

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 13, 2026

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.

\$32,286,000
BOROUGH OF AVALON
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$14,588,000 General Improvement Notes
\$17,698,000 Water and Sewer Utility Notes
(NON-CALLABLE)
Coupon: ___% Yield: ___% CUSIP¹: _____

Dated: February 3, 2026

Due: February 2, 2027

The aggregate principal amount of \$32,286,000 Bond Anticipation Notes (the "Notes") are general obligations of the Borough of Avalon, in the County of Cape May, State of New Jersey (the "Borough"), for which the full faith and credit of the Borough are pledged. The Notes consist of: (i) \$14,588,000 General Improvement Notes; and (ii) \$17,698,000 Water and Sewer Utility Notes. 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, if any. 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 Dates (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 various bond ordinances of the Borough duly adopted by the Borough Council on the dates set forth herein, approved by the Mayor and published as required by law. The Notes, together with other available funds of the Borough, are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$23,338,000 on February 5, 2025 and maturing February 4, 2026; (ii) temporarily finance various capital improvements in and for the Borough; and (iii) 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, Nicole J. Curio, Esquire, of Blaney, Donohue & Weinberg, P.C., Avalon, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about February 3, 2026.

PROPOSALS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY PHOENIX ADVISORS, ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE BOROUGH ON WEDNESDAY, JANUARY 21, 2026, EITHER (i) ELECTRONICALLY VIA PARITY® OR (ii) BY E-MAIL TRANSMITTAL TO AINVERSO@MUNIADVISORS.COM.

¹ 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.

This is a Preliminary Official Statement "deemed final" by the Borough within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities law of any such jurisdiction.

**BOROUGH OF AVALON
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY**

MAYOR

John McCorristin

BOROUGH COUNCIL

Barbara Juzaitis, Council President
Greg "Chet" Johnson, Council Vice-President
Mari Coskey, Councilperson
Jamie McDermott, Councilperson
Sam Wierman, Councilperson

BUSINESS ADMINISTRATOR

Scott J. Wahl

BOROUGH CLERK

C. Danielle Nollett, RMC, CMR

CHIEF FINANCIAL OFFICER

Ann K. DeGennaro, CMFO

BOROUGH SOLICITOR

Nicole J. Curio, Esquire
Blaney, Donohue & Weinberg, P.C.
Avalon, New Jersey

INDEPENDENT AUDITORS

Ford-Scott and Associates, LLC
Ocean City, New Jersey

MUNICIPAL ADVISOR

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

BOND COUNSEL

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

No dealer, broker, salesperson or other person has been authorized by the Borough of Avalon, in the County of Cape May, 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
\$32,286,000
BOROUGH OF AVALON
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$14,588,000 General Improvement Notes
\$17,698,000 Water and Sewer Utility Notes

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Avalon (the "Borough"), in the County of Cape May (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$32,286,000 Bond Anticipation Notes (the "Notes") of the Borough. The Notes consist of: (i) \$14,588,000 General Improvement Notes; and (ii) \$17,698,000 Water and Sewer Utility Notes. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Mayor and Borough Council 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 of \$32,286,000, which Notes are being issued in anticipation of the issuance of bonds.

The Notes shall be dated and shall bear interest from February 3, 2026 and shall mature on February 2, 2027. The Notes shall bear interest at the rate shown on the front cover hereof, which interest is payable at maturity. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee 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 acting as paying agent (the "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 any hereafter 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 various bond ordinances duly adopted by the Borough Council on the dates set forth in the chart on the following page, approved by the Mayor and published as required by law. The bond ordinances were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

Purpose of the Notes

The Notes, together with other available funds of the Borough, are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$23,338,000 on February 5, 2025 and maturing February 4, 2026; (ii) temporarily finance various capital improvements in and for the Borough; and (iii) pay the costs associated with the issuance of the Notes.

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

General Improvement Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount of Note Proceeds
826-2021	Various Capital Improvements, Finally Adopted 7/28/21	\$4,400,000
840-2022	Various 2022 Capital Improvements, Finally Adopted 4/27/22	\$1,900,000
863-2023	Various 2023 Capital Improvements, Finally Adopted 5/24/23	\$2,915,000
880-2024	Various 2024 Capital Improvements, Finally Adopted 06/26/24	\$750,000
884-2024	Various 2024 Capital Improvements, Finally Adopted 09/11/24	\$2,000,000
892-2025	Various 2025 Capital Improvements, Finally Adopted 05/14/25	<u>\$2,623,000</u>
SUB-TOTAL		<u>\$14,588,000</u>

Water and Sewer Utility Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount of Note Proceeds
787-2019	Various Water And Sewer Utility Improvements, Finally Adopted 4/24/2019	\$988,000
804-2020	Various Water and Sewer Utility Improvements, Finally Adopted 04/22/20	\$2,050,000
827-2021	Various Water And Sewer Utility Improvements, Finally Adopted 07/28/21	\$4,643,000
841-2022	Various Water And Sewer Utility Improvements, Finally Adopted 04/27/22	\$1,479,500
864-2023	Various Water and Sewer Utility Improvements, Finally Adopted 5/24/23	\$1,699,500
881-2024	Various Water And Sewer Utility Improvements, Finally Adopted 06/26/24	\$1,837,000
893-2025	Various Water and Sewer Utility Improvements, Finally Adopted 05/14/25	<u>\$5,001,000</u>
SUB-TOTAL		<u>\$17,698,000</u>
TOTAL NOTES		<u>\$32,286,000</u>

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.

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:

$$\begin{array}{rcl} \text{Total of Local, County,} & - & \text{Anticipated Revenues} \\ \text{and School Levies} & & \\ \hline & = & \text{Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ & & = \text{Amount to be} \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & & \text{Raised by} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Taxation} \end{array}$$

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 1st 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 do not 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 has received a total of \$129,370.33 from the Plan. The deadline to spend the funds was December 31, 2024. The Borough utilized some of the funding for public safety needs, revenue replacement and to further mitigate the effects of Covid-19 both from a public health and economic standpoint.

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

As a coastal community, the Borough is susceptible to the effects of extreme weather events and natural disasters, including coastal storms and flooding, which could result in negative economic impacts. These effects may be amplified by a prolonged global temperature increase over the next several decades, which scientific studies indicate may be occurring. Scientific studies on climate change predict that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events like Superstorm Sandy will become more frequent. Coastal areas like the Borough are at risk of substantial flood damage over time, potentially affecting private development and public infrastructure. The economic impacts resulting from such extreme weather events could include a 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 Solicitor, Nicole J. Curio, Esquire, of Blaney, Donohue & Weinberg, P.C., Avalon, New Jersey ("Borough Solicitor").

LITIGATION

To the knowledge of the Borough Solicitor, 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 Solicitor, no litigation is presently pending or threatened that, in the opinion of the Borough Solicitor, 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 Solicitor and delivered to the Underwriter at the closing.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

The Borough has covenanted for the benefit of noteholders 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 Rule (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 respective purchaser of the Notes in complying with the Rule.

The Borough has previously entered into secondary market disclosure undertakings in accordance with SEC Rule 15c2-12. The Borough appointed Phoenix Advisors, 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 participated in the preparation and review of this Official Statement, but has not participated 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.

Ford-Scott and Associates, LLC, Ocean City, New Jersey, Certified Public Accountants and Registered Municipal Accountants, has not participated in the preparation of the information contained in this Official Statement but 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 Solicitor 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.

S&P Global Ratings, acting through Standard & Poor's Ratings Services LLC ("S&P") has assigned a long-term rating of "AAA" to the Borough's Water/Sewer Utility Bonds, Series 2018, most recently affirmed in February of 2024. Such long-term rating is neither assigned nor applicable to the Notes.

The long-term rating reflects only the view of S&P and an explanation thereof may be obtained only from S&P. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Borough to S&P. Generally, S&P bases its ratings on the information and materials so furnished and on its investigations, studies and assumptions.

There is no assurance any such rating will remain in effect for any given period of time or that any such rating will not be revised downward, suspended or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision, suspension or withdrawal of a rating may have an adverse effect on the market price or the marketability of the Notes. The Borough has not undertaken any responsibility to oppose any such downward revision, suspension or withdrawal of a rating.

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 Ford-Scott and Associates, LLC, Ocean City, New Jersey (the "Auditor"), to the extent and for the period set forth in its report appearing in APPENDIX B to this Official Statement. The Auditor has not participated in the preparation of this Official Statement nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial data appearing in APPENDIX B hereto) and, accordingly, will express no opinion with respect thereto.

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 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 of Avalon, Ann K. DeGennaro, Chief Financial Officer, 3100 Dune Drive, Avalon, New Jersey 08202 at (609) 967-8200 or adegennaro@avalonboro.org, or Anthony P. Inverso at Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Municipal Advisor, 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691 at (609) 291-0130 or ainverso@muniadvisors.com.

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 AVALON, NEW JERSEY

ANN K. DEGENNARO
Chief Financial Officer

DATED: January __, 2026

APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING THE BOROUGH OF AVALON,
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY**

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INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Avalon (the "Borough"), in the County of Cape May (the "County"), State of New Jersey (the "State").

General Information

The Borough of Avalon is located in the southern part of New Jersey in Cape May County, approximately 23 miles south of Atlantic City and facing the Atlantic Ocean. The Borough is principally a resort community consisting of approximately five square miles of which approximately 95% is developed. The undeveloped land consists mainly of private wetlands, public and quasi-public wetlands, beaches, dunes, waterways and lagoons. The Borough enjoys over four miles of beach. The Borough's economy is service oriented and somewhat seasonal in nature.

Form of Government

The Borough operates under a mayor-council form of government with an appointed administrator. The Mayor is the chief executive of the Borough and supervises all departments. The Mayor appoints the Borough Administrator and all other department heads subject to advice and consent of Council. The Administrator's principal duties are to assist in preparation of the annual budget and to administer the purchasing and personnel systems.

Education

The Board of Education of the Borough of Avalon (the "Board") operates independently of the Borough government. It is a Type II School District with five elected members serving staggered three-year terms.

The Board adopts its own budget. New regulations issued in 2012 gave boards of education the option to eliminate the public vote on the budget and move the board member vote to the general election in November. The Board exercised its option to make these changes in 2012.

The Commissioner of Education must notify each school district, on or before February 23, of the amount of aid payable to each district for the succeeding year. The Commissioners must also notify the district of its maximum permissible local levy, if applicable. On or before March 8, local boards of education must submit to the County Office of Education a copy of their proposed budgets for the next school year. The County Executive Superintendent then reviews all current expenses and capital outlay appropriations to determine their adequacy with regard to the annual report submitted for the district.

The Board operates on a fiscal year July 1 to June 30, but taxes are raised on a calendar year basis. This means that taxes are raised for six months of the two school years that make up the calendar year and paid to the local school by December 31.

¹ Source: The Borough, unless otherwise indicated.

