mayor and Borough Council of the  
Borough of Watchung  
Watchung, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Borough Council of the Borough of Watchung, in the County of Somerset, State of New Jersey (the "Borough"), and other proofs submitted to us relative to the issuance and sale of the

**\$5,379,000**  
**BOND ANTICIPATION NOTES**

**BOROUGH OF WATCHUNG**  
**IN THE COUNTY OF SOMERSET**  
**STATE OF NEW JERSEY**

**DATED: NOVEMBER 12, 2025**

The \$5,379,000 Bond Anticipation Notes (the "Notes") of the Borough are dated November 12, 2025, mature November 10, 2026 and bears interest at the rate of \_\_\_\_ and \_\_\_\_ hundredths percentum (\_\_\_\_%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry only form in denominations of \$5,000, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Township). So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to a bond ordinance of the Borough having been in all respects duly adopted by the Borough Council, approved by the Mayor, and published as required by law. The Notes are being issued to (i) temporarily finance various capital improvements in and for the Borough, and (ii) pay for the costs associated with the issuance of the Notes.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and

supplemented, (ii) the Notes are a valid and legally binding obligation of the Borough, and (iii) all the taxable property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The Borough has covenanted in its tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Borough with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes 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 other federal tax consequences arising with respect to the Notes.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Notes constitute a "qualified tax-exempt obligation" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the form of the unexecuted Notes and, in our opinion, the form is regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

November 12, 2025

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This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Notes and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Notes) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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**FORM OF CERTIFICATE OF COMPLIANCE WITH  
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, WILLIAM J. HANCE, Chief Financial Officer of the Borough of Watchung, in the County of Somerset, New Jersey (the "Borough"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ the purchaser (the "Purchaser") of \$5,379,000 aggregate principal amount of Bond Anticipation Notes of the Borough dated November 12, 2025 and maturing November 10, 2026 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Borough will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org), of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation (as defined below) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borough, any of which affect security holders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

Whenever the Borough (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the Borough shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The Borough's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the Borough fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the Borough's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the Borough, the Purchaser and the holders from time to time of the Notes and shall create no further rights in any other person or entity hereunder.

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IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the  
Borough as of the 12th day of November, 2025.

**BOROUGH OF WATCHUNG, NEW JERSEY**

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**WILLIAM J. HANCE,**  
**Chief Financial Officer**

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