

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 14, 2026

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED

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.

\$5,381,000

BOROUGH OF MIDDLESEX
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2026A
(Bank-Qualified) (Non-Callable)

Coupon: ___% Yield: ___% CUSIP*: _____

Dated: Date of Delivery

Due: May 5, 2027

The \$5,381,000 Bond Anticipation Notes, Series 2026A (the “Notes”) of the Borough of Middlesex, in the County of Middlesex, New Jersey (the “Borough”) 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 certificate 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 \$5,000 each or any integral multiple of \$1,000 in excess thereof 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 Borough directly to DTC or its nominee, Cede & Co. The Notes are not subject to redemption prior to maturity.

The Notes are being issued to (i) refund, on a current basis, the Borough’s \$3,401,000 bond anticipation notes, dated May 7, 2025 and maturing May 6, 2026 (the “Prior Notes”); (ii) temporarily finance the cost of new improvements and acquisitions in and by the Borough in the amount of \$1,980,000; and (iii) pay the costs associated with the issuance of the Notes.

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

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

The 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, has served as Municipal Advisor to the Borough 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 5, 2026.

**BIDS FOR THE NOTES, IN ACCORDANCE WITH THE NOTICE OF SALE,
WILL BE RECEIVED ON APRIL 21, 2026.**

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

This is a Preliminary Official Statement and the information contained herein is subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

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No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the 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 Borough 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 Borough. 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 Borough.

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**OFFICIAL STATEMENT
OF
BOROUGH OF MIDDLESEX
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
\$5,381,000 BOND ANTICIPATION NOTES, SERIES 2026A**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Middlesex (the “Borough”), in the County of Middlesex (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$5,381,000 Bond Anticipation Notes, Series 2026A by the Borough (the “Notes”).

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 Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and interest thereon. The Borough is obligated to levy *ad valorem* taxes upon all of the taxable property within the Borough 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 \$5,000 each or any integral multiple of \$1,000 in excess thereof. 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 Borough. Accordingly, the Borough 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 Note certificate will be issued for the Notes, in the aggregate principal amount of 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 affect 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 Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Borough, 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 Borough 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 Borough 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 Borough 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 Borough believes to be reliable, but the Borough 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 Borough/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 Borough/paying agent together with the duly executed assignment in form satisfactory to the Borough/paying agent; and (iii) for every exchange or registration of transfer of Notes, the Borough/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 Borough.

The Notes are being issued to (i) refund, on a current basis, the Borough's outstanding \$3,401,000 bond anticipation notes dated May 7, 2025 and maturing on May 6, 2026 (the "Prior Notes"); (ii) temporarily finance the cost of new improvements and acquisitions in and by the Borough in the amount of \$1,980,000; and (iii) pay the costs associated with the issuance of the Notes. The Notes and the improvements for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond

ordinances are described in the following table by ordinance number, description and date of final adoption and the amount to be issued for such purposes. The bond ordinances are as follows:

Note Ordinances				
Ordinance Number	Description	Amount of Prior Notes Being Refunded	Amount of New Money	Total Amount of Notes to be Issued
2095-23	Various capital improvements and the acquisition of various capital equipment, finally adopted on July 25, 2023	\$1,359,184	\$0	\$1,359,184
2104-23/ 2117-24	Mountainview Park Project, finally adopted on December 19, 2023 and amended on April 9, 2024	383,750	0	383,750
2125-24	Various capital improvements and the acquisition of various capital equipment, finally adopted on June 25, 2024	1,658,066	0	1,658,066
2154-25	Various capital improvements and the acquisition of various capital equipment, finally adopted on August 19, 2025	<u>0</u>	<u>1,980,000</u>	<u>1,980,000</u>
TOTAL:		<u>\$3,401,000</u>	<u>\$1,980,000</u>	<u>\$5,381,000</u>

SECURITY FOR THE NOTES

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

MARKET PROTECTION

The Borough does not anticipate issuing any bonds or additional notes during the remainder of calendar year 2026.

The Borough

The Borough, primarily a residential community, is located in the northwestern corner of the County. See Appendix “A” for general information regarding the Borough.

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 Borough are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Borough 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 Borough has not exceeded its statutory debt limit as of December 31, 2025.