The public school facilities in the Borough consist of one school for Pre-K and grades 5 - 8. The high school pupils attend the Middle Township High School. Since 2012, pupils in grades K - 4 attend school in the neighboring Borough of Stone Harbor and pupils from Stone Harbor in Grades 5-8 attend the Avalon Elementary School.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

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:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	480	455	25	5.2%
2023	485	455	30	6.2%
2022	478	451	27	5.6%
2021	473	435	38	8.0%
2020	459	408	51	11.1%
<u>County</u>				
2024	45,403	41,787	3,616	8.0%
2023	45,309	41,745	3,564	7.9%
2022	44,892	41,701	3,191	7.1%
2021	44,379	39,976	4,403	9.9%
2020	43,358	37,045	6,313	14.6%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Income (as of 2023)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$143,482	\$88,046	\$101,050
Median Family Income	165,833	106,504	123,892
Per Capita Income	117,552	54,325	53,118

Source: US Bureau of the Census 2023

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2023 est.	1,218	-2.01%	93,875	-1.46%	9,500,851	2.28%
2020	1,243	-6.82	95,263	-2.06	9,288,994	5.65
2010	1,334	-37.75	97,265	-4.95	8,791,894	4.49
2000	2,143	18.46	102,326	7.61	8,414,350	8.85
1990	1,809	-16.33	95,089	15.59	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:

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Jordon Realty, Inc.	\$41,182,400	0.41%
Individual Taxpayer #1	31,204,400	0.31%
Icona Golden Inn, LLC	20,450,000	0.20%
Windrift Avalon, LLC	18,570,000	0.18%
Individual Taxpayer #2	15,709,500	0.16%
Long Reach View, LLC	14,527,600	0.14%
Equity Trust Co.	13,623,200	0.14%
HOBOS63, LLC	13,024,500	0.13%
Individual Taxpayer #3	12,661,000	0.13%
Individual Taxpayer #4	<u>12,626,500</u>	<u>0.13%</u>
Total	<u>\$193,579,100</u>	<u>1.93%</u>

Source: Annual Comprehensive Financial Report of the School District & 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	\$61,485,778	\$61,149,813	99.45%
2023	60,161,163	59,828,065	99.45%
2022	54,819,777	54,474,576	99.37%
2021	51,721,952	51,461,562	99.50%
2020	48,764,759	48,287,876	99.02%

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	\$552	\$332,253	\$332,805	0.54%
2023	517	297,664	298,181	0.50%
2022	482	266,097	266,579	0.49%
2021	450	234,057	234,507	0.45%
2020	404	418,840	419,244	0.86%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$137,480
2023	137,480
2022	137,480
2021	137,480
2020	137,480

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>Municipal Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2025	\$0.206	\$0.057	\$0.032	\$0.313	\$0.608
2024	0.206	0.053	0.032	0.323	0.614
2023	0.207	0.048	0.033	0.321	0.609
2022	0.200	0.040	0.033	0.295	0.568
2021	0.199	0.037	0.034	0.277	0.547

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	\$10,054,394,100	\$18,523,202,100	54.28%	\$795,366	\$18,523,997,466
2024	9,941,815,200	17,323,253,528	57.39	828,418	17,324,081,946
2023	9,783,454,500	15,944,352,184	61.36	903,553	15,945,255,737
2022	9,541,301,700	14,004,552,620	68.13	976,433	14,005,529,053
2021	9,344,265,500	11,209,531,550	83.36	978,874	11,210,510,424

Source: Abstract of Ratables, Borough 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	\$202,376,700	\$9,677,948,700	\$0	\$174,068,700	\$0	\$0	\$10,054,394,100
2024	206,199,100	9,566,610,300	0	169,005,800	0	0	9,941,815,200
2023	220,243,000	9,391,210,500	0	172,001,000	0	0	9,783,454,500
2022	242,779,400	9,125,660,000	0	172,862,300	0	0	9,541,301,700
2021	192,920,600	8,968,872,500	0	182,472,400	0	0	9,344,265,500

Source: Abstract of Ratables, Borough 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

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$5,130,873	\$4,421,595	\$5,259,228	\$4,927,094	\$3,890,901
Miscellaneous Revenues	5,258,120	5,598,134	5,656,733	4,878,235	5,936,501
Receipts from Delinquent Taxes	400,000	225,000	225,000	225,000	225,000
Amount to be Raised by Taxation	<u>22,009,422</u>	<u>22,736,833</u>	<u>24,838,505</u>	<u>25,775,080</u>	<u>26,434,688</u>
Total Revenue:	<u>\$32,798,416</u>	<u>\$32,981,562</u>	<u>\$35,979,465</u>	<u>\$35,805,409</u>	<u>\$36,487,090</u>
<u>Appropriations</u>					
General Appropriations	\$17,013,263	\$17,584,008	\$17,948,486	\$18,762,077	\$19,294,636
Operations (Excluded from CAPS)	4,081,166	4,324,452	6,824,001	5,792,782	6,480,879
Deferred Charges	1,626,840	6,805,653	3,192,259	4,355,750	1,240,000
Capital Improvement Fund	2,366,000	2,419,000	4,149,100	2,873,900	2,975,775
Municipal Debt Service	6,036,147	158,450	2,155,620	2,295,900	4,755,800
Reserve for Uncollected Taxes	<u>1,675,000</u>	<u>1,690,000</u>	<u>1,710,000</u>	<u>1,725,000</u>	<u>1,740,000</u>
Total Appropriations:	<u>\$32,798,416</u>	<u>\$32,981,562</u>	<u>\$35,979,465</u>	<u>\$35,805,409</u>	<u>\$36,487,090</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 six (5) fiscal years ending December 31.

<u>Year</u>	<u>Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$7,137,545	\$3,890,901
2023	8,010,603	4,927,094
2022	7,479,594	5,259,228
2021	7,546,417	4,421,595
2020	8,127,828	5,130,873

Source: Annual Audit Reports of the Borough

Water and Sewer Utility Operating Fund

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

Water and Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$926,687	\$744,120
2023	966,036	729,290
2022	1,023,641	874,887
2021	1,169,597	507,317
2020	1,395,223	641,252

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2024

General Purpose Debt

Serial Bonds	\$0
Bond Anticipation Notes	12,618,500
Bonds and Notes Authorized but Not Issued	15,559,673
Other Bonds, Notes and Loans	<u>163,744</u>
Total:	\$28,341,917

Local School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$8,910,000
Bond Anticipation Notes	9,763,500
Bonds and Notes Authorized but Not Issued	6,711,200
Other Bonds, Notes and Loans	<u>85,767</u>
Total:	\$25,470,467

TOTAL GROSS DEBT

\$53,812,384

Less: Statutory Deductions

General Purpose Debt	\$0
Local School District Debt	0
Self-Liquidating Debt	<u>25,470,467</u>
Total:	\$25,470,467

TOTAL NET DEBT

\$28,341,917

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2024)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$0	100.00%	\$0
County	381,517,496	18.04%	<u>68,817,441</u>
Net Indirect Debt			\$68,817,441
Net Direct Debt			<u>28,341,917</u>
Total Net Direct and Indirect Debt			<u>\$97,159,358</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$15,757,386,111
Permitted Debt Limitation (3 1/2%)	551,508,514
Less: Net Debt	<u>28,341,917</u>
Remaining Borrowing Power	<u>\$523,166,597</u>
Percentage of Net Debt to Average Equalized Valuation	0.180%
Gross Debt Per Capita based on 2020 population of 1,243	\$43,292
Net Debt Per Capita based on 2020 population of 1,243	\$22,801

Source: Annual Debt Statement of the Borough

Litigation

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

³ Borough percentage of County and authority 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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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of Borough Council
Borough of Avalon
County of Cape May, New Jersey

Report on the Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Avalon, as of December 31, 2024 and 2023, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the Borough's basic 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 "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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 each fund of the Borough of Avalon as of December 31, 2024, and 2023, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2024 and 2023, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures 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 as described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Borough of Avalon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Avalon on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the 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 these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Avalon'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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services 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 an 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Avalon'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 judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Borough of Avalon's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Avalon's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2025, on our consideration of the Borough of Avalon'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Avalon's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

May 23, 2025

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 16,803,624.32	15,676,799.11
Cash - Change	1,500.00	1,500.00
Total Cash	<u>16,805,124.32</u>	<u>15,678,299.11</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	332,252.69	297,663.88
Tax Title and Other Liens	552.18	517.19
Property Acquired for Taxes - at Assessed Valuation	137,480.20	137,480.20
Due from Avalon Library	93,995.70	74,533.79
Protested Checks Receivable	4,167.34	977.97
Revenue Accounts Receivable	745.16	1,595.38
Interfund Receivable:		
Federal & State Grant Fund	312,817.39	71,787.87
Animal Control Fund	348.85	143.43
Trust - Other	165,085.83	15,891.56
Water & Sewer Capital Fund	44,497.95	44,497.95
Water & Sewer Operating Fund	53,097.31	7,080.24
Beach Utility Fund	22,775.53	482,532.45
Total Receivables and Other Assets	<u>1,167,816.13</u>	<u>1,134,701.91</u>
Deferred Charges:		
Emergency Appropriation	350,000.00	-
Total Deferred Charges	<u>350,000.00</u>	<u>-</u>
Total Regular Fund	<u>18,322,940.45</u>	<u>16,813,001.02</u>
Federal and State Grant Fund:		
Cash	-	-
Due from Water and Sewer Operating	22,932.34	22,932.34
Federal and State Grants Receivable	2,966,568.73	2,589,068.73
Total Federal and State Grant Fund	<u>2,989,501.07</u>	<u>2,612,001.07</u>
Total Current Fund	<u>\$ 21,312,441.52</u>	<u>19,425,002.09</u>

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

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2024</u>	<u>2023</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 2,309,512.42	1,388,603.35
Reserve for Encumbrances	986,598.45	1,190,639.20
Accounts Payable	403,619.10	184,994.02
Prepaid Taxes	1,958,879.37	1,795,925.02
Overpaid Taxes	11,931.93	89,243.07
Reserve for Municipal Property Relief Act	-	45,447.36
Due County - Added Taxes Payable	227,945.19	302,249.24
Due to General Capital	341,642.55	291,042.36
Due to Trust Other	16,675.00	-
Local School Taxes Payable	785,067.00	-
Prepaid Rental Licenses	266,400.00	259,500.00
Prepaid Fire Inspection Fees	76,934.00	76,214.00
Prepaid Sport Fishing Center Slip	16,293.22	37,873.22
Bid Bond	328.00	328.00
Due to State of New Jersey:		
State Training Fee for New Construction	18,814.00	14,306.00
Veterans and Senior Citizens Deductions	4,476.55	4,340.62
Marriage Licenses	50.00	1,105.00
Rental License Bond	14,000.00	14,000.00
Reserve for Master Plan	6,892.50	6,892.50
Reserve for Revaluation	18,019.51	18,019.51
Reserve for Benches - Downtown	16,159.77	16,159.77
Reserve for Animal Protection Fund	7,980.15	7,930.15
Reserve for 911 Memorial Maintenance	14,023.11	14,023.11
Reserve for Beach Access Mitigation	17,708.95	17,708.95
Reserve for Backbay Dredging	12,080.00	12,080.00
Reserve for Library Surplus Transfer	2,485,549.00	1,879,072.00
	10,017,579.77	7,667,696.45
Reserve for Receivables and Other Assets	1,167,816.13	1,134,701.91
Fund Balance	7,137,544.55	8,010,602.66
Total Regular Fund	18,322,940.45	16,813,001.02
Federal and State Grant Fund:		
Unappropriated Reserves	206,090.51	100,221.61
Appropriated Reserves	1,339,707.60	2,098,676.93
Encumbrances Payable	1,130,885.57	341,314.66
Due to Current Fund	312,817.39	71,787.87
Total Federal and State Grant Fund	2,989,501.07	2,612,001.07
Total Current Fund	\$ 21,312,441.52	19,425,002.09

