

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 14, 2026

NEW ISSUE
BOOK-ENTRY ONLY

RATING: S&P “SP-1+”
(see “RATING” herein)

In the opinion of Dilworth Paxson LLP, Freehold, New Jersey (“Bond Counsel”) assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to the Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under the laws of the State of New Jersey, as enacted and construed on the date of the original delivery of the Notes, interest on the Notes and gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

\$20,377,000
TOWNSHIP OF LACEY
IN THE COUNTY OF OCEAN, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2026A
(Non-Callable)
Coupon: ___%
Yield: ___%
CUSIP: _____

Dated: Date of Delivery

Due: May 3, 2027

The \$20,377,000 Bond Anticipation Notes, Series 2026A (the “Notes”) of the Township of Lacey, in the County of Ocean, New Jersey (the “Township”) will be issued as fully registered Notes in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), Brooklyn, New York, which will act as Securities Depository. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 or any integral multiple thereof with a minimum of \$5,000 through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes.

Principal of and interest on the Notes is payable on the due date, as shown above. As long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payment of the principal and interest on the Notes will be made by the Township directly to DTC or its nominee, Cede & Co. The Notes are not subject to redemption prior to maturity.

The Notes, along with other available funds of the Township in the amount of \$1,050,000, will be used to: (i) refund, on a current basis, the Township’s \$17,722,000 bond anticipation notes, dated May 6, 2025 and maturing May 5, 2026 (the “Prior Notes”); (ii) temporarily finance the cost of various improvements in and by the Township in the amount of \$3,705,000; and (iii) pay the costs of issuing the Notes.

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

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

The Notes are offered when, as and if received by the Underwriter (hereinafter defined) and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by Dilworth Paxson LLP, Freehold, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, serves as Municipal Advisor to the Township in connection with the issuance of the Notes. It is expected that the Notes, in definitive form, will be available for delivery on or about May 4, 2026.

**BIDS FOR THE NOTES, IN ACCORDANCE WITH THE NOTICE OF SALE FOR THE NOTES,
WILL BE RECEIVED ON APRIL 23, 2026.**

This is a Preliminary Official Statement complete with the exception of the specific information permitted to be omitted by Rule 15(c) 2-12 of the Securities and Exchange Commission. The Township has authorized the distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15(c) 2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Notes described herein, the Township will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser’s confirmations requesting payment for the Notes.

**TOWNSHIP OF LACEY
IN THE COUNTY OF OCEAN, NEW JERSEY
818 W. LACEY ROAD
FORKED RIVER, NJ 08731-1399
(609) 693-1100**

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No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Notes other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation of warranty by the Underwriter (hereinafter defined) or, as to information from sources other than itself, by the Township. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document 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.

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

This document does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this document. If given or made, such other information or representations must not be relied upon as having been authorized by the Township.

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Official Statement
of
TOWNSHIP OF LACEY
in the County of Ocean, New Jersey
\$20,377,000 BOND ANTICIPATION NOTES, SERIES 2026A

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of Lacey (the “Township”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$20,377,000 Bond Anticipation Notes, Series 2026A (the “Notes”) by the Township.

THE NOTES

General Description

The Notes will be dated the date of delivery and will mature on the due date, as shown on the front cover hereof. The interest on the Notes will be payable on the due date as shown on the front cover page. The Notes will be issued in book-entry form only.

The Notes are general obligations of the Township and are secured by a pledge of the full faith and credit of the Township for the payment of the principal thereof and interest thereon. The Township is obligated to levy *ad valorem* taxes upon all of the taxable property within the Township for the payment of principal of and interest on the Notes without limitation as to rate or amount.

Denominations and Place of Payment

The Notes are issuable only as fully registered Notes without coupons, and when issued will be in the form of one certificate in the principal amount of the Notes and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”), Brooklyn, New York. DTC will act as Securities Depository for the Notes. Purchase of the Notes will be made in book entry form, in the denomination of \$1,000 or any integral multiple thereof with a minimum of \$5,000. Purchasers will not receive certificates representing their interest in Notes purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes. See “Book-Entry-Only System” herein.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal and interest, and other payments on the Notes to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations concerning these matters.

DTC 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 Notes certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township 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).

Redemption proceeds, distributions, and dividend 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 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 in 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 Paying Agent, if any, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Paying Agent, if any, 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 Participants 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 Township or the Paying Agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

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

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 Township/paying agent; (ii) the transfer of any Notes may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Township/paying agent together with the duly executed assignment in form satisfactory to the Township/paying agent; and (iii) for every exchange or registration of transfer of Notes, the Township/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.

Optional Redemption

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

AUTHORIZATION AND USE OF PROCEEDS

The Notes are authorized and being issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1 et seq.), and the acts amendatory thereof and supplemental thereto, and various bond ordinances of the Township.

The Notes, along with other available funds of the Township in the amount of \$1,050,000, will be used to: (i) refund, on a current basis, the Township's \$17,722,000 bond anticipation notes, dated May 6, 2025 and maturing May 5, 2026 (the "Prior Notes"); (ii) temporarily finance the cost of various improvements in and by the Township in the amount of \$3,705,000; and (iii) pay the costs of issuing the Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Township, which bond ordinances are described in the following table by ordinance number and amount of Notes to be issued:

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of Prior Notes Being Refunded with the Notes</u>	<u>New Money</u>	<u>Total</u>
2018-14	Various Capital Improvements & Equipment	\$550,000	\$0	\$550,000
2019-06	Various Capital Improvements & Equipment	1,789,000	0	1,789,000
2020-10	Various Capital Improvements & Equipment	1,967,000	0	1,967,000
2020-25	Acquisition of and Improvement to Real Property	845,000	0	845,000
2021-05	Acquisition of Various Capital Equipment	783,000	0	783,000
2021-10	Various Capital Improvements & Equipment	2,245,000	0	2,245,000
2022-12	Various Capital Improvements & Equipment	2,660,000	0	2,660,000
2023-07	Various Capital Improvements & Equipment	2,055,000	0	2,055,000
2024-08	Various Capital Improvements & Equipment	3,778,000	0	3,778,000
2025-04	Various Capital Improvements & Equipment	0	3,121,000	3,121,000
2025-16	Dredging & Engineering/Surveying Services	<u>0</u>	<u>584,000</u>	<u>584,000</u>
Total:		<u>\$16,672,000</u>	<u>\$3,705,000</u>	<u>\$20,377,000</u>

SECURITY FOR THE NOTES

The Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Notes. The Township is required by law to levy *ad valorem* taxes on all taxable real property in the Township for the payment of the principal, redemption premium, if any, of and the interest on the Notes, without limitation as to rate or amount.

The Township

The Township, primarily a residential community, is located along the eastern border of the County. See Appendix “A” for general information regarding the Township.

CERTAIN RISK FACTORS

Cyber Security

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

To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Township has invested in multiple forms of cybersecurity and operational safeguards.

Climate Change

As a coastal community, the Township is susceptible to the effects of extreme weather events and natural disasters, including forest fires, 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 (commonly referred to as “climate change”). 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 Township 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 Township.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year’s principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the Township are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district’s debt limitation and the self-liquidating portion of a utility’s debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix “A”, the Township has not exceeded its statutory debt limit as of December 31, 2025.

Exceptions to Debt Limits - Extensions of Credit

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township, without approval of the Local Finance Board, to fund certain notes, to provide for self-

liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

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

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

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

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

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

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

preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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 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.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

Additionally, legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (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 over 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 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 Township to levy ad valorem taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes.

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

Tax Appeals

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

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

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

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

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the constituent municipality. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the constituent municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”) imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. 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 issuance of the Notes. The Township has covenanted to comply with the provisions of the Code applicable to the Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Notes to be included in gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. Dilworth Paxson LLP, Freehold, New Jersey (“Bond Counsel”), will not independently verify the accuracy of those certifications and representations.

Assuming the Township observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code, 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 Section 55 of the Code. See “Certain Federal Tax Considerations” below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gains from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of the Notes may be greater than the stated redemption price thereof at maturity (the “Premium Notes”). The difference between the initial public offering price for the Premium Notes and the stated redemption price at maturity is “original issue premium.” For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Notes through reductions in the holder’s tax basis for the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Notes.

Certain Federal Tax Considerations

Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer’s

own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Notes.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result 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), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses 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 counsel other than Bond Counsel.

Section 265 Qualification

The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

The Township is not designating the Notes as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

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

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 bonds or notes of the Township including the Notes, and such Notes are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the Township will deliver concurrently with the delivery of the Notes, a Continuing Disclosure Certificate in substantially the form annexed hereto as Appendix C (the "Continuing Disclosure Certificate"). The Township has covenanted for the benefit of the Noteholders in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided, notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Dataport ("EMMA").

The Township has previously entered into secondary market disclosure undertakings in accordance with the Rule with respect to its own obligations and obligations of the Lacey Municipal Utilities Authority for which the Township is an obligated person. The Township has engaged 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 MSRB's Electronic Municipal Market Access ("EMMA") website as required under its prior secondary market disclosure undertakings.

LITIGATION

Upon delivery of the Notes, the Township shall furnish a certificate of Christopher J. Connors, Esq., Forked River, New Jersey (the "Township Attorney"), dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or, to his knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.*, as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Notes, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured

by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

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

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Ordinances of the Township and the Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the Ordinances will be furnished by the Township on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by an official of the Township, that to their knowledge such descriptions and statements, as of the date hereof, and as of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

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

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the Township 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.

RATING

S&P Global Ratings, a division of Standard and Poor's Financial Services LLC (the "Rating Agency"), has assigned a short-term rating of "SP-1+" to the Notes based upon the creditworthiness of the Township.

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

UNDERWRITER

The Notes have been purchased from the Township at a public sale, by _____, _____, _____, (the "Underwriter") at a price of \$ _____. The Underwriter is obligated to purchase all of the Notes if any are purchased.

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

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Township 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.

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 "D". Certain legal matters will be passed on for the Township by the Township Attorney.

FINANCIAL STATEMENTS

Appendix “B” contains certain audited financial statements for the Township’s fiscal year ending December 31, 2025 and 2024. The audited financial statements were extracted from the report opined on by Holman Frenia Allison, P.C., Lakewood, New Jersey (the “Auditor”). 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 financial statements appearing in Appendix “B” hereto) and, accordingly, will express no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Township’s Chief Financial Officer, 818 W. Lacey Road, Forked River, New Jersey 08731-1399, telephone (609) 693-1100, or the Township’s Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Township 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 Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof.