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

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2024	2023
Revenue and Other Income Realized		
Fund Balance	\$ 4,927,094.11	5,259,227.52
Miscellaneous Revenue Anticipated	5,930,854.54	6,179,587.06
Receipts from Delinquent Taxes	289,837.11	256,766.63
Receipts from Current Taxes	61,149,812.65	59,828,064.70
Non Budget Revenue	363,594.06	471,609.36
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,361,571.82	2,535,639.75
Interfunds Returned	159,756.92	517,202.55
Total Income	74,182,521.21	75,048,097.57
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	7,741,745.99	7,426,688.00
Other Expenses	8,493,634.00	8,056,410.00
Deferred Charges & Statutory Expenditures	2,526,697.00	2,048,880.47
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	6,233,409.08	6,951,472.01
Capital Improvements	3,223,900.00	4,149,100.00
Debt Service	2,293,928.17	2,155,575.80
Deferred Charges & Statutory Expenditures	4,355,750.00	3,192,258.57
Local District School Tax	3,140,268.00	3,140,268.00
County Tax	32,102,589.22	31,365,669.11
County Share of Added Tax	227,945.19	310,122.62
Other:		
Senior Citizen Deduction Disallowed Prior Year	-	143.84
Refund of Prior Year's Revenue	-	2,000.00
Prior Year Purchase Order Cancelled	2,172.28	-
Interfunds Created	136,446.28	459,272.93
Total Expenditures	70,478,485.21	69,257,861.35
Excess in Revenue	3,704,036.00	5,790,236.22

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

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2024	2023
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	350,000.00	-
Total Adjustments	350,000.00	-
Statutory Excess to Fund Balance	4,054,036.00	5,790,236.22
Fund Balance January 1	8,010,602.66	7,479,593.96
	12,064,638.66	13,269,830.18
Decreased by:		
Utilization as Anticipated Revenue	4,927,094.11	5,259,227.52
Fund Balance December 31	\$ 7,137,544.55	8,010,602.66

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
			Realized
Fund Balance Anticipated	\$ 4,927,094.11		4,927,094.11
Total Fund Balance Anticipated	<u>4,927,094.11</u>	-	<u>4,927,094.11</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	20,000.00		22,688.00
Other	200.00		214.50
Fees and Permits	460,000.00		530,371.31
Fines and Costs:			
Municipal Court	65,000.00		63,967.71
Interest and Costs on Taxes	80,000.00		114,779.74
Interest Earned on Investments and Deposits	300,000.00		606,805.82
Fees from Fire Inspections	120,000.00		143,943.00
Fees from Rental Registrations and Licenses	330,000.00		353,400.00
Television Cable Fees	63,240.62		63,944.76
Library - Rent & Administration/Bldgs & Grounds	157,500.00		157,500.00
Total Section A: Local Revenues	<u>1,595,940.62</u>	-	<u>2,057,614.84</u>
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	440,910.00		440,909.82
Garden State Preservation Trust Fund	4,774.00		4,774.00
Reserve for Municipal Relief Fund Aid	45,447.36		45,447.36
Total Section B: State Aid Without Offsetting Appropriations	<u>491,131.36</u>	-	<u>491,131.18</u>
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	519,000.00		662,110.00
Total Section C: Uniform Construction Code Fees	<u>519,000.00</u>	-	<u>662,110.00</u>
			<u>143,110.00</u>
			<u>143,110.00</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section D: Shared Service Agreements			
Interlocal Agreement - CFO - Stone Harbor	45,000.00		(1,502.00)
Interlocal Agreement - CFO - Woodbine	12,000.00		67.58
Interlocal Agreement - Municipal - Stone Harbor	193,750.00		(6,829.00)
Total Section D: Shared Service Agreements	250,750.00	-	(8,263.42)
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Recycling Tonnage Grant	10,854.71		-
Sea Isle / Stone Harbor Communications Grant	500.00		-
State Body Armor Grant	1,843.75		-
COPS in Shops	1,440.00		-
Stormwater Grant	15,000.00		-
Clean Communities	3,263.35		-
WaWa Foundation - Public Safety Equipment		6,500.00	-
CMC - American Rescue Plan Act		400,000.00	-
Clean Communities		34,127.27	-
Total Section F: Special Items - Public and Private Programs	32,901.81	440,627.27	-
Section G: Other Special Items			
Uniform Fire Safety Act	15,000.00		471.96
Transfer of Excess Library Surplus	1,879,072.00		-
County of Cape May Fleet Maintenance	94,438.90		15,000.00
Total Section G: Other Special Items	1,988,510.90	-	15,471.96
Total Miscellaneous Revenues:	4,878,234.69	440,627.27	611,992.58
Receipts from Delinquent Taxes	225,000.00	-	64,837.11

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated		
	Budget	N.J.S. 40A:4-87	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	20,460,000.00		1,628,930.24
Library Tax	5,315,080.00		-
	<u>25,775,080.00</u>	-	<u>1,628,930.24</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget			
Budget Totals	35,805,408.80	440,627.27	2,305,759.93
Non- Budget Revenues:			
Other Non- Budget Revenues:	-		363,594.06
	<u>35,805,408.80</u>	<u>440,627.27</u>	<u>38,915,390.06</u>
			<u>2,669,353.99</u>

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

	Appropriations			Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		Reserved	
				Encumbered			
OPERATIONS WITHIN "CAPS"							
GENERAL GOVERNMENT:							
Business Administration							
Salaries and Wages	\$ 229,854.00	229,854.00	228,866.86			987.14	
Other Expenses	90,000.00	90,000.00	77,029.30	12,740.83		229.87	
Other Expenses - Employee Awards Program	500.00	500.00				500.00	
Human Resources - Other Expenses	70,000.00	70,000.00	52,949.97	17,050.03		-	
Council							
Salaries and Wages	75,890.00	75,890.00	75,890.00			-	
Other Expenses	30,000.00	30,000.00	19,344.15	10,474.50		181.35	
Office of the Mayor							
Salaries and Wages	114,009.00	114,009.00	105,546.05			8,462.95	
Other Expenses	140,000.00	140,000.00	122,305.63	12,932.98		4,761.39	
Borough Clerk's Office							
Salaries and Wages	127,194.00	127,194.00	127,194.00			-	
Other Expenses	26,000.00	26,000.00	19,186.54	80.00		6,733.46	
Information Technology							
Salaries and Wages	24,400.00	24,400.00	24,000.00			400.00	
Other Expenses	50,000.00	50,000.00	46,963.92			3,036.08	
Treasurer's Office							
Salaries and Wages	307,085.00	307,085.00	255,220.80			51,864.20	
Other Expenses	35,600.00	35,600.00	30,256.26	5,263.25		80.49	
Audit Services							
Other Expenses	43,000.00	43,000.00	37,400.00			5,600.00	
Election							
Other Expenses	21,000.00	21,000.00	9,077.41			11,922.59	
Municipal Court							
Salaries and Wages	182,087.00	182,087.00	177,282.52			4,804.48	
Other Expenses	16,890.00	16,890.00	10,425.36	223.74		6,240.90	
Public Defender							
Salaries and Wages	7,500.00	7,500.00	7,500.00			-	
Revenue Administration (Tax Collector)							
Salaries and Wages	90,436.00	90,436.00	86,596.24			3,839.76	
Other Expenses	18,000.00	18,000.00	11,184.49	1,977.00		4,838.51	
Postage	26,000.00	26,000.00	23,538.00			2,462.00	

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Tax Assessment Administration						
Salaries and Wages	129,842.00	129,842.00	127,911.43		1,930.57	
Other Expenses	11,150.00	11,150.00	9,466.19	500.00	1,183.81	
Revaluation Special Emergency					-	
Legal Services						
Other Expenses	175,000.00	175,000.00	123,249.90	175.00	51,575.10	
Engineering Services and Costs						
Other Expenses	230,000.00	230,000.00	158,442.44	9,438.00	62,119.56	
Licensing						
Salaries and Wages	37,603.00	37,603.00	37,603.00		-	
Other Expenses	6,700.00	6,700.00	6,118.59	553.59	27.82	
Worker and Community Right to Know Act						
Salaries and Wages	39,945.00	39,945.00	37,381.27		2,563.73	
Other Expenses	8,500.00	8,500.00	6,369.03	1,793.99	336.98	
INSURANCE						
General Liability & Other Insurance	246,000.00	246,000.00	221,373.82		24,626.18	
Workers Compensation Insurance	218,000.00	218,000.00	217,569.98		430.02	
Employee Group Health	2,700,000.00	2,700,000.00	2,565,143.23	6,281.71	128,575.06	
Health Benefits Waiver						
Salaries and Wages	20,000.00	20,000.00			20,000.00	
LAND USE ADMINISTRATION						
Planning and Zoning						
Salaries and Wages	16,662.00	16,662.00	14,554.93		2,107.07	
Other Expenses	71,500.00	71,500.00	30,977.23	14,131.98	26,390.79	
Environmental Commission						
Salaries and Wages	6,000.00	6,000.00	6,000.00		-	
Other Expenses	32,050.00	32,050.00	9,088.83	10,423.00	12,538.17	

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

	Appropriations			Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		Reserved	
				Encumbered			
PUBLIC SAFETY							
Fire Department	390,300.00	390,300.00	342,915.74	39,160.78		8,223.48	
Other Expenses							
Police Department	2,643,466.00	2,643,466.00	2,375,584.84			267,881.16	
Salaries and Wages							
Other Expenses:							
Municipal Alliance Program	6,000.00	6,000.00	2,776.48			3,223.52	
Miscellaneous Other Expenses	230,174.00	230,174.00	126,998.96	95,447.85		7,727.19	
Office of Emergency Management							
Salaries and Wages	46,274.00	46,274.00	27,282.32			18,991.68	
Other Expenses	14,600.00	14,600.00	10,735.55	1,520.60		2,343.85	
Uniform Fire Safety Act:							
Fire Official							
Salaries and Wages	201,724.00	201,724.00	201,724.00			-	
Other Expenses	12,500.00	12,500.00	8,247.00	1,452.77		2,800.23	
Rescue Squad							
Salaries and Wages	619,546.00	619,546.00	618,256.35			1,289.65	
Other Expenses	26,520.00	26,520.00	19,639.94	6,492.37		387.69	
Municipal Prosecutor							
Salaries and Wages	35,400.00	35,400.00	17,700.00			17,700.00	
PUBLIC WORKS							
Division of Public Works							
Salaries and Wages	1,754,962.00	1,754,962.00	1,731,062.26			23,899.74	
Other Expenses:							
Miscellaneous Other Expenses	525,000.00	525,000.00	461,604.10	48,789.21		14,606.69	
Landscape/Lawn Care - Contractual	275,000.00	275,000.00	199,701.80	47,298.14		28,000.06	
Garbage and Trash Removal							
Contractual	577,500.00	577,500.00	496,327.35	43,238.85		37,933.80	
Garbage and Trash Licenses							
Other Expenses	1,000.00	1,000.00				1,000.00	
Recycling							
Contractual	551,250.00	551,250.00	500,750.25	45,522.75		4,977.00	
Sanitary Landfill Closure Act							
Other Expenses	305,000.00	305,000.00	225,522.80	15,928.23		63,548.97	
Vehicle Maintenance							
Salaries and Wages	267,925.00	267,925.00	134,474.49			133,450.51	
Other Expenses	174,100.00	174,100.00	121,020.04	8,235.73		44,844.23	

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

	Appropriations			Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Expended		
				Encumbered	Reserved	
HEALTH AND HUMAN SERVICES:						
Animal Control						
Other Expenses	22,000.00	22,000.00	21,713.72		286.28	
PARKS AND RECREATION FUNCTIONS:						
Recreation						
Salaries and Wages	348,060.99	348,060.99	345,092.40		2,968.59	
Other Expenses	189,100.00	189,100.00	188,268.37	819.72	11.91	
Special Events- Other Expenses	100,000.00	100,000.00	90,350.00		9,650.00	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	187,443.00	187,443.00	180,354.43		7,088.57	
Other Expenses	20,000.00	20,000.00	19,712.92	280.00	7.08	
Sub-Code Official						
Zoning Official						
Salaries and Wages	35,620.00	35,620.00	25,793.22		9,826.78	
Other Expenses	1,600.00	1,600.00	1,131.74	459.25	9.01	
Code Enforcement						
Salaries and Wages	62,818.00	62,818.00	59,345.25		3,472.75	
Other Expenses	6,100.00	6,100.00	4,078.28	1,255.96	765.76	
UNCLASSIFIED						
Salary Adjustments	30,000.00	30,000.00			30,000.00	
Accumulated Leave	100,000.00	100,000.00	100,000.00		-	
UTILITY EXPENSES AND BULK PURCHASES						
Utilities:						
Electric, Natural Gas	495,000.00	495,000.00	435,881.44	59,118.56	-	
Telephone	95,000.00	95,000.00	74,815.51	4,453.33	15,731.16	
Gasoline	190,000.00	190,000.00	127,422.20	16,198.64	46,379.16	
TOTAL OPERATIONS WITHIN "CAPS"	16,215,379.99	16,215,379.99	14,415,291.12	539,712.34	1,260,376.53	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	20,000.00	20,000.00	(5,474.00)	21,535.36	3,938.64	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	16,235,379.99	16,235,379.99	14,409,817.12	561,247.70	1,264,315.17	-
Detail:						
Salaries and Wages	7,741,745.99	7,741,745.99	7,128,216.66	-	613,529.33	-
Other Expenses	8,493,634.00	8,493,634.00	7,281,600.46	561,247.70	650,785.84	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Anticipated Deficit in Beach Utility Fund Statutory Expenditures:	522,359.00	522,359.00	522,359.00	-	-	-
Contributions to:						
Public Employees Retirement System	800,661.00	800,661.00	800,661.00	-	-	-
Social Security System (O.A.S.I.)	595,100.00	595,100.00	521,844.90	-	73,255.10	-
Police and Fire Retirement System of N.J.	592,077.00	592,077.00	592,077.00	-	-	-
Unemployment Compensation Insurance	7,500.00	7,500.00	7,500.00	-	-	-
Defined Contribution Retirement Program	9,000.00	9,000.00	6,313.59	-	2,686.41	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,526,697.00	2,526,697.00	2,450,755.49	-	75,941.51	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	18,762,076.99	18,762,076.99	16,860,572.61	561,247.70	1,340,256.68	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Aid to Free Public Library (NJSA 40:54-8)						
Other Expenses	5,315,080.00	5,315,080.00	5,315,079.93		0.07	
Emergency Service Volunteer Length of Service Award Program						
Other Expenses	70,000.00	70,000.00	67,325.30		2,674.70	
Emergency Dispatch Services	310,000.00	310,000.00	309,264.00		736.00	
Sub Code Official	49,800.00	49,800.00	49,440.00		360.00	
	<u>5,744,880.00</u>	<u>5,744,880.00</u>	<u>5,741,109.23</u>	<u>-</u>	<u>3,770.77</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Matching Funds for Grants	15,000.00	15,000.00			15,000.00	
Recycling Tonnage Grant	10,854.71	10,854.71	10,854.71		-	
COPS in Shops	1,440.00	1,440.00	1,440.00		-	
Stormwater Grant	15,000.00	15,000.00	15,000.00		-	
Sea Isle / Stone Harbor Communications Grant	500.00	500.00	500.00		-	
State Body Armor Grant	1,843.75	1,843.75	1,843.75		-	
Clean Communities	3,263.35	3,263.35	3,263.35		-	
WaWa Foundation - Public Safety Equipment		6,500.00	6,500.00		-	
CMC - American Rescue Plan Act		400,000.00	400,000.00		-	
Clean Communities		34,127.27	34,127.27		-	
	<u>47,901.81</u>	<u>488,529.08</u>	<u>473,529.08</u>	<u>-</u>	<u>15,000.00</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues						
	5,792,781.81	6,233,409.08	6,214,638.31	-	18,770.77	-
Total Operations - Excluded from "CAPS" Detail:						
Salaries and Wages						
Other Expenses	5,792,781.81	6,233,409.08	6,214,638.31	-	18,770.77	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Down Payments on Improvements		350,000.00	350,000.00		-	-
Capital Improvement Fund	427,400.00	427,400.00	427,400.00		-	-
Bulkhead Replacements	150,000.00	150,000.00	27,987.69	41,512.31	80,500.00	-
Backpassing Project	910,000.00	910,000.00	363,579.09	276,458.41	269,962.50	-
Police Equipment	88,000.00	88,000.00	17,115.85	6,097.00	64,787.15	-
Recreation - Pickleball	293,000.00	293,000.00	109,065.93	61,400.00	122,534.07	-
DPW Vehicles & Equipment	371,300.00	371,300.00	280,026.04		91,273.96	-
Reconstruction of Various Streets	80,000.00	80,000.00			80,000.00	-
Beach Patrol Equipment & Vehicles	188,300.00	188,300.00	171,800.74	14,445.05	2,054.21	-
Police Building Improvements	275,000.00	275,000.00	38,786.90		236,213.10	-
Beach Path Gravel/Boardwalk Improvements	43,000.00	43,000.00	27,817.42	15,169.08	13.50	-
Network Improvements	42,900.00	42,900.00	29,484.62	10,268.90	3,146.48	-
VFW Improvements	5,000.00	5,000.00	5,000.00		-	-
Total Capital Improvements	2,873,900.00	3,223,900.00	1,848,064.28	425,350.75	950,484.97	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Interest on Notes	707,100.00	707,100.00	705,135.83	-	-	1,964.17
Green Acres Trust Loan Program						
Loan Repayments for Principal and Interest	65,300.00	65,300.00	65,292.34	-	-	7.66
Payment of Bond Anticipation Notes	750,000.00	750,000.00	750,000.00	-	-	-
Payment of Bond Anticipation Notes	773,500.00	773,500.00	773,500.00	-	-	-
Total Debt Service	2,295,900.00	2,295,900.00	2,293,928.17	-	-	1,971.83
(E) Deferred Charges						
Deferred Charges to Future Taxation Unfunded:						
Ordinance 793-19	400,000.00	400,000.00	400,000.00	-	-	-
Ordinance 805-20	240,000.00	240,000.00	240,000.00	-	-	-
Ordinance 717-15	750,000.00	750,000.00	750,000.00	-	-	-
Ordinance - Other	1,801,500.00	1,801,500.00	1,801,500.00	-	-	-
Ordinance 803-20	1,164,250.00	1,164,250.00	1,164,250.00	-	-	-
Total Deferred Charges	4,355,750.00	4,355,750.00	4,355,750.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	15,318,331.81	16,108,959.08	14,712,380.76	425,350.75	969,255.74	1,971.83
	34,080,408.80	34,871,036.07	31,572,953.37	986,598.45	2,309,512.42	1,971.83
SUBTOTAL GENERAL APPROPRIATIONS	1,725,000.00	1,725,000.00	1,725,000.00	-	-	-
(M) Reserve for Uncollected Taxes						
TOTAL GENERAL APPROPRIATIONS	\$ 35,805,408.80	36,596,036.07	33,297,953.37	986,598.45	2,309,512.42	1,971.83
Budget	\$ 35,805,408.80				Cancelled	\$ 92,063.74
Appropriations by 40A.4-87	440,627.27				Overexpended	-
Emergency Appropriations	350,000.00					
	<u>36,596,036.07</u>					<u>92,063.74</u>
Reserve for Uncollected Taxes	\$ 1,725,000.00					
Federal and State Grants	473,529.08					
Disbursements	31,099,424.29					
	<u>33,297,953.37</u>					

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

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

	2024	2023
<u>ASSETS</u>		
<u>Animal Control Fund</u>		
Cash	\$ 435.53	251.62
	435.53	251.62
<u>Length of Service Award Program (LOSAP)</u>		
Investments		
Mutual Funds	1,672,267.46	1,419,863.00
	1,672,267.46	1,419,863.00
<u>Other Funds</u>		
Cash - Treasurer	1,129,147.34	1,502,469.23
Due from Current Fund	16,675.00	-
Due from Beach Operating Fund	3,000.00	-
	1,148,822.34	1,502,469.23
	2,821,525.33	2,922,583.85
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	86.68	82.39
Due to State of New Jersey	-	25.80
Interfunds:		
Due to Current Fund	348.85	143.43
	435.53	251.62
<u>Length of Service Award Program (LOSAP)</u>		
Net Assets Available for Benefits	1,672,267.46	1,419,863.00
	1,672,267.46	1,419,863.00
<u>Other Funds</u>		
Reserve for:		
Payroll Deductions Payable	40,565.49	46,924.91
Due to Current Fund - Other Trust	18,939.37	458.41
Due to Current Fund - TTL	12.38	1.65
Due to Current Fund - Accumulated Absences	143,950.30	14,735.21
Due to Current Fund - Escrow	953.09	559.38
Due to Current Fund - Payroll Trust	1,230.69	136.91
Reserve for Unemployment Compensation	186,318.18	189,615.82
Reserve for Parking Offenses Adjudication Act	307.49	2,187.99
Reserve for Small Cities Grant	44,270.50	44,270.50
Reserve for Planning Board Escrow	443,331.55	810,673.62
Reserve for Law Enforcement Trust Fund	5,206.90	5,170.84
Reserve for Accumulated Absences	156,442.01	285,657.10
Reserve for Dedicated Fire Penalties	16,884.12	7,709.12
Reserve for Off Duty Police	53,649.50	57,607.00
Reserve for Tax Title Lien Redemption	1,407.43	1,407.43
Reserve for Environment Trust	35,353.34	35,353.34
	1,148,822.34	1,502,469.23
	\$ 2,821,525.33	2,922,583.85