TOWNSHIP OF LACEY, IN THE COUNTY OF OCEAN, NEW JERSEY

Linda Picaro-Covello
Chief Financial Officer

Dated: April __, 2026

APPENDIX A
GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Lacey (the “Township”), in the County of Ocean (the “County”), State of New Jersey (the “State”).

General Information

The Township was settled during the period preceding the American Revolutionary War. In 1871, an act of the General Assembly of the State of New Jersey formally established the Township. The Township received its name in honor of General John Lacey.

The Township is approximately eighty-four (84) square miles in area and is located in the central-southern portion of the State, along Barnegat Bay, and is south of the New York-northern New Jersey metropolitan area and east of the Greater Philadelphia Area. The Township is located in the central portion of the County, and is situated approximately seventy (70) miles south of the City of New York City, forty (40) miles north of the City of Atlantic City, fifty (50) miles east of the City of Trenton and sixty (60) miles east of the City of Philadelphia.

The Township is primarily residential in character and includes the areas of Forked River, Lanoka Harbor and Bamber Lakes. A portion of the Township is subject to the Pinelands Protection Act, the purpose of which is to limit the impact of development on the Pinelands' ecosystem which contains a vast reservoir of potable ground water.

Form of Government

The Governing Body of the Township consists of a five (5) member Township Committee, whose members are elected at large for three-year staggered terms by the legally registered voters in the Township. The Committee annually appoints a Mayor from its membership. This is the Township Form of Government as provided by N.J.S.A. 40A:63-1 et seq. The Mayor and Committeepersons comprise the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of Township business. The Township Committee meets the second and fourth Thursday of each month for regular meetings, and caucus meetings are held prior to the meetings. Both the caucus and regular meetings are open to the public in compliance with New Jersey's Sunshine Law. The public's role at caucus meetings is limited to that of an observer. At regular meetings, however, citizens are given an opportunity to speak on proposed ordinances and resolutions. There is also a time set aside on the regular meeting agenda so that any citizen may address the Committee on matters of concern to him or her.

Education

Township students attend Lacey Township School District (the “School District”) for grades Pre-K to 12. The School District is coterminous with the boundaries of the Township and contains four (4) elementary schools, one (1) intermediate school and one (1) high school.

¹ Source: The Township, unless otherwise indicated.

Pension and Retirement Systems

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

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Lacey Township</u>				
2024	15,612	14,930	682	4.4%
2023	15,588	14,923	665	4.3%
2022	15,338	14,713	625	4.1%
2021	14,979	13,929	1,050	7.0%
2020	14,625	13,236	1,389	9.5%
<u>County</u>				
2024	293,284	280,025	13,259	4.5%
2023	292,457	279,888	12,569	4.3%
2022	287,161	275,556	11,605	4.0%
2021	279,507	260,912	18,595	6.7%
2020	274,842	248,481	26,361	9.6%
<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%

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

Income (as of 2024)

	<u>Lacey Township</u>	<u>County</u>	<u>State</u>	<u>National</u>
Median Household Income	\$102,624	\$89,863	\$103,556	\$80,734
Median Family Income	123,438	112,175	127,025	99,999
Per Capita Income	47,869	44,947	54,253	44,673

Source: US Bureau of the Census, 2024 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Lacey Township</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>
2024 est.	30,041	4.8%	666,434	4.6%	9,500,851	2.3%
2020	28,655	3.7%	637,229	10.5%	9,288,994	5.7%
2010	27,644	9.1%	576,567	12.8%	8,791,894	4.5%
2000	25,346	14.5%	510,916	17.9%	8,414,350	8.9%
1990	22,141	56.4%	433,203	25.2%	7,730,188	5.0%
1980	14,161	206.8%	346,038	66.0%	7,365,001	2.7%

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Oyster Creek Environmental Project	\$111,486,700	2.74%
First Energy Service Company	33,133,100	0.82%
Agree Forked River NJ LLC	24,525,400	0.60%
G & I XI NJ Grocery Portfolio LLC	20,656,100	0.51%
WAL-MART Real Estate Business Trust	13,200,000	0.32%
Forked River Residences, LLC	8,521,500	0.21%
Giombetti, David M. & Dawn M	7,029,600	0.17%
Wawa Inc	5,071,500	0.12%
Cav-Burt LLC	4,954,000	0.12%
Georgetown Village Inc	4,899,500	0.12%
Total	<u>\$233,477,400</u>	<u>5.75%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025	\$111,607,871	\$110,885,228	99.35%
2024	102,817,850	102,217,917	99.42%
2023	95,391,718	94,682,930	99.26%
2022	90,493,043	89,966,699	99.42%
2021	88,316,968	87,801,504	99.42%

Source: Annual Audit Reports of the Township

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>Delinquent % of Tax Levy</u>
2025	\$730,114	\$509,133	\$1,239,247	1.11%
2024	673,655	497,384	1,171,039	1.14%
2023	601,504	512,683	1,114,187	1.17%
2022	532,626	410,988	943,613	1.04%
2021	504,198	367,923	872,121	0.99%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Property Acquired For Taxes</u>
2025	\$3,177,580
2024	3,177,580
2023	3,177,580
2022	3,177,580
2021	3,177,580

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>General Municipal</u>	<u>Local School</u>	<u>Total County</u>	<u>Total</u>
2025	\$0.564	\$1.650	\$0.521	\$2.735
2024	0.534	1.519	0.481	2.534
2023	0.507	1.398	0.464	2.369
2022	0.458	1.382	0.423	2.263
2021	0.444	1.369	0.412	2.225

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	\$4,063,819,500	\$6,760,637,997	60.11%	\$0	\$6,760,637,997
2024	4,029,146,600	6,217,818,827	64.80%	0	6,217,818,827
2023	4,007,466,300	5,694,850,504	70.37%	0	5,694,850,504
2022	3,981,007,600	5,152,074,026	77.27%	0	5,152,074,026
2021	3,948,705,270	4,403,105,787	89.68%	0	4,403,105,787

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

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township 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	\$65,733,700	\$3,515,991,100	\$3,131,100	\$305,670,400	\$168,534,200	\$4,759,000	\$4,063,819,500
2024	68,751,200	3,475,707,300	3,131,100	308,263,800	168,534,200	4,759,000	4,029,146,600
2023	74,035,800	3,441,495,500	3,129,500	315,512,300	168,534,200	4,759,000	4,007,466,300
2022	72,111,600	3,414,325,000	3,518,800	317,759,000	168,534,200	4,759,000	3,981,007,600
2021	79,172,200	3,371,533,900	3,518,800	321,187,170	168,534,200	4,759,000	3,948,705,270

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

Financial Operations

The following table summarizes the Township'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>REVENUE</u>	Adopted <u>2021</u>	Adopted <u>2022</u>	Adopted <u>2023</u>	Adopted <u>2024</u>	Adopted <u>2025</u>
Fund Balance Utilized	\$4,000,000	\$4,200,000	\$4,625,000	\$4,250,000	\$4,850,000
Miscellaneous Revenues	12,886,466	12,997,547	13,767,783	14,876,424	13,595,466
Municipal Grants	109,737	1,370,170	1,491,944	243,340	84,656
Receipts from Delinquent Taxes	435,000	435,000	400,000	395,000	400,000
Amount to be Raised by Taxation	<u>17,550,329</u>	<u>18,244,190</u>	<u>20,313,236</u>	<u>21,527,481</u>	<u>22,933,896</u>
Total Revenue:	<u>\$34,981,532</u>	<u>\$37,246,907</u>	<u>\$40,597,963</u>	<u>\$41,292,245</u>	<u>\$41,864,018</u>
<u>APPROPRIATIONS</u>					
General Purpose (Inside CAP)	\$29,509,684	\$31,398,656	\$32,616,737	\$34,566,019	\$35,941,604
Operations (Outside CAP)	764,642	862,065	1,699,242	1,154,688	1,279,011
Municipal Grants	123,654	1,423,670	1,505,444	256,840	131,406
Capital Improvement Fund	295,000	200,000	221,000	500,000	235,000
Municipal Debt Service	2,881,690	1,974,690	2,648,690	3,288,590	2,623,645
Deferred Charges	41,000	0	0	0	0
Transferred to Board of Education	0	0	456,000	0	0
Reserve for Uncollected Taxes	<u>1,365,862</u>	<u>1,387,826</u>	<u>1,450,850</u>	<u>1,526,109</u>	<u>1,653,352</u>
Total Appropriations:	<u>\$34,981,532</u>	<u>\$37,246,907</u>	<u>\$40,597,963</u>	<u>\$41,292,245</u>	<u>\$41,864,018</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

Fund Balance - Current Fund

<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2025	\$12,741,876	\$6,000,000
2024	11,954,326	4,850,000
2023	9,776,871	4,250,000
2022	9,086,527	4,625,000
2021	7,870,230	4,200,000

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2025

General Purpose Debt	
Serial/Term Bonds	\$3,200,000
Bond Anticipation Notes	17,722,000
Bonds and Notes Authorized but Not Issued	5,223,648
Other Bonds, Notes and Loans	243,639
Total:	<u>\$26,389,286</u>
Local/Regional School District Debt	
Serial/Term Bonds	\$5,255,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$5,255,000</u>
Self-Liquidating Debt	
Serial/Term Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>
TOTAL GROSS DEBT	<u><u>\$31,644,286</u></u>
Less: Statutory Deductions	
General Purpose Debt	\$70,459
Local/Regional School District Debt	5,255,000
Self-Liquidating Debt	0
Total:	<u>\$5,325,459</u>
TOTAL NET DEBT	<u><u>\$26,318,828</u></u>

Source: Annual Debt Statements of the Township

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Overlapping Debt (as of December 31, 2025)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Lacey Township Percentage</u>	<u>Lacey Township Share*</u>
Local School District	\$5,255,000	100.0%	\$5,255,000
Ocean County	591,152,854	4.8%	28,467,069
			<hr/>
Net Indirect Debt			\$33,722,069
Net Direct Debt			26,318,828
Total Net Direct and Indirect Debt			<hr/> \$60,040,897 <hr/>

Debt Limit

DEBT LIMIT AND BORROWING CAPACITY

Average Equalized Valuation Basis (2023, 2024, 2025)	\$6,224,435,776
Permitted Debt Limitation (3.50%)	217,855,252
Less: Net Debt	26,318,828
Remaining Borrowing Power	<hr/> \$191,536,425 <hr/>

Percentage of Net Debt to Average Equalized Valuation 0.423%

Gross Debt Per Capita based on 2020 population of 28,655 \$1,104
 Net Debt Per Capita based on 2020 population of 28,655 \$918

Source: Annual Debt Statement of the Township

Litigation

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

² Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

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APPENDIX B
FINANCIAL INFORMATION REGARDING THE TOWNSHIP

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TOWNSHIP OF LACEY
AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2025

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**TOWNSHIP OF LACEY
COUNTY OF OCEAN**

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Council
Township of Lacey
Forked River, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the various funds and account group of the Township of Lacey, which comprise the statements of assets, liabilities, reserves and fund balance – regulatory basis as of December 31, 2025 and 2024, and the related statement of operations and changes in fund balance – regulatory basis for the years then ended and the statement of revenue – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2025, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance – regulatory basis of the Township of Lacey, as of December 31, 2025 and 2024, and the results of its operations and changes in fund balance – regulatory basis for the years then ended and the statement of revenues – regulatory basis, statement of expenditures – regulatory basis for the year ended December 31, 2025, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Lacey, as of December 31, 2025 and 2024, or the results of its operations and changes in fund balance for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of Lacey 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, the financial statements are prepared by the Township of Lacey, on the basis of the financial reporting provisions of 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 the Division of Local Government Services, Department of Community Affairs, State 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control(s) 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 Township of Lacey's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Lacey's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the Township of Lacey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Lacey's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lacey's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'J. Conaty', with a stylized flourish at the end.