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

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Cash	\$ 4,454,057.48	2,562,271.76
Due from Current Fund	341,642.55	291,042.36
Deferred Charges to Future Taxation -		
Funded	163,744.06	224,843.53
Unfunded	28,178,173.11	25,891,423.11
	<u>33,137,617.20</u>	<u>28,969,580.76</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
NJEIT Loan Payable	163,744.06	224,843.53
Bond Anticipation Notes Payable	12,618,500.00	14,142,000.00
Improvement Authorizations:		
Funded	2,081,050.64	954,724.03
Unfunded	8,591,520.52	9,859,092.92
Reserve for Encumbrances	7,536,126.14	2,709,744.63
Reserve for Payment of BAN's	341,642.55	-
Due to Water & Sewer Capital Fund	1,713,377.25	744,877.25
Capital Improvement Fund	64,114.71	15,714.71
Fund Balance	27,541.33	318,583.69
	<u>\$ 33,137,617.20</u>	<u>28,969,580.76</u>

There were bonds and notes authorized but not issued at December 31,

2023	11,749,423.11
2024	15,559,673.11

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

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 318,583.69	52,221.33
Increased by:		
Premium Received at Note Sale	<u>-</u>	<u>291,042.36</u>
	318,583.69	343,263.69
Decreased by:		
Premium Received at PY Note Sale	291,042.36	-
Appropriation to Finance Improvement Authorizations	<u>-</u>	<u>24,680.00</u>
Ending Balance December 31	\$ <u><u>27,541.33</u></u>	<u><u>318,583.69</u></u>

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

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2024	2023
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 60,010.02	2,408,675.20
Interfunds:		
Due from Water Sewer Capital Fund	3,193,365.10	791,801.99
	3,253,375.12	3,200,477.19
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	142,892.16	123,715.23
	142,892.16	123,715.23
Total Operating Fund	3,396,267.28	3,324,192.42
Capital Fund:		
Cash - Treasurer	550,000.00	-
Fixed Capital	61,701,716.42	61,701,716.42
Fixed Capital - Authorized and Uncompleted	7,633,261.83	5,795,486.83
Due from General Capital Fund	1,713,377.25	744,877.25
Total Capital Fund	71,598,355.50	68,242,080.50
	\$ 74,994,622.78	71,566,272.92

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

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2024</u>	<u>2023</u>
Operating Fund:		
Appropriation Reserves	\$ 479,079.99	379,593.01
Reserve for Encumbrances	116,307.80	311,319.85
Accounts Payable	11,277.38	7,216.33
Prepaid Rents	1,178,744.50	1,097,246.07
Overpaid Rents	107,154.00	52,180.42
Accrued Interest on Bonds and Notes	358,094.82	356,873.29
Interfunds:		
Due to Current Fund	53,097.31	7,080.24
Due to Grant Fund	22,932.34	22,932.34
	<u>2,326,688.14</u>	<u>2,234,441.55</u>
 Reserve for Receivables	 142,892.16	 123,715.23
Fund Balance	926,686.98	966,035.64
 Total Operating Fund	<u>3,396,267.28</u>	<u>3,324,192.42</u>
Capital Fund:		
Encumbrances Payable	518,458.91	1,990,065.90
Interfunds:		
Water Sewer Operating Fund	3,193,365.10	791,801.99
Current Fund	44,497.95	44,497.95
Serial Bonds Payable	8,910,000.00	9,550,000.00
N.J. Environmental Infrastructure Trust Loans	85,766.55	171,532.90
Bond Anticipation Notes Payable	9,763,500.00	8,795,000.00
Improvement Authorizations:		
Funded	6,227.38	83,188.88
Unfunded	5,021,820.66	3,940,315.28
Reserve for Amortization	43,468,136.70	42,292,370.35
Deferred Reserve for Amortization	396,375.00	396,375.00
Capital Improvement Fund	15,875.00	15,875.00
Downpayment on Improvements	7,268.00	3,993.00
Fund Balance	167,064.25	167,064.25
 Total Capital Fund	<u>71,598,355.50</u>	<u>68,242,080.50</u>
	<u>\$ 74,994,622.78</u>	<u>71,566,272.92</u>

There were bonds and notes authorized but not issued at December 31,

2023	6,291,925.00
2024	6,711,200.00

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

WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance	\$ 729,290.00	874,887.00
Rents	7,439,633.12	6,939,893.65
Fee Increase by Ordinance	165,000.00	-
Miscellaneous Revenue	788,470.30	803,636.90
Non-Budget Revenue	48,621.07	207,452.88
Other Credits to Income:		
Appropriation Reserves Lapsed	3,215.96	26,025.65
Total Income	<u>9,174,230.45</u>	<u>8,851,896.08</u>
Expenditures		
Operations		
Salaries and Wages	254,369.00	245,427.00
Other Expenses	5,619,500.00	5,448,460.00
Capital Improvements	730,000.00	830,000.00
Debt Service	1,860,960.11	1,491,947.27
Deferred Charges & Statutory Expenditures	19,460.00	18,780.00
Total Expenditures	<u>8,484,289.11</u>	<u>8,034,614.27</u>
Excess/(Deficit) in Revenue	<u>689,941.34</u>	<u>817,281.81</u>
Adjustments to Income before Fund Balance:		
Realized from General Budget for		
Anticipated Deficit	-	-
Deferred Charges - Emergency Appropriation	-	-
Operating Deficit to be Raised		
in Budget of Succeeding Year	<u>-</u>	<u>-</u>
Fund Balance January 1	<u>966,035.64</u>	<u>1,023,640.83</u>
	1,655,976.98	1,840,922.64
Decreased by:		
Utilization as Anticipated Revenue	<u>729,290.00</u>	<u>874,887.00</u>
Fund Balance December 31	<u>\$ 926,686.98</u>	<u>966,035.64</u>

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

**WATER AND SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2024	2023
Beginning Balance January 1	\$ 167,064.25	167,064.25
Increased by:		
None	-	-
	-	-
	167,064.25	167,064.25
Decreased by:		
None	-	-
	-	-
	-	-
Ending Balance December 31	\$ 167,064.25	167,064.25

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

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 729,290.00	729,290.00	-
Rents	6,935,000.00	7,439,633.12	504,633.12
Miscellaneous	655,000.00	788,470.30	133,470.30
Fee Increase by Ordinance	165,000.00	165,000.00	-
Unanticipated		48,621.07	48,621.07
	<u>\$ 8,484,290.00</u>	<u>9,171,014.49</u>	<u>686,724.49</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Rents

Accounts Receivable

7,604,633.12

7,604,633.12

Miscellaneous

Water Installation

307,300.00

Sewer Installation

115,300.00

Water Application Fees

16,900.00

Miscellaneous Fees

2,050.00

Cell Tower Rents

331,438.59

Premium on Sale of Notes

39,151.63

Miscellaneous

9,469.44

Interest on Investments

15,481.71

Total Miscellaneous

837,091.37

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

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 254,369.00	254,369.00	247,383.45		6,985.55	
Other Expenses	5,619,500.00	5,619,500.00	5,289,299.18	116,307.80	213,893.02	
	<u>5,873,869.00</u>	<u>5,873,869.00</u>	<u>5,536,682.63</u>	<u>116,307.80</u>	<u>220,878.57</u>	<u>-</u>
Capital Improvements:						
Down Payments on Improvements	100,000.00	100,000.00	100,000.00		-	
Capital Outlay	525,000.00	525,000.00	267,967.46		257,032.54	
Capital Ordinance Funding	105,000.00	105,000.00	105,000.00		-	
	<u>730,000.00</u>	<u>730,000.00</u>	<u>472,967.46</u>	<u>-</u>	<u>257,032.54</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	725,767.00	725,767.00	725,766.35		-	0.65
Payment on Bond Anticipation Notes & Capital Notes	345,000.00	345,000.00	345,000.00		-	-
Interest on Bonds	350,444.00	350,444.00	350,443.76		-	0.24
Interest on Notes	439,750.00	439,750.00	439,750.00		-	-
	<u>1,860,961.00</u>	<u>1,860,961.00</u>	<u>1,860,960.11</u>	<u>-</u>	<u>-</u>	<u>0.89</u>
Deferred Charges and Statutory Expenditures:						
Social Security System	19,460.00	19,460.00	18,291.12		1,168.88	
	<u>19,460.00</u>	<u>19,460.00</u>	<u>18,291.12</u>	<u>-</u>	<u>1,168.88</u>	<u>-</u>
	<u>\$ 8,484,290.00</u>	<u>8,484,290.00</u>	<u>7,888,901.32</u>	<u>116,307.80</u>	<u>479,079.99</u>	<u>0.89</u>
		Accrued Interest	1,221.53			
		Cash Disbursed	<u>7,887,679.79</u>			
			<u><u>7,888,901.32</u></u>			

**BEACH UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2024	2023
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 396,026.34	741,158.99
	396,026.34	741,158.99
Total Operating Fund	396,026.34	741,158.99
Capital Fund:		
Cash	2,250.00	2,250.00
Fixed Capital - Completed	510,411.94	510,411.94
	512,661.94	512,661.94
Total Capital Fund	512,661.94	512,661.94
	908,688.28	1,253,820.93
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	179,754.85	34,521.02
Encumbrances Payable	22,169.08	41,874.00
Accounts Payable	89,862.88	89,862.88
Prepaid Beach Fees	78,464.00	92,368.64
Due to Trust Fund	3,000.00	-
Due to Current Fund	22,775.53	482,532.45
	396,026.34	741,158.99
Fund Balance	0.00	0.00
Total Operating Fund	396,026.34	741,158.99
Capital Fund:		
Reserve for Amortization	510,411.94	510,411.94
Capital Improvement Fund	2,250.00	2,250.00
	512,661.94	512,661.94
Total Capital Fund	512,661.94	512,661.94
	\$ 908,688.28	1,253,820.93

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

BEACH UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Beach Fees	\$ 1,583,539.18	1,571,678.81
Fees and Permits	23,970.00	19,720.00
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	11,855.40	9,931.81
Appropriation Reserves Lapsed	48,687.42	375,876.91
Total Income	<u>1,668,052.00</u>	<u>1,977,207.53</u>
Expenditures		
Operations:		
Salaries and Wages	1,675,441.00	1,615,600.00
Other Expenses	381,970.00	367,900.00
Deferred Charges and Statutory Expenditures	133,000.00	126,590.00
Total Expenditures	<u>2,190,411.00</u>	<u>2,110,090.00</u>
Excess/(Deficit) in Revenue	<u>(522,359.00)</u>	<u>(132,882.47)</u>
Adjustments to Income before Fund Balance:		
Realized from General Budget for		
Anticipated Deficit in Revenue	522,359.00	132,882.47
Total Adjustments	<u>522,359.00</u>	<u>132,882.47</u>
Excess in Operations	<u>-</u>	<u>0.00</u>
Fund Balance January 1	<u>0.00</u>	<u>-</u>
	0.00	0.00
Decreased by:		
Utilization as Anticipated Revenue	<u>-</u>	<u>-</u>
Fund Balance December 31	<u>\$ 0.00</u>	<u>0.00</u>

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

**BEACH UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Beach Fees	\$ 1,550,000.00	1,480,487.18	(69,512.82)
Fees and Permits	15,000.00	23,970.00	8,970.00
Increase in Seasonal Beach Tag Fee	103,052.00	103,052.00	-
Deficit (General Budget)	522,359.00	522,359.00	-
Non-Budget Revenue		11,855.40	11,855.40
	\$ 2,190,411.00	2,141,723.58	(48,687.42)

Analysis of Realized Revenue:

Beach Fees			
Collections	1,491,170.54		
Prepaid Beach Fees Applied	92,368.64		
Total Beach Fees		1,583,539.18	
Fees and Permits			
Beach Vehicle Permits	23,970.00	23,970.00	
Non-Budget Revenue:			
Interest Earned	11,855.40	11,855.40	
Total Non-Budget Revenue			

**BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 1,675,441.00	1,675,441.00	1,512,959.16		162,481.84	
Other Expenses	381,970.00	381,970.00	356,786.55	22,169.08	3,014.37	
	<u>2,057,411.00</u>	<u>2,057,411.00</u>	<u>1,869,745.71</u>	<u>22,169.08</u>	<u>165,496.21</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:						
Unemployment	3,000.00	3,000.00	3,000.00		-	
Social Security System	130,000.00	130,000.00	115,741.36		14,258.64	
	<u>133,000.00</u>	<u>133,000.00</u>	<u>118,741.36</u>	<u>-</u>	<u>14,258.64</u>	<u>-</u>
	<u>\$ 2,190,411.00</u>	<u>2,190,411.00</u>	<u>1,988,487.07</u>	<u>22,169.08</u>	<u>179,754.85</u>	<u>-</u>

Cash Disbursed	\$ 1,985,487.07
Due to Trust Fund	3,000.00
	<u>1,988,487.07</u>

**STATEMENT OF GENERAL FIXED ASSETS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
General Fixed Assets:		
Buildings	\$ 15,095,818.77	8,018,175.77
Land and Improvements	7,834,912.83	7,529,641.83
Machinery and Equipment	5,005,835.48	4,529,544.93
Vehicles & Watercraft	<u>5,513,058.96</u>	<u>5,294,370.41</u>
	<u>33,449,626.04</u>	<u>25,371,732.94</u>
 Investment in General Fixed Assets	 \$ <u>33,449,626.04</u>	 <u>25,371,732.94</u>

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Avalon include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Avalon, as required by N.J.S. 40A:5-5. The Borough of Avalon is a seashore community located on the Atlantic Ocean in the County of Cape May, State of New Jersey. The population according to the 2020 census is 1,226. The Borough was incorporated in 1892 and operates under a Mayor and Council form of government. The mayor is the chief executive officer of the Borough and is elected by the voters.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough of Avalon Free Public Library is a component unit of the Borough. A separate audit is performed for the Library and will be made available for inspection upon completion.

B. Description of Funds

The accounting policies of the Borough of Avalon conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the Borough of Avalon accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

Water and Sewer Utility Operating and Capital Funds

The Water and Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Beach Utility Operating and Capital Funds

The Beach Utility Operating and Capital Funds account for the operations and acquisition of capital facilities related to the Borough's beaches.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

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

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility 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 when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered 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 bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The Borough has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the Borough.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

Utility Fixed Assets

Property and equipment purchased by a utility fund are recorded in the utility capital account at cost, and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. Contributions in aid of construction are not capitalized. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the utility fund.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the Borough each year. The tax levy is based on the assessed valuation of taxable property within the Borough. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The Borough is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the Borough and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Borough of Avalon to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Utility Charges – The Borough does not operate a sewer utility fund. However, sewer rents are levied and collected in the Current Fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in quarterly installments on January 1, April 1, July 1 and October 1.

Interest on Delinquent Utility Charges -- It is the policy of the Borough to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

Capitalization of Interest -- It is the policy of the Borough of Avalon to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets with the exception of certain projects financed by the New Jersey Environmental Trust.

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

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2024:

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No.99, "Omnibus 2022". This statement, and the requirements related to leases, PPP's and SBITAs which is effective for fiscal years beginning after June 15, 2022, and all reporting periods, thereafter, may have an effect on the Borough's financial statements. This statement, and the requirements related financial guarantees and the classification and reporting of derivative instruments which is effective for fiscal years beginning after June 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the Borough's financial reporting for the year ended December 31, 2024.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". This statement, which is effective for fiscal years beginning after June 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the Borough's financial reporting for the year ended December 31, 2024.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement, which is effective for fiscal years beginning after December 15, 2023, and all reporting periods, thereafter. This standard did not have a significant effect on the Borough's financial reporting for the year ended December 31, 2024.

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

G. Recent Accounting Pronouncements Not Yet Effective

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, "Certain Risk Disclosures". This statement, which is effective for fiscal years beginning after June 15, 2024, and all reporting periods, thereafter, will not have any significant effect on the Borough's financial reporting.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, "Financial Reporting Model Improvements". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods, thereafter, will not have any significant effect on the Borough's financial reporting.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, "Disclosure of Certain Capital Assets". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods, thereafter, will not have any significant effect on the Borough's financial reporting.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the Borough is required to establish a reserve for uncollected taxes. The 2024 and 2023 statutory budgets included a reserve for uncollected taxes in the amount of \$1,725,000 and \$1,710,000. To balance the budget, the Borough is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2024 and 2023 statutory budgets was \$4,927,094.11 and \$5,259,227.52.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Council.

The following significant budget transfers were approved in the 2024 and 2023 calendar years:

<u>Budget Category</u>	<u>2024</u>	<u>2023</u>
<u>Current Fund:</u>	**	
Legal Services		
Other Expenses	\$	(25,000)
Fire Department		
Other Expenses		25,000

** There were no transfers in 2024.

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2024 and 2023, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2024</u>	<u>2023</u>
COPS in Shops	\$	1,440.00
Clean Communities	34,127.27	26,831.26
Boscia Foundation Donation-Bulletproof Vests		7,200.00
Local Recreation Improvement Grant		77,000.00
Stormwater Assistance Grant		15,000.00
Wawa Foundation - Public Safety Equipment	6,500.00	
CMC American Rescue Plan Act	400,000.00	

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

The Borough may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year.

Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. In 2024, the Borough authorized an emergency appropriation with respect to Bay Park Marina Improvements in the amount of \$350,000.00. This is raised in the Borough's 2025 budget.

NOTE 3: INVESTMENTS

N.J.S.A. 40A:5-15.1 provides specific guidance for the allowable investment of public funds. The Borough did not have any investments as of year-end.

Interest Rate Risk. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The Borough places no limit on the amount the Borough can invest in any one issuer.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the Borough relative to the happening of a future condition. As of December 31, 2024, and 2023, \$200,130.01 and \$572,892.70 respectively of the Borough's bank balance of \$24,664,454.32 and \$22,984,096.97 was exposed to custodial credit risk.

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

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2024 and 2023:

	Balance 12/31/2022	Additions	Retirements/ Adjustments	Balance 12/31/2023
Land and Improvements	\$ 7,529,642			7,529,642
Building and Improvements	8,014,994	3,181	1	8,018,176
Equipment and Machinery	3,815,635	745,009	(31,099)	4,529,545
Vehicles	5,482,776	79,525	(267,930)	5,294,370
	<u>\$ 24,843,047</u>	<u>827,714</u>	<u>(299,028)</u>	<u>25,371,733</u>

	Balance 12/31/2023	Additions	Retirements/ Adjustments	Balance 12/31/2024
Land and Improvements	\$ 7,529,642	7,077,643		14,607,285
Building and Improvements	8,018,176	305,271		8,323,447
Equipment and Machinery	4,529,545	409,404	66,886	5,005,835
Vehicles	5,294,370	180,572	38,116	5,513,059
	<u>\$ 25,371,733</u>	<u>7,972,890</u>	<u>105,003</u>	<u>33,449,626</u>

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/22	Issued	Retired	Balance 12/31/23
Bond Anticipation				
Notes payable:				
General Capital	\$ 16,775,630	14,142,000	16,775,630	14,142,000
Water Sewer Capital	7,400,000	8,795,000	7,400,000	8,795,000
	<u>\$ 24,175,630</u>	<u>22,937,000</u>	<u>24,175,630</u>	<u>22,937,000</u>

	Balance 12/31/23	Issued	Retired	Balance 12/31/24
Bond Anticipation				
Notes payable:				
General Capital	\$ 14,142,000	12,618,500	14,142,000	12,618,500
Water Sewer Capital	8,795,000	9,763,500	8,795,000	9,763,500
	<u>\$ 22,937,000</u>	<u>22,382,000</u>	<u>22,937,000</u>	<u>22,382,000</u>

The 2024 General Capital and Water Sewer Capital note was issued on February 7, 2024, and was due and payable on February 6, 2025, with interest at 3.75%. As of December 31, 2024, the Borough has authorized but not issued bonds in the amount of \$15,559,673.11 in the General Capital Fund and \$6,711,200.00 in the Water and Sewer Utility Capital Fund.