Jerry W. Conaty
Certified Public Accountant
Registered Municipal Accountant
RMA No. 581

Lakewood, New Jersey
March 30, 2026

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the Township Council
Township of Lacey
Forked River, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Township of Lacey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Township of Lacey's basic financial statements, and have issued our report thereon dated March 30, 2026. Our report indicated that the Township of Lacey's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Lacey's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Lacey's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Township of Lacey's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.



Jerry W. Conaty
Certified Public Accountant
Registered Municipal Accountant
RMA No. 581

Lakewood, New Jersey
March 30, 2026

BASIC FINANCIAL STATEMENTS

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TOWNSHIP OF LACEY
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES & FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

EXHIBIT A

	2025	2024
<u>Assets</u>		
Cash and Cash Equivalents	\$ 28,704,111.38	\$ 23,834,578.53
Investments	1,094,940.45	1,041,291.02
Cash - Change Fund	1,600.00	1,600.00
Due from State - Ch. 20, P.L. 1971	17,761.63	19,199.30
	<u>29,818,413.46</u>	<u>24,896,668.85</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	509,132.97	497,383.67
Tax Title Liens Receivable	730,114.39	673,654.83
Property Acquired for Taxes	3,177,580.00	3,177,580.00
Revenue Accounts Receivable	12,074.84	14,459.21
Interfunds:		
Animal Control Trust Fund	10,273.44	1,987.13
	<u>4,439,175.64</u>	<u>4,365,064.84</u>
	<u>34,257,589.10</u>	<u>29,261,733.69</u>
<u>Grant Fund</u>		
Interfund - Current Fund	1,073,371.89	1,161,668.43
Grants Receivable	2,245,420.20	3,414,371.01
	<u>3,318,792.09</u>	<u>4,576,039.44</u>
	<u>\$ 37,576,381.19</u>	<u>\$ 33,837,773.13</u>

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

TOWNSHIP OF LACEY
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES & FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

EXHIBIT A

<u>Liabilities, Reserves and Fund Balance</u>	<u>2025</u>	<u>2024</u>
Appropriation Reserves	\$ 2,409,683.37	\$ 2,901,677.20
Accounts Payable	395.76	3,860.25
Reserve for Encumbrances	465,274.84	283,260.84
Tax Overpayments	-	3,256.01
Prepaid Taxes	925,932.13	727,386.05
Due County for Added and Omitted Taxes	88,065.80	136,704.64
Local School District Taxes Payable	10,239,824.00	7,643,596.00
Due to Lacey MUA	38,190.67	29,282.35
Due to State for Fees Collected	13,836.00	10,788.00
Reserve for:		
Unallocated Tax Receipts	1,241.18	1,701.10
Insurance Claim	1,517,179.41	-
Sale of Municipal Property	303,542.02	39,162.02
Interfunds:		
Grant Fund	1,073,371.89	1,161,668.43
	17,076,537.07	12,942,342.89
Reserve for Receivables and Other Assets	4,439,175.64	4,365,064.84
Fund Balance	12,741,876.39	11,954,325.96
	34,257,589.10	29,261,733.69
<u>Grant Fund</u>		
Appropriated Reserves	1,768,202.14	2,429,592.17
Reserve for Encumbrances	1,504,356.87	1,973,809.34
Unappropriated Reserves	46,233.08	172,637.93
	3,318,792.09	4,576,039.44
	\$ 37,576,381.19	\$ 33,837,773.13

There were deferred school taxes on December 31, 2025 and 2024 of \$22,897,054.00 and \$22,897,054.00, respectively.

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

EXHIBIT A-1

	2025	2024
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 4,850,000.00	\$ 4,250,000.00
Miscellaneous Revenue Anticipated	14,831,498.62	20,107,650.24
Receipts from Delinquent Taxes	514,745.99	508,808.40
Receipts from Current Taxes	110,885,227.76	102,217,917.03
Non-Budget Revenues	904,746.65	925,279.17
Other Credits to Income:		
Cancellation of Old Outstanding Checks	4,182.37	-
Cancellation of Grant Appropriation Reserve	5,143.52	336.92
Unexpended Balance of Appropriation Reserves	2,447,105.56	2,811,644.36
Cancellation of Accounts Payable	-	145.00
Statutory Excess from Animal Control Fund	10,273.44	1,987.13
Interfunds Liquidated	1,987.13	8,953.10
Total Income	134,454,911.04	130,832,721.35
<u>Expenditures</u>		
Budget Appropriations within Caps:		
Operations:		
Salaries and Wages	15,182,975.00	14,316,147.00
Other Expenses	16,294,295.00	15,726,640.41
Deferred Charges and Statutory Expenditures	4,464,334.00	4,523,231.14
Budget Appropriations Excluded from Caps:		
Operations:		
Salaries and Wages	753,499.00	721,900.00
Other Expenses	966,359.72	4,570,708.40
Capital Improvements	235,000.00	500,000.00
Municipal Debt Service	2,620,921.01	3,285,582.47
	40,517,383.73	43,644,209.42
County Taxes	21,223,859.65	19,504,980.10
Local District School Taxes	67,061,524.00	61,201,002.00
Prior Year Revenue Refunded	375.00	52,687.56
Cancellation of Grant Receivable	3,944.79	2,387.72
Interfund Loans	10,273.44	-
Total Expenditures	128,817,360.61	124,405,266.80
Statutory Excess to Fund Balance	5,637,550.43	6,427,454.55
Fund Balance January 1	11,954,325.96	9,776,871.41
	17,591,876.39	16,204,325.96
Decreased by:		
Utilization as Anticipated Revenue	4,850,000.00	4,250,000.00
Fund Balance December 31	\$ 12,741,876.39	\$ 11,954,325.96

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

TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Ref.	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
	A-1	\$ 4,850,000.00	\$ -	\$ 4,850,000.00	\$ -
Fund Balance Anticipated					
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-8	20,000.00	-	28,502.00	8,502.00
Fines and Costs					
Municipal Court	A-8	150,000.00	-	175,031.48	25,031.48
Interest and Costs on Taxes	A-8	171,000.00	-	205,041.24	34,041.24
Interest on Deposits and Investments	A-8	504,000.00	-	965,694.07	461,694.07
Beach Badges	A-8	35,000.00	-	39,646.00	4,646.00
Dock Rentals	A-8	95,000.00	-	111,250.00	16,250.00
Cable Television Franchise Fees	A-8	120,767.32	-	120,767.32	-
Uniform Construction Code Fees	A-8	483,425.00	-	756,521.00	273,096.00
State Aid:					
Energy Receipts Tax	A-8	11,240,009.00	-	11,240,008.62	(0.38)
Garden State Preservation Trust Fund	A-8	204,766.00	-	204,766.00	-
Shared Services Agreements:					
Borough of Mantoloking - Tax Assessor	A-8	-	16,250.00	16,250.00	-
Borough of Pine Beach CFO/QPA	A-8	66,077.00	-	66,076.44	(0.56)
Borough of Pine Beach Court Services	A-8	25,216.00	-	25,215.84	(0.16)
Borough of Tuckerton - Tax Assessor	A-8	35,000.00	-	35,000.00	-
Lacey Board of Education Crossing Guard	A-8	17,360.00	-	17,360.00	-
Lacey Board of Education Special Law Enforcement Officer	A-8	177,846.00	-	177,846.00	-
Special Items of Revenue:					
Federal and State Revenues					
Off-Set with Appropriations:					
Alcohol Education and Rehabilitation	A-14	-	2,579.15	2,579.15	-
Body Armor Fund	A-14	3,721.85	-	3,721.85	-
Bullet Proof Vest Grant	A-14	5,530.75	-	5,530.75	-
Clean Communities Program	A-14	-	99,060.07	99,060.07	-
Community Development Block Grant	A-14	-	40,000.00	40,000.00	-
Drunk Driving Enforcement Fund	A-14	-	9,498.28	9,498.28	-
Municipal Alliance on Drug and Alcohol Abuse	A-14	12,153.00	-	12,153.00	-
National Opioid Settlement	A-14	63,250.00	45,000.00	108,250.00	-
Recycling Tonnage Grant	A-14	-	50,154.51	50,154.51	-
Special Traffic Enforcement Program	A-15	-	46,900.00	46,900.00	-

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

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEARENDED DECEMBER 31, 2025

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Special Items of Revenue (Continued):				
Recreation Summer Program Fees	50,000.00	-	68,675.00	18,675.00
General Capital Fund Balance	200,000.00	-	200,000.00	-
Total Miscellaneous Revenues	13,680,121.92	309,442.01	14,831,498.62	841,934.69
Receipts from Delinquent Taxes	400,000.00	-	514,745.99	114,745.99
Subtotal General Revenues	18,930,121.92	309,442.01	20,196,244.61	956,680.68
Amount to be Raised by Taxes				
for Support of Municipal Budget	22,933,896.08	-	24,253,196.40	1,319,300.32
Total General Revenues	41,864,018.00	309,442.01	44,449,441.01	2,275,981.00
Non-Budget Revenues	-	-	904,746.65	904,746.65
	\$ 41,864,018.00	\$ 309,442.01	\$ 45,354,187.66	\$ 3,180,727.65

Allocation of Delinquent Tax Collections

Receipts from Delinquent Taxes:

 Delinquent Tax Collections

 Tax Title Liens

\$ 502,381.72

\$ 12,364.27

\$ 514,745.99

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

**EXHIBIT A-2
Page 3 of 3**

Analysis of Realized Revenues

Allocation of Current Tax Collections

Revenue from Collections	\$ 110,885,227.76
Allocated to Local School and County Taxes	88,285,383.65
Balance for Support of Municipal Budget Appropriations	22,599,844.11
Add: Appropriation "Reserve for Uncollected Taxes"	1,653,352.29
Amount for Support of Municipal Budget Appropriations	\$ 24,253,196.40

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:

Community Hall Rentals	\$ 46,985.00
Firearms	59,400.00
Fuel Reimbursement LMUA	26,765.47
Health Department	41,357.01
In Lieu of Taxes	197,140.20
Insurance Refunds	6,287.10
Insurance Refunds Workmen's Comp	20,081.39
Miscellaneous - Recreation	118,327.00
Miscellaneous - Treasurer	92,695.22
Municipal Court	2,694.03
Planning & Zoning	93,630.00
Police Reports	9,601.64
Public Works	76,429.50
Recycling Clothing Bin	3,075.00
Recycling Rebates	39,546.55
Tax Collector	10,144.75
Tax Searches	1,160.00
Township Clerk	17,750.29
Traffic Detail Administration Fee	41,676.50
	\$ 904,746.65

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
OPERATIONS WITHIN CAPS						
General Government						
General Administration:						
Salaries and Wages	\$ 348,500.00	\$ 348,500.00	\$ 347,849.63	\$ -	\$ 650.37	\$ -
Other Expenses	32,775.00	32,775.00	17,257.83	101.32	15,415.85	-
Township Committee:						
Salaries and Wages	51,000.00	51,000.00	51,000.00	-	-	-
Other Expenses	2,500.00	2,500.00	2,119.71	-	380.29	-
Municipal Clerk:						
Salaries and Wages	237,700.00	237,700.00	235,807.67	-	1,892.33	-
Other Expenses	74,500.00	74,500.00	57,229.07	116.11	17,154.82	-
Financial Administration (Treasury):						
Salaries and Wages	383,000.00	383,000.00	369,153.63	-	13,846.37	-
Other Expenses	44,350.00	44,350.00	17,512.58	1,438.13	25,399.29	-
Audit Services:						
Other Expenses	61,000.00	61,000.00	55,000.00	-	6,000.00	-
Information Technology:						
Salaries and Wages	72,350.00	72,350.00	71,725.72	-	624.28	-
Other Expenses	94,000.00	94,000.00	71,849.81	604.18	21,546.01	-
Revenue Administration (Tax Collector):						
Salaries and Wages	250,850.00	250,850.00	247,914.11	-	2,935.89	-
Other Expenses	83,750.00	83,750.00	44,493.86	11,592.66	27,663.48	-
Tax Assessment Administration:						
Salaries and Wages	266,500.00	266,500.00	265,817.56	-	682.44	-
Other Expenses	142,575.00	87,575.00	34,862.38	1,573.51	51,139.11	-
Tax Map Maintenance:						
Other Expenses	6,500.00	6,500.00	-	-	6,500.00	-
Legal Services:						
Other Expenses	183,000.00	198,000.00	180,851.33	-	17,148.67	-
Engineering Services:						
Other Expenses	140,000.00	140,000.00	71,874.76	24,249.99	43,875.25	-

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
<u>Land Use Administration</u>						
Planning Board:						
Salaries and Wages	37,250.00	37,250.00	37,131.33	-	118.67	-
Other Expenses	11,775.00	11,775.00	7,520.36	2,772.69	1,481.95	-
Zoning Board of Adjustment:						
Salaries and Wages	37,250.00	37,250.00	37,131.79	-	118.21	-
Other Expenses	9,625.00	9,625.00	9,264.81	360.19	-	-
Land Use:						
Salaries and Wages	184,000.00	184,000.00	183,853.26	-	146.74	-
Other Expenses	18,125.00	18,125.00	2,482.51	13,419.43	2,223.06	-
Code Enforcement and Zoning:						
Salaries and Wages	83,200.00	83,200.00	83,100.24	-	99.76	-
Other Expenses	12,150.00	12,150.00	5,374.75	2,973.33	3,801.92	-
<u>Insurance</u>						
General Liability	732,500.00	732,500.00	717,724.78	-	14,775.22	-
Workers Compensation	865,000.00	865,000.00	862,257.00	-	2,743.00	-
Employee Group Health	5,980,000.00	5,980,000.00	5,716,422.68	1,348.96	262,228.36	-
Health Benefit Waiver	25,000.00	30,000.00	29,316.58	-	683.42	-
<u>Public Safety</u>						
Police:						
Salaries and Wages	8,600,725.00	8,600,725.00	8,292,220.81	-	308,504.19	-
Other Expenses	367,150.00	367,150.00	277,304.92	41,663.58	48,181.50	-
Crossing Guards:						
Salaries and Wages	64,700.00	74,700.00	66,661.50	-	8,038.50	-
Other Expenses	4,250.00	4,250.00	2,807.70	-	1,442.30	-
Office of Emergency Management						
Salaries and Wages	5,000.00	5,000.00	4,813.84	-	186.16	-
Other Expenses	2,200.00	2,200.00	600.00	-	1,600.00	-
Search and Recovery Team:						
Other Expenses	9,400.00	9,400.00	4,120.07	1,874.00	3,405.93	-
Aid to Volunteer Fire Companies:						
Other Expenses	45,000.00	45,000.00	45,000.00	-	-	-
Aid to Volunteer Ambulance Companies:						
Other Expenses	80,825.00	80,825.00	80,824.32	-	0.68	-
Maintenance and Repair of Emergency Equipment						
Other Expenses	13,000.00	13,000.00	-	3,699.00	9,301.00	-

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
Fire:						
Forked River Fire Company:						
Other Expenses	45,500.00	45,500.00	16,578.40	20,821.87	8,099.73	-
Lanoka Harbor Fire Company:						
Other Expenses	37,100.00	37,100.00	28,724.15	6,373.50	2,002.35	-
Bamber Lake Fire Company:						
Other Expenses	26,000.00	26,000.00	4,296.46	10,972.84	10,730.70	-
Municipal Prosecutor:						
Other Expenses	50,000.00	55,000.00	46,963.00	3,186.00	4,851.00	-
Municipal Court:						
Salaries and Wages	352,500.00	352,500.00	344,185.16	-	8,314.84	-
Other Expenses	36,550.00	36,550.00	16,187.66	303.30	20,059.04	-
Public Defender:						
Other Expenses	42,500.00	42,500.00	23,333.31	3,333.33	15,833.36	-
Public Works						
Streets and Road Maintenance:						
Salaries and Wages	2,131,400.00	2,131,400.00	2,038,446.32	-	92,953.68	-
Other Expenses	350,350.00	350,350.00	147,939.26	93,130.54	109,280.20	-
Solid Waste Collection:						
Salaries and Wages	112,600.00	112,600.00	109,564.62	-	3,035.38	-
Other Expenses	3,008,553.00	3,008,553.00	2,728,877.50	5,915.47	273,760.03	-
Buildings and Grounds:						
Salaries and Wages	720,000.00	720,000.00	687,413.13	-	32,586.87	-
Other Expenses	135,150.00	135,150.00	99,326.23	8,600.06	27,223.71	-
Maintenance and Upgrade of Facilities:						
Other Expenses	50,000.00	50,000.00	20,519.47	3,446.14	26,034.39	-
Sanitary Landfill Testing:						
Other Expenses	500.00	500.00	-	-	500.00	-
Vehicle Maintenance (Including Police):						
Other Expenses	370,850.00	370,850.00	201,884.65	81,780.26	87,185.09	-
Health and Welfare						
Public Health Services (Board of Health):						
Salaries and Wages	27,250.00	27,250.00	15,000.86	-	12,249.14	-
Other Expenses	17,250.00	17,250.00	9,850.49	105.79	7,293.72	-
Animal Control Services:						
Other Expenses	73,000.00	73,000.00	51,407.00	-	21,593.00	-
Welfare/Administration of Public Assistance:						
Other Expenses	500.00	500.00	-	-	500.00	-

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
Senior Outreach:						
Other Expenses	4,130.00	4,130.00	4,060.00	70.00	-	-
Parks and Recreation						
Recreation Services and Programs:						
Salaries and Wages	547,200.00	562,200.00	553,699.84	-	8,500.16	-
Other Expenses	80,460.00	80,460.00	63,248.44	57.79	17,153.77	-
Maintenance of Parks:						
Other Expenses	134,000.00	134,000.00	102,950.51	8,483.88	22,565.61	-
Maintenance of Docks:						
Other Expenses	5,000.00	5,000.00	4,798.53	-	201.47	-
Unclassified						
Accumulated Leave Compensation:						
Salaries and Wages	230,000.00	230,000.00	223,144.91	-	6,855.09	-
Juvenile Committee:						
Other Expenses	200.00	200.00	-	-	200.00	-
Environmental Commission:						
Salaries and Wages	1,000.00	1,000.00	100.00	-	900.00	-
Other Expenses	1,500.00	1,500.00	-	-	1,500.00	-
WLTS Channel 21:						
Other Expenses	18,000.00	18,000.00	18,000.00	-	-	-
Utility Expenses and Bulk Purchases						
Electricity	247,500.00	247,500.00	197,580.67	6,791.18	43,128.15	-
Street Lighting	400,000.00	400,000.00	339,861.18	30,630.72	29,508.10	-
Telephone	66,500.00	66,500.00	56,535.55	1,552.89	8,411.56	-
Gas (Natural or Propane)	76,500.00	81,500.00	73,211.23	6,833.77	1,455.00	-
Fuel Oil	3,000.00	3,000.00	1,695.25	-	1,304.75	-
Telecommunications Costs	1,000.00	1,000.00	984.75	-	15.25	-
Gasoline	420,000.00	420,000.00	285,401.89	15,189.81	119,408.30	-
Landfill/Solid Waste Disposal Costs	1,507,327.00	1,507,327.00	1,404,891.63	20,665.16	81,770.21	-
State Uniform Construction Code						
Construction Official:						
Salaries and Wages	415,000.00	415,000.00	389,910.41	-	25,089.59	-
Other Expenses	68,425.00	68,425.00	21,204.30	23,890.33	23,330.37	-
Total Operations within Caps	31,477,270.00	31,477,270.00	28,940,029.66	459,921.71	2,077,318.63	-
Detail:						
Salaries and Wages	15,157,975.00	15,182,975.00	14,655,546.34	-	527,428.66	-
Other Expenses	16,319,295.00	16,294,295.00	14,284,483.32	459,921.71	1,549,889.97	-