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

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2024, and 2023 consisted of the following:

	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023	Amounts Due Within One Year
Bonds payable:					
Utility Capital Fund	\$ 10,175,000		625,000	9,550,000	640,000
Total	10,175,000	-	625,000	9,550,000	640,000
Other liabilities:					
Loans Payable:					
General Capital Fund	289,454		64,611	224,843	61,099
Utility Capital Fund	252,299		80,766	171,533	85,766
Compensated Absences Payable	1,369,626	83,779		1,453,405	
	1,911,379	83,779	145,377	1,849,781	146,866
Total long-term liabilities	<u>\$ 12,086,379</u>	<u>83,779</u>	<u>770,377</u>	<u>11,399,781</u>	<u>786,866</u>
	Balance 12/31/2023	Issued	Retired	Balance 12/31/2024	Amounts Due Within One Year
Bonds payable:					
Utility Capital Fund	\$ 9,550,000		640,000	8,910,000	660,000
Total	9,550,000	-	640,000	8,910,000	660,000
Other liabilities:					
Loans Payable:					
General Capital Fund	224,843		61,099	163,744	57,664
Utility Capital Fund	171,533		85,766	85,767	85,767
Compensated Absences Payable	1,453,405		58,143	1,395,262	
	1,849,781	-	205,009	1,644,772	143,430
Total long-term liabilities	<u>\$ 11,399,781</u>	<u>-</u>	<u>845,009</u>	<u>10,554,772</u>	<u>803,430</u>

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

Outstanding Bonds Whose Principal and Interest are paid from the Current Fund Budget of the Borough:

At December 31, 2024, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$150,000 Loan dated May 19, 2005 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part I, due in semi-annual installments through January 19, 2025, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 13, 2013. The balance remaining as of December 31, 2024, is \$4,617.57.

\$500,000 Loan dated November 3, 2007 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part II, due in semi-annual installments through May 3, 2027, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 15, 2013. The balance remaining as of December 31, 2024, is \$75,450.05.

\$400,000 Loan dated June 18, 2008 with New Jersey Green Acres Program for Multi-Park Improvements, due in semi-annual installments through June 18, 2028, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2024, is \$83,676.44.

At December 31, 2024, bonds payable in the Water and Sewer Utility Fund consisted of the following individual issues:

\$11,900,000 Water and Sewer Improvement Refunding Bonds dated August 23, 2017, due in annual installments beginning on November 1, 2019 through November 1, 2035, bearing interest at various rates from 3.00% to 5.00% per annum. The balance remaining as of December 31, 2024, is \$8,910,000.

\$535,000 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2025, bearing interest at 5.00%. The balance remaining as of December 31, 2024, is \$46,000.

\$583,240 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2025, bearing no interest. The balance remaining as December 31, 2024, is \$39,766.55.

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

Year Ending December 31	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2025	\$ 57,663.83	2,964.79	745,766.55	317,748.76
2026	54,112.48	1,852.38	745,000.00	280,843.76
2027	39,654.35	764.73	765,000.00	251,043.76
2028	12,313.40	123.23	790,000.00	220,443.76
2029			815,000.00	196,743.76
2030-2034			4,275,000.00	587,243.76
2035			860,000.00	30,100.00
	<u>\$ 163,744.06</u>	<u>5,705.13</u>	<u>8,995,766.55</u>	<u>1,884,167.56</u>

As of December 31, 2024, the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year. The total interest charged to the current budget was \$708,100.62 and \$790,193.76 was charged to the water sewer utility fund budget.

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

Summary of Municipal Debt

	Year 2024	Year 2023	Year 2022
Issued:			
General:			
Bonds and Notes	\$ 12,168,500	14,142,000	16,775,630
Loans	163,744	224,844	289,454
Water/Sewer Utility:			
Bonds and Notes	18,673,500	18,345,000	17,575,000
Loans	85,767	171,533	252,300
Total Issued	<u>31,091,511</u>	<u>32,883,376</u>	<u>34,892,384</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes:			
General	-	-	624,500
Net Debt Issued	<u>31,091,511</u>	<u>32,883,376</u>	<u>34,267,884</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	15,559,673	11,749,423	10,019,413
Water/Sewer Utility:			
Bonds and Notes	6,711,200	6,291,925	4,885,025
Total Authorized But Not Issued	<u>22,270,873</u>	<u>18,041,348</u>	<u>14,904,438</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 53,362,384</u>	<u>50,924,725</u>	<u>49,172,322</u>

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 0.180%:

	Gross Debt	Deductions	Net Debt
Local School Purposes	\$ -	-	-
Water & Sewer Utility Debt	25,470,466.55	25,470,466.55	-
General Debt	28,341,917.17	-	28,341,917.17
	<u>\$ 53,812,383.72</u>	<u>25,470,466.55</u>	<u>28,341,917.17</u>

Net debt \$28,341,917.17 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$15,757,386,110.67 = 0.180%.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3-1/2% of Equalized Valuation Basis	\$ 551,508,514
Net Debt	<u>28,341,917</u>
	<u>\$ 523,166,597</u>

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

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2024 and 2023, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025 and 2024 were as follows:

		<u>2025</u>	<u>2024</u>
Current Fund	\$	3,890,901	4,927,094
Water Sewer Utility		744,120	729,290
Beach Utility		None	None

NOTE 9: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance 12/31/24</u>	<u>Balance 12/31/23</u>
Prepaid Taxes	\$ 1,958,879	1,795,925
Cash Liability for Taxes Collected in Advance	<u>\$ 1,958,879</u>	<u>1,795,925</u>

NOTE 10: PENSION FUNDS

Description of Plans

Substantially all of the Borough's employees participate in the Public Employees' Retirement System (PERS) a cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the system. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at - <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 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 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.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. Currently there are fifteen individuals enrolled in DCRP.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

PERS provided for employee contributions of 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 17.11% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2024, 2023 and 2022 were \$800,661.00, \$743,180.00, and \$731,720.37.

PFRS provided for employee contributions of 10.0% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PFRS. The Borough's contributions to PFRS for the years ended December 31, 2024, 2023 and 2022 were \$592,077.00, \$589,389.02, and \$535,060.00.

The total payroll for the year ended December 31, 2024, 2023, and 2022 was \$8,867,955.10, \$8,536,754.21, and \$8,139,634.15.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) operates and to the benefit provisions of the system.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

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

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 11: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the Borough's pension liabilities. However, due to the fact that the Borough reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the Borough's pension liabilities as June 30, 2023:

Public Employees' Retirement System

The Borough has a liability of \$8,677,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 that 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 would be 0.05990599850%, which would be an increase of 1.65% from its proportion measured as of June 30, 2022.

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

For the year ended December 31, 2023, the Borough would have recognized pension expense of (\$126,940). At December 31, 2023, the Borough would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 82,963	\$ (35,469)
Changes of assumptions	19,062	(525,864)
Changes in proportion	244,871	(405,763)
Net difference between projected and actual earnings on pension plan investments	39,959	
Total	\$ 386,855	\$ (967,096)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2024	\$ 843,761
2025	(132,905)
2026	(1,069,516)
2027	(200,007)
2028	(21,575)
Total	\$ (580,241)

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 was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (based on years of service)
Investment rate of return:	7.00%

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

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

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.

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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

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 will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for 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 Borough's proportionate share of the net pension liability to changes in the discount rate.

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

The following presents the Borough's proportionate share of the net pension liability 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 were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease -6.00%	Current Discount Rate -7.00%	1% Increase -8.00%
Borough's proportionate share of the net pension liability	\$ 10,463,181	8,677,009	7,158,390

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Borough has a liability of \$4,914,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2022, that 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 would be 0.04447690000%, which would be a decrease of 1.65% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Borough would have recognized pension expense of \$237,907. At December 31, 2023, the Borough would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 210,414	\$ (234,362)
Changes of assumptions	10,606	(331,823)
Changes in proportion	291,791	(330,932)
Net difference between projected and actual earnings on pension plan investments	250,269	
Total	\$ 763,080	\$ (897,117)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2024	\$	(270,123)
2025		(259,231)
2026		417,077
2027		(35,872)
2028		12,804
Thereafter		1,309
Total	\$	(134,037)

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

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation of July 1, 2021, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% - 16.25% (based on years of service)
Investment rate of return:	7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee 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% adjustment for females. Disability rates were based on the Pub-2010 amount-weighted mortality table with a 152% 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.

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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

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

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 non-employer contributing entity will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Decrease -6.00%	Rate -7.00%	Increase -8.00%
Borough's proportionate share of the net pension liability	\$ 6,566,115	4,914,156	3,224,221

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2023 State special funding situation net pension liability amount of \$2,035,866,759.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2023 State special funding situation pension expense of \$231,575,656.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2023. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2023, the State contributed an amount more than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Borough was 0.04447690000% for 2023. The net pension liability amount allocated to the Borough was \$921,290. For the fiscal year ending June 30, 2023 State special funding situation pension expense of \$102,998 is allocated to the Borough.

Pension plan fiduciary net position.

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

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

NOTE 12: POST-RETIREMENT BENEFITS - LOCAL

Plan Description The Borough of Avalon contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan in accordance with GASB Statement 75 "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents. The Collective OPEB Liability of the SHBP is further discussed in Note 13.

In addition to the OPEB benefits through the SHBP described in Note 13, the Borough also offers a local plan that provides Vision and Life Insurance Benefits to certain retirees.

Effective January 1, 2025, the Borough entered into a contract with Amerihealth for healthcare benefits. The contract with the State Health Benefits Program was terminated.

Plan Coverage The Borough currently has 5 collective bargaining units as well as unaffiliated non-union employees. The employee's post-employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are as follows:

Policemen Benevolent Association Local 59 – Individuals below the rank of Lieutenant who retire with at least 25 years of service in the Police and Fireman's Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement. Spousal benefits continue upon retiree's death.

Policemen Benevolent Association Local 59 (Superior Officers) – Individuals above the rank of Lieutenant who retire with at least 25 years of service in the Police and Fireman's Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement. Spousal benefits continue upon retiree's death.

All Other Bargaining Units and Non-Affiliated Employees - Individuals who retired with at least 25 years of service or after attainment of age 62 and completion of 15 years of service in the Public Employees' Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement.

Funding Policy Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

The Borough utilizes the New Jersey State Health Benefits Plan for Health Insurance; however, they also provide post-retirement benefits for vision, dental, and life insurance that are not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Borough annually on a "pay as you go basis" and included in group insurance.

The Borough is required to obtain an actuarial valuation of the liability for providing these benefits. This valuation is using the entry age normal as a level percentage of payroll actuarial cost method. The actuarial valuation report was based on 133 total participants including 45 retirees. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

Due to the fact that the borough reports on the regulatory basis of accounting, no financial statement impact will be recognized.

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

Net OPEB Liability:

Components of Net OPEB Liability

The components of the Net OPEB liability in the Plan as of December 31, 2024, 2023, 2022, 2021 and 2020 is as follows:

	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total OPEB Liability	\$ 15,101,687	15,864,763	14,309,895	21,435,932	24,737,738
Plan Fiduciary Net Position	-	-	-	-	-
Net OPEB Liability	<u>\$ 15,101,687</u>	<u>15,864,763</u>	<u>14,309,895</u>	<u>21,435,932</u>	<u>24,737,738</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%

For the Years ended December 31, 2024, 2023, 2022, 2021, and 2020 the Borough's Total OPEB Expense was (\$763,076), \$1,554,868, (\$7,126,037), (\$3,301,806) and \$5,334,144, respectively.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 216,760	233,381	178,995	339,974	248,425
Interest on Total OPEB Liability	654,440	541,905	883,623	501,014	398,608
Current Period Recognition (Amortization) of Deferred Inflows/Outflows of Resources:					
Benefit Payments	(713,410)	(686,523)	(593,270)	(596,013)	
Changes in Assumptions	(920,866)	1,466,105	(7,595,385)	(3,546,781)	4,687,111
Total OPEB Expense	<u>\$ (763,076)</u>	<u>1,554,868</u>	<u>(7,126,037)</u>	<u>(3,301,806)</u>	<u>5,334,144</u>

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, to December 31, 2024.