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN CAPS</u>						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	1,036,408.00	1,036,408.00	1,036,408.00	-	-	-
Social Security System (O.A.S.I.)	1,219,250.00	1,219,250.00	1,105,562.58	-	113,687.42	-
Police and Firemen's Retirement System of N.J	2,192,676.00	2,192,676.00	2,192,676.00	-	-	-
Unemployment Insurance	10,000.00	10,000.00	10,000.00	-	-	-
Defined Contribution Retirement Program	6,000.00	6,000.00	4,091.86	-	1,908.14	-
Total Statutory Expenditures within Caps	4,464,334.00	4,464,334.00	4,348,738.44	-	115,595.56	-
Total Appropriations within Caps	35,941,604.00	35,941,604.00	33,288,768.10	459,921.71	2,192,914.19	-
<u>OPERATIONS EXCLUDED FROM CAPS</u>						
<u>All Functions</u>						
Employee Group Health:						
Other Expenses	273,000.00	273,000.00	273,000.00	-	-	-
Length of Service Awards Program:						
Other Expenses	170,000.00	170,000.00	93,150.00	-	76,850.00	-
NJ DEP Stormwater Permit:						
Streets and Roads Maintenance:						
Salaries and Wages	432,000.00	432,000.00	371,200.76	-	60,799.24	-
Other Expenses	32,000.00	32,000.00	18,060.69	5,353.13	8,586.18	-
NJ Recycling Enhancement Act:						
Landfill/Solid Waste Disposal Costs:						
Other Expenses	50,512.00	50,512.00	25,833.50	-	24,678.50	-
<u>Shared Service Agreements</u>						
Board of Education Crossing Guard						
Salaries and Wages	17,360.00	17,360.00	17,360.00	-	-	-
Board of Education Special Law Enforcement Officer						
Salaries and Wages	177,846.00	177,846.00	177,846.00	-	-	-
Borough of Mantoloking Tax Assessor						
Salaries and Wages	-	16,250.00	16,250.00	-	-	-
Borough of Pine Beach CFO/QPA						
Salaries and Wages	66,077.00	66,077.00	66,077.00	-	-	-
Borough of Pine Beach Court Services						
Salaries and Wages	25,216.00	25,216.00	25,216.00	-	-	-
Borough of Tuckerton Tax Assessor						
Salaries and Wages	35,000.00	35,000.00	35,000.00	-	-	-

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	Reserved	
<u>Public and Private Programs Offset by Revenues</u>						
Alcohol Education and Rehabilitation Fund	-	2,579.15	2,579.15	-	-	-
Body Armor Fund	3,721.85	3,721.85	3,721.85	-	-	-
Clean Communities Program	-	99,060.07	99,060.07	-	-	-
Community Development Block Grant	-	40,000.00	40,000.00	-	-	-
Drive Sober or Get Pulled Over	-	46,900.00	46,900.00	-	-	-
Drunk Driving Enforcement Fund	-	9,498.28	9,498.28	-	-	-
Emergency Management - 966 Program	5,530.75	5,530.75	5,530.75	-	-	-
Municipal Alliance on Drug and Alcohol Abuse	12,153.00	12,153.00	12,153.00	-	-	-
Municipal Alliance on Drug and Alcohol Abuse - Local Match	3,500.00	3,500.00	3,500.00	-	-	-
National Opioid Settlement	63,250.00	108,250.00	108,250.00	-	-	-
Recycling Tonnage Grant	-	50,154.51	50,154.51	-	-	-
Matching Fund for Grants	43,250.11	43,250.11	-	-	43,250.11	-
Total Operations excluded from Caps	1,410,416.71	1,719,858.72	1,500,341.56	5,353.13	214,164.03	-
Detail:						
Salaries and Wages	753,499.00	753,499.00	708,949.76	-	60,799.24	-
Other Expenses	656,917.71	966,359.72	791,391.80	5,353.13	153,364.79	-
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>						
Capital Improvement Fund	140,000.00	140,000.00	140,000.00	-	-	-
Purchase of Emergency Services Equipment	40,000.00	40,000.00	40,000.00	-	-	-
Purchase of Computers	55,000.00	55,000.00	52,394.85	-	2,605.15	-
Total Capital Improvements excluded from Caps	235,000.00	235,000.00	232,394.85	-	2,605.15	-
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>						
Payment of Bond Principal	800,000.00	800,000.00	800,000.00	-	-	-
Payment of Bond Anticipation Notes	1,001,000.00	1,001,000.00	1,000,171.15	-	-	828.85
Interest on Bonds	83,000.00	83,000.00	83,000.00	-	-	-
Interest on Notes	675,945.00	675,945.00	674,067.37	-	-	1,877.63
Green Trust Loan Program:						
Principal	57,950.00	57,950.00	57,950.00	-	-	-
Interest	5,750.00	5,750.00	5,732.49	-	-	17.51
Total Municipal Debt Service excluded from Caps	2,623,645.00	2,623,645.00	2,620,921.01	-	-	2,723.99
Total General Appropriations excluded from Caps	4,269,061.71	4,578,503.72	4,353,657.42	5,353.13	216,769.18	2,723.99

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

**TOWNSHIP OF LACEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered	
Subtotal General Appropriations	40,210,665.71	40,520,107.72	37,642,425.52	465,274.84	2,409,683.37
Reserve for Uncollected Taxes	1,653,352.29	1,653,352.29	1,653,352.29	-	-
Total General Appropriations	\$ 41,864,018.00	\$ 42,173,460.01	\$ 39,295,777.81	\$ 465,274.84	\$ 2,409,683.37

Budget
Added by N.J.S. 40A:4-87

\$ 41,864,018.00
309,442.01
\$ 42,173,460.01

Disbursements
Reserve for Uncollected Taxes
Interfunds:
Grant Fund

\$ 37,261,077.91
1,653,352.29
381,347.61
\$ 39,295,777.81

**TOWNSHIP OF LACEY
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024**

EXHIBIT B

	2025	2024
<u>Assets</u>		
Animal Control Trust Fund:		
Cash	\$ 31,583.44	\$ 30,677.53
	31,583.44	30,677.53
Other Trust Funds:		
Cash	3,015,593.11	2,903,170.76
	3,015,593.11	2,903,170.76
Length of Service Awards Program Fund (LOSAP):		
Funds Held by Trustee	3,196,051.21	2,928,307.28
	3,196,051.21	2,928,307.28
	\$ 6,243,227.76	\$ 5,862,155.57
<u>Liabilities, Reserves and Fund Balance</u>		
Animal Control Fund:		
Reserve for Animal Control Fund Expenditures	\$ 21,077.00	\$ 28,443.60
Fees Due to State of New Jersey	233.00	246.80
Interfund - Current Fund	10,273.44	1,987.13
	31,583.44	30,677.53
Other Trust Fund:		
Miscellaneous Reserves:		
Developers' Escrows	1,676,542.13	1,445,516.50
Various Reserves	1,323,094.59	1,397,309.19
Unemployment	15,956.39	60,345.07
	3,015,593.11	2,903,170.76
Length of Service Awards Program Fund (LOSAP):		
Reserve for Length of Service Awards Program	3,196,051.21	2,928,307.28
	3,196,051.21	2,928,307.28
	\$ 6,243,227.76	\$ 5,862,155.57

TOWNSHIP OF LACEY
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

EXHIBIT C

	2025	2024
<u>Assets</u>		
Cash and Cash Equivalents	\$ 905,890.55	\$ 954,828.64
Deferred Charges to Future Taxation:		
Funded	3,443,638.91	4,301,578.09
Unfunded	23,022,476.42	20,319,056.08
Grants Receivable	212,826.38	142,876.38
	\$ 27,584,832.26	\$ 25,718,339.19
 <u>Liabilities, Reserves and Fund Balance</u>		
Capital Improvement Fund	\$ 8,234.25	\$ 36,934.25
Improvement Authorizations:		
Funded	176,416.33	176,416.33
Unfunded	3,156,475.77	3,670,489.57
Reserve for Encumbrances	2,267,387.67	1,622,661.28
Serial Bonds	3,200,000.00	4,000,000.00
DEP Loan Payable	243,638.91	301,578.09
Bond Anticipation Notes	17,722,000.00	15,021,000.00
Reserve to Pay Debt Service	70,458.97	70,458.97
Reserve for Fire Trucks	150,000.00	150,000.00
Reserve for Lighting Improvements	50,000.00	-
Fund Balance	540,220.36	668,800.70
	\$ 27,584,832.26	\$ 25,718,339.19

There were bonds and notes authorized but not issued on December 31, 2025 and 2024 of \$5,300,476.42 and \$5,298,056.08.

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

**TOWNSHIP OF LACEY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

EXHIBIT C-1

Balance December 31, 2024	\$ 668,800.70
Increased by:	
Premium on Sale of Bonds	<u>71,419.66</u>
	740,220.36
Decreased by:	
Payment to Current Fund as Anticipated Revenue	<u>200,000.00</u>
Balance December 31, 2025	<u><u>\$ 540,220.36</u></u>

TOWNSHIP OF LACEY
PAYROLL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES & FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

EXHIBIT D

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash	\$ 211,515.83	\$ 240,372.43
	<u>\$ 211,515.83</u>	<u>\$ 240,372.43</u>
 <u>Liabilities</u>		
Due to Various Agencies	\$ 211,515.83	\$ 240,372.43
	<u>\$ 211,515.83</u>	<u>\$ 240,372.43</u>

TOWNSHIP OF LACEY
GENERAL FIXED ASSET ACCOUNT GROUP
STATEMENTS OF FIXED ASSETS AND FUND BALANCE
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

EXHIBIT E

	2025	2024
General Fixed Assets:		
Land	\$ 12,237,800.00	\$ 12,237,800.00
Buildings	3,761,950.00	3,761,950.00
Machinery and Equipment	22,021,490.38	21,123,441.15
	\$ 38,021,240.38	\$ 37,123,191.15
Investment in General Fixed Assets	\$ 38,021,240.38	\$ 37,123,191.15

**TOWNSHIP OF LACEY
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity

The Township of Lacey, County of Ocean, New Jersey (hereafter referred to as the "Township") include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township as required by N.J.S. 40A:5-5. The financial statements of the Township do not include the operations of the Board of Education, first aid organization or volunteer fire companies which are subject to separate audits.

Component Units - GASB Statement 14, as amended by GASB Statements 39, 61, 80, 90, 97 and 101, establishes criteria to be used in determining the component units, which should be included in the financial statements of a primary government. The financial statements of the Township are not presented in accordance with GAAP (as discussed below). If the provision of these GASB statements had been complied with, the financial statements of the following component unit would have either been blended or discretely presented with the financial statements of the Township, the primary government:

Lacey Township Municipal Utilities Authority

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Township contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United State of America applicable to local government units. The more significant differences are explained further in this note.