The following actuarial assumptions, applied to all periods in the measurement:

Discount rate: 4.22%

Health Care Trend Assumptions

Pre-65

Year 1 trend	7.00%
Ultimate Trend	4.50%
Grading per Year	0.25%

Post-65

Year 1 trend	7.00%
Ultimate Trend	4.50%
Grading per Year	0.25%

Mortality:

Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of December 31, 2024, calculated using the discount rate as disclosed above as well as what the 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:

		1% Decrease 3.22%	Discount Rate 4.22%	1% Increase 5.22%
Net OPEB Liability	\$	17,999,384	15,101,687	12,919,703

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of December 31, 2024, calculated using the healthcare trend rate as disclosed above as well as what the net 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:

		1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$	12,664,600	15,101,687	18,360,533

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

At December 31, 2024, the deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$	920,866
Total	\$	920,866

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

Year ended December 31,		Collective Totals
2024	\$	115,108
2025		115,108
2026		115,108
2027		115,108
2028		115,108
Thereafter		345,326
Total	\$	920,866

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

Schedule of Borough's Net OPEB Liability

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Borough's Net OPEB Liability	\$ 15,101,687	15,864,763	14,309,895	21,435,932	24,737,738
Borough's Covered Payroll	7,143,148	7,143,148	8,176,955	8,176,955	5,826,417
Borough's Net OPEB Liability as a Percentage of its Covered-Employee Payroll	211.42%	222.10%	175.00%	262.15%	424.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%

NOTE 13: OTHER POST-RETIREMENT BENEFITS - STATE

General Information about the Plan:

The Borough offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

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.

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

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the Municipality these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2023, were \$3,461,898,890 and \$11,427,677,896, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers 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. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2023, is as follows:

	June 30, 2023	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 14,889,576,786	19,749,832
Plan Fiduciary Net Position (Deficit)	(116,962,691)	(155,142)
Net OPEB Liability	\$ 15,006,539,477	19,904,974
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.79%

At June 30, 2023, the Borough's proportionate share of the Collective Net OPEB Liability was \$19,904,974. The Borough's proportion of the Collective Net OPEB Liability was 0.132642% which was an increase from the prior year of 20.46%.

For the Year ended June 30, 2023, the Borough's Total OPEB Expense was \$(441,127.)

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

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

Investment Rate of Return		
Including Inflation rate		3.65%
Salary increases*:		
PERS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	6.55
	5	5.75
	10	4.75
	15	3.75
	20	3.15
	25	2.85
	>=29	2.75
PFRS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	16.25
	5	11.00
	10	6.00
	15	4.00
	>=17	3.25

Mortality:

Pre-Retirement Healthy 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

Post-Retirement Healthy Mortality

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disable Retiree Mortality:

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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

Chapter 330 Current Retirees: PUB-2010 “Safety” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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 and July 1, 2018 to June 30, 2021, respectively.

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

Discount Rate

The discount rate for June 30, 2023, was 3.65%. The discount rate will change each year based on the Bond Buyer Go 20-Bond Municipal Bond Index each year.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the 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:

	1% Decrease -2.65%	Discount Rate (3.54%)	1% Increase (4.54%)
Collective			
Net OPEB Liability \$	17,382,356	15,006,539,477	13,095,561,553
Proportionate Share			
Net OPEB Liability \$	23,056	19,904,974	17,370,215

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the net 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:

	1% Decrease	Healthcare cost Trend Rate	1% Increase
Collective			
Net OPEB Liability \$	12,753,792,805	15,006,539,477	17,890,743,651
Proportionate Share			
Net OPEB Liability \$	16,916,886	19,904,974	23,730,640

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

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

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

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 629,024,174	(4,075,285,752)	917,915	(5,405,541)
Changes of assumptions	1,943,909,895	(4,241,868,248)	2,578,441	(5,626,499)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,476,129)		(3,284)
Changes in proportion and differences between contributions and proportionate share of contributions	-		5,343,175	(2,737,158)
Total	\$ 2,572,934,069	(8,319,630,129)	8,839,531	(13,772,482)

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

Year Ended June 30,	Collective Totals	Proportionate Share
2024	\$ (1,702,483,126.00)	(1,477,576.48)
2025	(1,394,440,795.00)	(1,210,252.63)
2026	(754,368,466.00)	(654,725.84)
2027	(353,621,247.00)	(306,912.31)
2028	(713,799,887.00)	(619,515.86)
Thereafter	(764,982,539.00)	(663,937.93)
Total	\$ (5,683,696,060.00)	(4,932,921.05)

Detailed information about the plan's fiduciary net position is available in the separately issued OPEB financial report.

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2023, are as follows:

Service cost	\$ 597,135,801
Interest on Total OPEB Liability	581,375,849
Expected Investment Return	3,134,857
Administrative Expenses	12,616,744
Changes of Benefit Terms	23,039,435
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(899,529,226)
Changes in Assumptions	(803,252,884)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	1,590,849
Total Collective OPEB Expense	\$ (483,888,575)

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

Schedule of Borough's Share of Net OPEB Liability

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Borough's Proportionate Share of Net OPEB Liability	0.132642%	0.110113%	0.120039%
Borough's Share of Net OPEB Liability	\$ 19,904,974	17,782,804	21,606,757
Borough's Covered Payroll	4,977,014	4,381,698	4,305,436
Borough's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	399.94%	405.84%	501.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.36%	0.28%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.124761%	0.116247%	0.118768%
Borough's Share of Net OPEB Liability	\$ 22,390,374	15,746,901	18,606,929
Borough's Covered Payroll	4,493,285	4,318,042	4,392,942
Borough's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	498.31%	364.68%	423.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.97%	1.97%	1.98%

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off, or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2024, the Borough estimates this liability to approximate \$1,395,262 based on 2024 pay rates and compensated absence balances. The Borough has \$285,657 reserved at December 31st to partially fund this liability.

NOTE 15: ECONOMIC DEPENDENCY

The Borough of Avalon is not economically dependent on any one business or industry as a major source of tax revenue for the Borough.

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

NOTE 16: CONTINGENT LIABILITIES

From time to time, the Borough is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Borough's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 17: 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.

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2024 and 2023 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The Borough is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The Borough has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

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.

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. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the Borough's trust fund for the previous three years:

Calendar Year	Borough Contribution	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2024	\$ 10,500.00	19,387.07	1,221.05	34,405.76	186,318.18
2023	10,500.00	19,994.92	2,033.55	33,230.67	189,615.82
2022	10,500.00	22,746.27	536.57	3,314.11	190,318.02

NOTE 18: DEFERRED COMPENSATION

Employees of the Borough of Avalon may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the Borough. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the Borough has an obligation of due care in selecting the third party administrator.

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

NOTE 19: LENGTH OF SERVICE AWARD PROGRAM

On August 11, 1999 Borough Council adopted an ordinance establishing the Length of Service Awards (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the Borough of Avalon by referendum at the general election in November of 1999. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. Contributions by the Borough for qualified participants were \$71,603.28 and \$75,019.62 for 2024 and 2023 respectively. The contributions are based on qualified service credits earned in the previous calendar year.

NOTE 20: INTERFUND BALANCES

As of December 31, 2024, the following interfunds were included on the balance sheets of the various funds of the Borough of Avalon and are expected to be returned within one year:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 348.85	
Water & Sewer Operating Fund	53,097.31	
Water & Sewer Capital Fund	44,497.95	
General Capital Fund		341,642.55
Beach Utility Fund	22,775.53	
Other Trust Fund	165,085.83	16,675.00
Federal & State Grant Fund	312,817.39	
Federal & State Grant Fund:		
Water and Sewer Operating	22,932.34	
Current Fund		312,817.39
Trust Fund:		
Animal Control Fund		348.85
Current Fund	16,675.00	165,085.83
Beach Operating Fund	3,000.00	
General Capital Fund		
Current Fund	341,642.55	
Water & Sewer Capital Fund		1,713,377.25
Water & Sewer Operating Fund		
Current Fund		53,097.31
Grant Fund		22,932.34
Water & Sewer Capital Fund	3,193,365.10	
Water & Sewer Capital Fund		
General Capital Fund	1,713,377.25	
Water & Sewer Operating Fund		3,193,365.10
Current Fund		44,497.95
Beach Utility Fund		
Current Fund		22,775.53
Trust Other Fund		3,000.00
	\$ 5,889,615.10	5,889,615.10

The amounts due to the Current fund from the Animal Control fund, General Capital fund and the Other Trust fund are due to interest and other cash activity not transferred by year end.

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

NOTE 21: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through May 23, 2025, the date which the financial statements were available to be issued. The following events were identified:

Subsequent to December 31, the Borough of Avalon authorized additional Bonds and Notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Bonds and Notes:		
Providing for Various 2025 Capital Improvements	Introduced: April 9, 2025 Adopted: May 14, 2025	\$ 3,279,600.00
Providing for Various 2025 Water and Sewer Utility Improvements	Introduced: April 9, 2025 Adopted: May 14, 2025	11,713,400.00
		\$ 14,993,000.00

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APPENDIX C

FORM OF BOND COUNSEL OPINION FOR THE NOTES

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ARCHER & GREINER, P.C.
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

February 3, 2026

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

Ladies and Gentlemen:

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

\$32,286,000
BOROUGH OF AVALON
IN THE COUNTY OF CAPE MAY, STATE OF NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$14,588,000 General Improvement Notes
\$17,698,000 Water and Sewer Utility Notes

DATED: FEBRUARY 3, 2026

The \$32,286,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the Borough are dated February 3, 2026, mature February 2, 2027 and bear interest at the rate of _____ 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 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). 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 Borough 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 various bond ordinances 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, together with other available funds of the Borough, are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$23,338,000 on February 5, 2025 and maturing February 4, 2026; (ii) temporarily finance various capital improvements in and for the Borough; and (iii) pay 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 valid and legally binding obligations 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 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.

Except as stated in the preceding two (2) 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 Note 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.

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 FOR THE NOTES

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

I, ANN K. DEGENNARO, Chief Financial Officer of the Borough of Avalon, in the County of Cape May, 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 \$32,286,000 aggregate principal amount of Bond Anticipation Notes of the Borough dated February 3, 2026 and maturing February 2, 2027 (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, 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 this 3rd day of February, 2026.

BOROUGH OF AVALON, NEW JERSEY

ANN K. DEGENNARO,
Chief Financial Officer

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