In accordance with the "Requirements", the Township accounts for its financial transactions through the use of separate funds, which are described as follows:

Current Fund – This fund accounts for revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

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

General Capital Fund – This fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

General Fixed Asset Account Group – The Fixed Asset Account Group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other funds of the Township.

Payroll Fund – This fund accounts for receipt and disbursements for payroll costs & taxes.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting - The Township must adopt an annual budget for its Current Fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body must fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Cash, Cash Equivalents and Investments - Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Under GAAP, investments are reported at fair value but under regulatory basis of accounting, investments are stated at cost with the exception of LOSAP investments which are reported at fair value. Therefore, unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments, which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A.17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

The cash management plan adopted by the Township requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Summary of Significant Accounting Policies (continued)

Inventories and Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets – Accounting for governmental fixed assets, as required by *N.J.A.C.5:30-5.6*, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Township has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Township is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. All fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Foreclosed Property – Foreclosed Property or “Property Acquired for Taxes” is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the Township to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges are generally over-expenditures of legally adopted budget appropriations or emergency appropriations made in accordance with *N.J.S.A.40A:4-46* et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Fund Balance – Fund Balance included in the Current Fund represent the amount available for anticipation as revenue in future year’s budgets, with certain restrictions.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Summary of Significant Accounting Policies (continued)

Revenues – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Township’s budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Township’s Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenues when received.

Property Tax Revenues – are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Township’s annual budget, but also the amounts required in support of the budgets of the County of Ocean, and Lacey Township School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

County Taxes – The municipality is responsible for levying, collecting and remitting County taxes for the County of Ocean. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Lacey Township School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district July 1 to June 30.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July I to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount.

Reserve for Uncollected Taxes – The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Township’s annual budget protects the Township from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves. Appropriations for interest payments on outstanding general capital bonds and notes are provided on the cash basis.

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled by the governing body.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Summary of Significant Accounting Policies (continued)

Appropriation reserves and reserve for encumbrances at current year end are available until December 31st of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding year. Any unspent balances at this time are lapsed appropriation reserves and recorded as income.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences.

Recent Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB adopts accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare their financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

Accounting Pronouncements Adopted in Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2025:

- Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Management has determined that the implementation of this Statement did not have significant impact on the Township’s financial statements.

Accounting Pronouncements Effective in Future Reporting Periods

The following accounting pronouncements will become effective in future reporting periods:

- Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- Statement No. 105, *Subsequent Events*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

Management has not yet determined the potential impact these Statements will have on the Township’s financial statements.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 2. Deposits and Investments

The Township is governed by the deposit and investment limitations of New Jersey state law.

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. Although the Township does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Township 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 funds that may pass to the Township relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2025, the Township's bank balance of \$35,233,332.44 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$ 31,358,124.64
Uninsured and Uncollateralized	<u>3,875,207.80</u>
	<u>\$ 35,233,332.44</u>

Investments

Under the regulatory basis of accounting, investments are measured at cost in the Township's financial statements. However, had the financial statements been prepared in accordance with generally accepted accounting principles (GAAP), investments would be reported at fair value (except for fully benefit-responsive investment contracts, which would be reported at contract value). Contract value is the relevant measure for the portion of the Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan.

Investments at Fair Value – The fair value measurements of investments are required to be reported based on the hierarchy established by GAAP. Under GAAP, investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available. As of December 31, 2025, the Township had no investments held at Level 2 or 3.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 2. Deposits and Investments (continued)

Investments (continued)

Following is a description of the valuation methodologies used for investments measured at fair value.

Money Market Funds: Valued at the quoted NAV of shares held by the Township at year-end.

Mutual Funds: Valued at quoted market prices which represent the net asset value (“NAV”) shares held by the Township at year-end.

Certificate of Deposit: Valued using observable market inputs other than direct, quoted prices for identical assets in active markets.

The Township’s fair value, hierarchy level and maturities of its investments at December 31, 2025 was as followed:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value as of December 31, 2025</u>			<u>Investment Maturities (in Years)</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>	<u>Less Than 1 Year</u>
Money Markets	\$ 10,944.86	\$ 10,944.86	\$ -	\$ 10,944.86	\$ 10,944.86
Mutual Funds	2,462,873.19	2,462,873.19	-	2,462,873.19	2,462,873.19
Certificate of Deposit	1,094,940.45	-	1,094,940.45	1,094,940.45	1,094,940.45
	<u>\$ 3,568,758.50</u>	<u>\$ 2,473,818.05</u>	<u>\$ 1,094,940.45</u>	<u>\$ 3,568,758.50</u>	<u>\$ 3,568,758.50</u>

Investments at Contract Value - The Township held a fully benefit-responsive investment contract with the Lincoln Financial Group (Lincoln) totaling \$722,233.16 as of December 31, 2025. Lincoln maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the Township is a guaranteed investment contract.

The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The Township’s ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer’s ability to meet its financial obligations. The fixed account continues in-force until they are terminated by Lincoln or the LOSAP Plan and do not define a maturity date.

No events are probable of occurring that might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. The total Trust Fund LOSAP value held by the Township at December 31, 2025 was as follows:

Trust Fund - LOSAP (Fair Value)	\$ 2,473,818.05
Trust Fund - LOSAP (Contract Value)	<u>722,233.16</u>
Total Trust Fund - LOSAP	<u>\$ 3,196,051.21</u>

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 2. Deposits and Investments (continued)

Investments (continued)

Custodial credit risk related to Investments - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Township has no investment policy to limit exposure to custodial credit risk.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A; 5-15.1, the Township’s investment policies place no limit in the amount the Township may invest in any one issuer. More than 5% of the Township’s investments are in mutual funds and money markets and these investments represent 77.40% of the Township’s total investments.

Note 3. Property Taxes

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

Comparison Schedule of Tax Rates

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Tax Rate	<u>\$ 2.735</u>	<u>\$ 2.534</u>	<u>\$ 2.369</u>
Apportionment of Tax Rate:			
Municipal	0.564	0.534	0.507
County	0.521	0.481	0.464
Local School	1.650	1.519	1.398

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 3. Property Taxes (continued)

Net Valuation Taxable

<u>Year</u>	<u>Amount</u>
2025	\$ 4,063,819,500.00
2024	4,029,146,600.00
2023	4,007,466,300.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2025	\$ 111,607,871.02	\$ 110,885,227.76	99.35%
2024	102,817,849.95	102,217,917.03	99.41%
2023	95,391,718.29	94,682,929.71	99.25%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2025	\$ 730,114.39	\$ 509,132.97	\$ 1,239,247.36	1.11%
2024	673,654.83	497,383.67	1,171,038.50	1.14%
2023	601,504.39	512,682.60	1,114,186.99	1.17%

The last tax sale was held on January 30, 2025.

Note: 4. Property Acquired By Tax Title Lien Liquidation

The value of properties acquired by liquidation of tax title liens based on the last assessed valuation of such properties as of December 31, was as follows:

<u>Year</u>	<u>Amount</u>
2025	3,177,580.00
2024	3,177,580.00
2023	3,177,580.00

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note: 5. Fund Balances Appropriated

The following schedule details the amount of fund balances available at the end of the current year and two previous years and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
Current Fund:			
2025	\$ 12,741,876.39	Not Available*	N/A
2024	11,954,325.96	4,850,000.00	40.57%
2023	9,776,871.41	4,250,000.00	43.47%

*Subsequent Budget not Adopted at Time of Issuance

Note: 6. Interfund Receivables, Payables and Transfers

The following interfund balances were recorded in the various statements of assets liabilities, reserves and fund balances at December 31, 2025:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 10,273.44	\$ 1,073,371.89
State and Federal Grant Fund	1,073,371.89	-
Animal Control Trust	-	10,273.44
	<u>\$ 1,083,645.33</u>	<u>\$ 1,083,645.33</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

A summary of interfund transfers is as follows:

Fund	Transfers In	Transfers Out
Current Fund	\$ 1,618,435.91	\$ 1,647,046.59
State and Federal Grant Fund	1,507,046.59	1,416,448.78
Animal Control Trust	-	1,987.13
General Capital Fund	140,000.00	200,000.00
	<u>\$ 3,265,482.50</u>	<u>\$ 3,265,482.50</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (i.e. interest earning), (2) provide cash flow to other funds to temporary finance expenditures that are on a reimbursable basis (i.e. grants), (3) when no bank account exists for a fund, and (4) utilizing surplus or fund balance from one fund as budgeted revenue in another.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 7. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2025.

	Balance December 31, <u>2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2025</u>
Land	\$ 12,237,800.00	\$ -	\$ -	\$ 12,237,800.00
Buildings and Improvements	3,761,950.00	-	-	3,761,950.00
Machinery & Equipment	21,123,441.15	1,012,612.76	114,563.53	22,021,490.38
	<u>\$ 37,123,191.15</u>	<u>\$ 1,012,612.76</u>	<u>\$ 114,563.53</u>	<u>\$ 38,021,240.38</u>

Note 8. Pension Obligations

A. Public Employees' Retirement System (PERS)

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the Public Employees' Retirement System (PERS) for year ended June 30, 2025. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2024.

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

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 8. Pension Obligations (continued)

Public Employees' Retirement System (PERS) (continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2024, the State's pension contribution was more than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2024, the Township's contractually required contribution to PERS plan was \$1,036,397.

Components of Net Pension Liability - At December 31, 2024, the Township's proportionate share of the PERS net pension liability was \$10,349,378. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The Township's proportion measured as of June 30, 2024, was 0.0761653126% which was an decrease of 0.0000950100% from its proportion measured as of June 30, 2023.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Balances at December 31, 2024 and December 31, 2023

	<u>12/31/2024</u>	<u>12/31/2023</u>
Actuarial valuation date (including roll forward)	June 30, 2024	June 30, 2023
Deferred Outflows of Resources	\$ 676,242	\$ 836,786
Deferred Inflows of Resources	726,654	881,346
Net Pension Liability	10,349,378	11,045,830
Township's portion of the Plan's total Net Pension Liability	0.07617%	0.07626%

Pension Expense/(Credit) and Deferred Outflows/Inflows of Resources - At December 31, 2024, the Township's proportionate share of the PERS expense/(credit), calculated by the plan as of the June 30, 2024 measurement date is \$345,798. This expense/(credit) is not recognized by the Township because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Township contributed \$1,036,397 to the plan in 2024.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 207,317	\$ 27,553
Changes of Assumptions	12,857	117,752
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	479,872
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	456,068	101,477
	<u>\$ 676,242</u>	<u>\$ 726,654</u>

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ (368,491)
2026	410,920
2027	(124,692)
2028	(42,006)
2029	<u>73,857</u>
	<u>\$ (50,412)</u>

Special Funding Situation – Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001.

The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to the legislation.

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Township as of December 31, 2024. At December 31, 2024, the State's proportionate share of the PERS expense, associated with the Township, calculated by the plan as of the June 30, 2024 measurement date was \$33,366.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Inflation:

Price	2.75%
Wage	3.25%

Salary Increases:

2.75 - 6.55%
Based on Years of Service

Investment Rate of Return 7.00%

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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 PERS's target asset allocation as of June 30, 2024 are summarized in the following table:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make 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 Township's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Township's Proportionate Share of the Net Pension Liability	<u>\$ 13,867,535</u>	<u>\$ 10,349,378</u>	<u>\$ 7,516,697</u>

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen's Retirement System (PFRS)

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the Police and Firemen's Retirement System (PFRS) for year ended June 30, 2025. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2024.

Plan Description – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (ACFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:16A*. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Basis of Presentation - The schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS, the participating employers, or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires 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 2024, the State contributed an amount more than the actuarially determined amount.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

The Local employers’ contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2024, the Township’s contractually required contributions to PFRS plan was \$2,192,676.

Net Pension Liability and Pension Expense - At December 31, 2024 the Township’s proportionate share of the PFRS net pension liability was \$16,369,463. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, to the measurement date of June 30, 2024. The Township’s proportion of the net pension liability was based on the Township’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2024. The Township’s proportion measured as of June 30, 2024, was 0.15851746%, which was an increase of 0.00129771% from its proportion measured as of June 30, 2023.

Balances at December 31, 2024 and December 31, 2023

	<u>12/31/2024</u>	<u>12/31/2023</u>
Actuarial valuation date (including roll forward)	June 30, 2024	June 30, 2023
Deferred Outflows of Resources	\$ 2,164,402	\$ 2,887,857
Deferred Inflows of Resources	1,641,751	2,680,998
Net Pension Liability	16,369,463	17,370,869
Township's portion of the Plan's total net pension Liability	0.15852%	0.15722%

Pension Expense/(Credit) and Deferred Outflows/Inflows of Resources – At December 31, 2024, the Township’s proportionate share of the PFRS expense/(credit), calculated by the plan as of the June 30, 2024 measurement date was \$875,789. This expense/(credit) is not recognized by the Township because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Township contributed \$2,192,676 to the plan in 2024.

At December 31, 2024, the Township had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,031,264	\$ 560,399
Changes of Assumptions	25,877	480,744
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	128,121
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contribution:	1,107,261	472,487
	\$ 2,164,402	\$ 1,641,751

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PFRS that will be recognized in future periods:

<u>Year Ending</u>	<u>Amount</u>
<u>December 31,</u>	
2025	\$ (665,944)
2026	1,040,561
2027	(102,349)
2028	20,472
2029	221,684
Thereafter	8,228
	\$ 522,651

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

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

financial statements of the local participating employers must disclose the portion of the non-employer contributing entities’ total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the non-employer contributing entities’ total proportionate share of the collective pension expense associated with the local participating employer.

Additionally, the State’s proportionate share of the PFRS net pension liability attributable to the Township is \$371,264 as of December 31, 2024. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, to the measurement date of June 30, 2024. The State’s proportion of the net pension liability associated with the Township was based on a projection of the Township’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2024 was 0.015851757%, which was an increase of 0.00129802% from its proportion measured as of June 30, 2023, which is the same proportion as the Township’s. At December 31, 2024, the Township’s and the State of New Jersey’s proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$	16,369,463
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Township		3,227,205
		\$ 19,596,668

At December 31, 2024, the State’s proportionate share of the PFRS expense, associated with the Township, calculated by the plan as of the June 30, 2024 measurement date was \$371,264.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small-Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%
	<u>100.00%</u>	

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 8. Pension Obligations (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for 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 Township’s proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's Proportionate Share of the Net Pension Liability	\$ 23,388,321	\$ 16,369,463	\$ 10,524,293
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Township	4,610,958	3,227,205	2,074,842
	\$ 27,999,279	\$ 19,596,668	\$ 12,599,135

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Township.

C. Defined Contribution Retirement Plan (DCRP)

Plan Description - DCRP was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in PERS or TPAF on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits;

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 8. Pension Plans (continued)

C. Defined Contribution Retirement Plan (DCRP) (continued)

- Employees enrolled in the Police and Firemen’s Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established “maximum compensation” limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees.

Contributions - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the Township.

For the year ended December 31, 2025, employee contributions totaled \$12,988.30, and the Township recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$4,091.86.

Note 9. Postemployment Benefits Other Than Pensions

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the year ended June 30, 2025. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2024.

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. 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>.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 9. Postemployment Benefits Other Than Pensions (continued)

General Information about the OPEB Plan

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

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 9. Postemployment Benefits Other Than Pensions (continued)

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

OPEB Obligation and OPEB (benefit) Expense - The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Township's as of June 30, 2024 was \$44,281,062.00. The Township's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2024, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The State's proportionate share of the OPEB Obligation associated with the Township was based on projection of the State's long-term contributions to the OPEB plan associated with the Township relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2024, the State proportionate share of the OPEB Obligation attributable to the Township was 0.24730500000%, which was a decrease of 0.0015360007% from its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2024, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$299,660.00 for the State's proportionate share of the OPEB (benefit) expense attributable to the Township. This OPEB (benefit) expense was based on the OPEB plans June 30, 2024 measurement date.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.5% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% decreasing to 4.5% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 9. Postemployment Benefits Other Than Pensions (continued):

	At 1% Decrease (2.93%)	At Discount Rate (3.93%)	At 1% Increase (4.93%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Township	\$ 51,582,664.89	\$ 44,281,062.00	\$ 38,433,126.99
State of New Jersey's Total Nonemployer OPEB Liability	20,857,914,273.00	17,905,445,505.00	15,540,780,410.00

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

The following presents the net OPEB liability as of June 30, 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
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Township	\$ 37,452,740.06	\$ 44,281,062.00	\$ 53,060,365.05
State of New Jersey's Total Nonemployer OPEB Liability	15,144,352,142.00	17,905,445,505.00	21,455,435,620.00

Additional Information – The following is a summary of the collective balances of the local group at June 30, 2024:

Collective Balances at December 31, 2024 and December 31, 2023

	12/31/2024	12/31/2023
Actuarial valuation date (including roll forward)	June 30, 2024	June 30, 2023
Collective Deferred Outflows of Resources	\$ 9,862,097,951.00	\$ 9,133,524,491.00
Collective Deferred Inflows of Resources	11,975,956,585.00	14,817,220,551.00
Collective Net OPEB Liability	17,905,445,505.00	15,006,539,477.00
Township's Portion	0.247305%	0.248841%

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 9. Postemployment Benefits Other Than Pensions (continued):

Year Ending June 30:	
2025	\$ (1,123,975,872.00)
2026	(483,903,543.00)
2027	(83,156,324.00)
2028	(443,334,965.00)
2029	(282,447,899.00)
Thereafter	<u>302,959,969.00</u>
	<u>\$ (2,113,858,634.00)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.89, 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2024, 2023, 2022, 2021, 2020, 2019, 2018, and 2017 amounts, respectively.

Plan Membership

At June 30, 2024, the Program membership consisted of the following:

	<u>June 30, 2024</u>
Active Plan Members	60,691
Retirees Currently Receiving Benefits	<u>28,899</u>
Total Plan Members	<u>89,590</u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the measurement date as of June 30, 2024 is as follows:

Service Cost	\$ 545,086,159.00
Interest on the Total OPEB Liability	554,448,470.00
Change of Benefit Terms	107,670,542.00
Differences Between Expected and Actual Experience	408,491,660.00
Changes of Assumptions	1,735,990,164.00
Contributions From the Employer	(399,436,504.00)
Contributions From Non-Employer Contributing Entity	(62,827,411.00)
Net Investment Income	(1,636,336.00)
Administrative Expense	<u>11,119,284.00</u>
Net Change in Total OPEB Liability	2,898,906,028.00
Total OPEB Liability (Beginning)	<u>15,006,539,477.00</u>
Total OPEB Liability (Ending)	<u>\$ 17,905,445,505.00</u>

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 10. Disaggregated Receivable and Payable Balances

There are no significant components of receivable and payable balances reported in the financial statements.

Note 11. Municipal Debt

The following schedule represents the Township's summary of debt, as filed in the Township's Annual Debt Statement required by the Local Bond Law of New Jersey for the current and two previous years:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 21,165,638.91	\$ 19,322,578.09	\$ 21,676,375.64
Total Debt Issued	21,165,638.91	19,322,578.09	21,676,375.64
Authorized but not issued:			
General:			
Bonds, Notes and Loans	5,300,476.42	5,298,056.08	2,400,770.15
Total Authorized But Not Issued	5,300,476.42	5,298,056.08	2,400,770.15
Total Gross Debt	\$ 26,466,115.33	\$ 24,620,634.17	\$ 24,077,145.79
Deductions:			
General:			
Funds on Hand For Payment of Bonds and Notes:			
Reserve for Debt Service	\$ 70,458.97	\$ 70,458.97	\$ 70,458.97
Total Deductions	70,458.97	70,458.97	70,458.97
Total Net Debt	\$ 26,395,656.36	\$ 24,550,175.20	\$ 24,006,686.82

Summary of Statutory Debt Condition - Annual Debt Statement

The following schedule is a summary of the previous schedule and is prepared in accordance with the required method of setting up the Annual Debt Statement:

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 11. Municipal Debt (continued)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 5,255,000.00	\$ 5,255,000.00	\$ -
General Debt	26,466,115.33	70,458.97	26,395,656.36
	\$ 31,721,115.33	\$ 5,325,458.97	\$ 26,395,656.36

Net Debt \$26,395,656.36 divided by the average Equalized Valuation Basis per N.J.S.A 40A:2-2 as amended, \$6,224,435,776.00, equals 0.424%. New Jersey statute 40A:2-6, as amended, limits the debt of a Municipality to 3.5% of the last three preceding year's average equalized valuations of real estate, including improvements and the assessed valuation of Class II Railroad Property. The remaining borrowing power in dollars at December 31, 2025 is calculated as follows:

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 217,855,252.16
Net Debt	26,395,656.36
Remaining Borrowing Power	\$ 191,459,595.80

General Debt

A. Serial Bonds Payable

In 2016, the Township issued \$9,975,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.00% to 3.00% and mature on December 1, 2029.

Principal and interest due on the outstanding bonds is as follows:

		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2026	\$	800,000.00	\$	67,000.00	\$	867,000.00
2027		800,000.00		51,000.00		851,000.00
2028		800,000.00		35,000.00		835,000.00
2029		800,000.00		18,000.00		818,000.00
		\$ 3,200,000.00		\$ 171,000.00		\$ 3,371,000.00

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 11. Municipal Debt (continued)

B. Bond Anticipation Notes

The following is a summary of bond anticipation notes payable accounted for in the General Capital Fund at December 31, 2025:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate</u>	<u>Balance December 31, 2025</u>
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	\$ 750,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	1,884,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	2,167,000.00
Acquisition of Real Property	5/6/2025	5/5/2026	3.75%	860,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	923,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	2,385,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	2,810,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	2,165,000.00
Various Improvements & Equipment	5/6/2025	5/5/2026	3.75%	<u>3,778,000.00</u>
				<u>\$ 17,722,000.00</u>

The purpose of these short-term borrowings was to provide resources for general capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq.

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2025, the Township had \$5,300,476.42 in various General Capital bonds and notes authorized but not issued.

D. DEP Loans Payable

New Jersey Environmental Infrastructure Trust

In 2003 the Township finalized one loan agreement with the State of New Jersey Department of Environmental Protection.

The loan consists of one agreement, a Trust Loan Agreement of \$1,024,111.00 to be repaid over a 26 year period at an interest rate of 2.00%. The proceeds of the loans are to provide for the restoration of the Dam. Future minimum payments under this agreement for the next five years and in the aggregate thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 59,103.76	\$ 7,969.47	\$ 67,073.23
2027	60,291.74	2,178.88	62,470.62
2028	61,503.61	942.66	62,446.27
2029	62,739.80	-	62,739.80
	<u>\$ 243,638.91</u>	<u>\$ 11,091.01</u>	<u>\$ 254,729.92</u>

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 11. Municipal Debt (continued)

During 2019, the State of New Jersey Department of Environmental Protection approved a loan to the Township in the amount of \$1,496,500 for repairs to the Bamber Lake Dam. There was no drawdown on the loan during the year ended December 31, 2025. A repayment schedule has yet to be determined.

Summary of Principal Debt

A summary of the changes in long-term and short-term debt of the Township is as follows:

	Balance December 31, <u>2024</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2025</u>	Balance Due Within <u>One Year</u>
General Capital:					
General Bonds	\$ 4,000,000.00	\$ -	\$ 800,000.00	\$ 3,200,000.00	\$ 800,000.00
Bond Anticipation Notes	15,021,000.00	17,722,000.00	15,021,000.00	17,722,000.00	17,722,000.00
DEP Loans	301,578.09	-	57,939.18	243,638.91	59,103.76
	<u>\$ 19,322,578.09</u>	<u>\$ 17,722,000.00</u>	<u>\$ 15,878,939.18</u>	<u>\$ 21,165,638.91</u>	<u>\$ 18,581,103.76</u>

Note 12. Deferred School Taxes

School taxes have been raised and the liability deferred by statutes. The balance of unpaid local school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, are as follows:

<u>Local Taxes</u>	<u>Balance, December 31,</u>	
	<u>2025</u>	<u>2024</u>
Total Balance of Local Tax	\$ 33,136,878.00	\$ 30,540,650.00
Deferred Taxes	<u>22,897,054.00</u>	<u>22,897,054.00</u>
Local Tax Payable	<u>\$ 10,239,824.00</u>	<u>\$ 7,643,596.00</u>

Note 13. Deferred Compensation Salary Account

The Township offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. Amounts deferred under Section 457 plans must be held in trust for the exclusive benefits of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Township's financial statements.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 14. Accrued Sick, Vacation and Compensation Time

GASB Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused vacation, sick pay and compensation time. The Township permits certain employees, within limits, to accumulate unused vacation, sick pay and compensation time, which may be taken as time off or paid at a later date at an agreed upon rate. In accordance with New Jersey accounting principles, this unused accumulated absence amount is not reported as a liability in the accompanying financial statements.

It is estimated that accrued benefits for compensated absences, in accordance with GASB Statement No. 101, are valued at \$3,230,057.68 at December 31, 2025.

The Township has established a Trust Fund in accordance with NJSA 40A:4-39 to set aside funds for future payments of compensated absences. As of December 31, 2025, the Township has reserved in the Other Trust Fund \$86,458.25 to fund compensated absences in accordance with NJSA 40A:4-39.

Note 15. Risk Management

The Township 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.

Joint Insurance Pool

The Township is a member of the Municipal Excess Liability Joint Insurance Fund. The Fund provides the Township with the following coverage

Worker's Compensation
General Liability
Employer's Liability
Auto Liability
Property Damage
Property/Boiler and Machinery
Auto Physical Damage
Employee Dishonesty Liability
Environmental Impairment Liability

New Jersey Unemployment Compensation Insurance

Contributions to the Funds are payable in two installments and are based on actuarial assumptions determined by the Funds' actuaries. The Fund publishes its own financial report for the year ended December 31, 2025 which can be obtained on the Fund's website.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 15. Risk Management (continued)

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

<u>Year</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025	\$ 68,126.98	\$ 112,515.66	\$ 15,956.39
2024	12,545.46	42,878.08	60,345.07
2023	26,580.57	78,019.26	90,677.69

Note 16. Contingencies

Grantor Agencies

The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2025, the Township estimates that no material liabilities will result from such audits.

Litigation

The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Township, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Tax Appeals

Losses arising from tax appeals are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. There are no significant pending tax appeals as of December 31, 2025.

Note 17. Tax Abatements

The Township is authorized by the New Jersey Housing and Mortgage Financing Act Law of 1983, N.J.S.A. 55:14K-1 et seq. (hereinafter “HMFA Law”), and a Resolution of the Council dated March 13, 2007, to enter into property tax abatement agreements for the purpose of attracting affordable housing. The exemption of the projects from real property taxation subject to this law shall not extend beyond the date on which the Agency Mortgage is paid in full, which according to the HMFA Law, may not exceed fifty (50) years.

**TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Note 17. Tax Abatements (continued)

For the year ended December 31, 2025, the Township abated property taxes totaling \$830,972.32 under this program, including the following tax abatement agreements that exceeded 10 percent of the total, which is the percentage the Township considers to be material for purposes of individual disclosure:

<u>Recipient</u>	<u>Purpose</u>	<u>Amount Abated</u>	<u>PILOT Billings</u>
Heritage Village @ Seabreeze LLC	Affordable Housing	\$ 501,325.50	\$ 90,000.00
Lacey Family @ Cornerstone	Affordable Housing	195,552.50	53,800.00
Lacey 2 @ Cornerstone	Affordable Housing	134,094.32	37,450.00
		<u>\$ 830,972.32</u>	<u>\$ 181,250.00</u>

Note 18. Length of Service Awards Program

The Township's length of service awards program ("LOSAP") is reported in the Township's trust fund Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents of the Township come from contributions made solely by the governing body of the Township, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The Township elected to contribute \$1,150.00 for the year ended December 31, 2025 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2025, the Township contributed a total of \$90,850.00 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The Township has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts - Each participant's account is credited with the Township's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Township has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries.

Such funds, although subject to the claims of the Township's creditors until distributed as benefit payments, are not available for funding the operations of the Township. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Township's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

TOWNSHIP OF LACEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 18. Length of Service Awards Program (continued)

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2025 payouts of \$147,897.62 were made to vested participants.

Plan Information - Additional information about the Township's length of service awards program can be obtained by contacting the Plan Administrator.

Note 19. Subsequent Events

Management has reviewed and evaluated all subsequent events through March 30, 2026, the date the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Township that would require disclosure.

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Lacey, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its Bond Anticipation Notes, Series 2026A, in the aggregate principal amount of \$_____ (the "Notes"). The Notes are being issued pursuant to various bond ordinances duly adopted by the Issuer. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

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

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

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

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

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

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

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;

12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Noteholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

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

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

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

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

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

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may

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

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

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

Date: May __, 2026

TOWNSHIP OF LACEY, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
LINDA PICARO-COVELLO,
Chief Financial Officer

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APPENDIX D
FORM OF BOND COUNSEL'S OPINION

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

May __, 2026

Mayor and Township Committee of the
Township of Lacey, in the
County of Ocean, New Jersey

RE: Township of Lacey, County of Ocean, New Jersey
\$ _____ Bond Anticipation Notes, Series 2026A

Dear Mayor and Members of the Township Committee:

We have examined a record of the proceedings relating to the issuance of \$ _____ Bond Anticipation Notes, Series 2026A (the "Notes") of the Township of Lacey, in the County of Ocean, a municipal corporation of the State of New Jersey (the "Township"). The Notes are dated May __, 2026, mature May __, 2027, and bear interest at the rate of ____% per annum payable at maturity. The Notes [are initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York, in book-entry-only form] and are not subject to redemption prior to maturity.

The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the bond ordinances described in the Certificate of Determination and Award dated the date hereof (the "Bond Ordinances"). The Notes are being issued to (i) currently refund a portion of the Township's bond anticipation notes originally issued in the amount of \$17,722,000, dated May 6, 2025 and maturing on May 5, 2026; (ii) temporarily finance the cost of various general capital improvements to be undertaken in and by the Township in the amount of \$3,705,000; and (iii) pay costs associated with the issuance of the Notes (collectively, the "Project").

In forming our opinion, we have examined certified copies of the Bond Ordinances and the unexecuted notes. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate

of the Township dated the date of the Notes (the "Non-Arbitrage Certificate") for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Township executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information or offering materials relating to the Township, the Project or the Notes, which may have been provided to any purchaser or prospective purchaser of the Notes or disclosed in any preliminary or final Official Statement distributed in connection with the offering of the Notes. Therefore, we express no opinion herein as to the adequacy or accuracy of such information or any such Official Statement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Township has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Township has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes is not includable in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Township with the covenants contained in the Bond Ordinances, the Notes and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Township in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Notes. These covenants and statements relate to, *inter alia*, the use of proceeds of the Notes and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Township will comply with the provisions of the Bond Ordinances and the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Township therewith.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Notes are valid and legally binding obligations of the Township and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to

the Notes may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting the enforcement of creditors' or other equitable rights in general.

2. Interest on the Notes and any gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

3. Assuming the Township observes its covenants with respect to compliance with the Code, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In addition, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, 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 Section 55 of the Code.

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

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Township furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

DILWORTH PAXSON LLP

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