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, 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 Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or 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 Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough 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 Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before 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 Borough 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 Borough 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 Borough is 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 Borough 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 Borough 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 Borough 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 certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access Dataport ("EMMA").

The Borough has previously entered into secondary market disclosure undertakings in accordance with the Rule with respect to its own obligations and obligations of the Middlesex County Improvement Authority for which the Borough is an obligated person. The Borough 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 Borough shall furnish a certificate of Christopher Corsini, Esquire, Somerville, New Jersey (the “Borough Attorney”), dated the date of delivery of the Notes, to the effect that, except as discussed in the following paragraph, there is no litigation of any nature pending or, to the knowledge of the Borough Attorney, 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 Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

In January 2024, the Borough and one of the Borough’s volunteer fire companies were served with a complaint alleging financial responsibility for the assault of two minors in 1982 and 1983 by a former volunteer fireman. The complaint does not specify the amount of damages sought. The Borough believes it has meritorious defenses to this lawsuit and intends to diligently defend it. However, given the nature of the allegations and uncertainty as to insurance coverage, an adverse judgment or settlement could have a material adverse effect on the financial condition of the Borough.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough 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 Borough 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 entirety by express reference to the complete provisions thereof. Copies of the Ordinances will be furnished by the Borough 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 Borough hereby states that the descriptions and statements herein relating to the Borough 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 Borough, 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 Borough 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 Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

RATING

The Notes have not been rated. The Borough currently has a long-term credit rating of “AA” from S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC (“S&P”), which was assigned, most recently, to the Borough’s General Obligation Bonds, Series 2025. Such rating reflects the view of S&P

and an explanation of the significance of the rating may be obtained from S&P. Such long-term rating is neither assigned nor applicable to the Notes.

UNDERWRITER

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

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 Borough by the Borough Attorney.

FINANCIAL STATEMENTS

Appendix “B” contains certain unaudited financial data of the Borough extracted from the Borough’s Annual Financial Statement for the Borough’s fiscal year ending December 31, 2025 and certain audited financial data of the Borough for the Borough’s fiscal year ending December 31, 2024. The unaudited financial data was compiled by Suplee, Clooney & Company, Westfield, New Jersey (the “Auditor”) and the audited financial data was extracted from the report prepared by the Auditor to the extent and for the period set forth in their report appearing in Appendix “B”. 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 to thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough's Chief Financial Officer, 1200 Mountain Avenue, Middlesex, NJ 08846, telephone (732) 356-7400, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey, 08691, telephone (609) 291-0130.

MISCELLANEOUS

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

BOROUGH OF MIDDLESEX, IN THE COUNTY OF MIDDLESEX, NEW JERSEY

Caroline Benson
Chief Financial Officer

Dated: April __, 2026

APPENDIX A
GENERAL INFORMATION REGARDING THE BOROUGH

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INFORMATION REGARDING THE BOROUGH¹

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

General Information

The Borough was initially part of the Township of Piscataway, until May 6, 1913, when it was incorporated as a separate municipal entity. George Harris was elected as the first mayor and the first Borough council was elected at the time of separation. Two constables were the law enforcement officers and were soon assisted by five appointed marshals. With a total area of approximately 3.5 square miles, the Borough is located in the northwestern corner of the County, bordering municipalities from the County of Somerset.

In 1905, the Lincoln section of the Borough organized a volunteer fire company and that set the organization of four other fire companies in the Borough.

There were already a few schools set up before the Borough became its own entity in 1913. The Harris Lane School was a one-room schoolhouse and it was the oldest school in Middlesex County, at one time. The original Pierce School was known as the East Bound Brook School House and The Parker House was also used for education until it was converted into a two family house. As the Borough grew, new schools were constructed to accommodate many more students. Our Lady of Mt. Virgin School was the first parochial school built in 1954.

With its central location in the State, the Borough is approximately 35 miles southwest of New York City, 20 miles southwest of Newark, and 60 miles northeasterly of Philadelphia. The area is easily accessible to the Ports of Newark and Elizabeth, New York, and Philadelphia. Four major airports are within 90 minutes of the Borough, including; Newark Liberty International Airport which is only 30 minutes away. The primary roadway that intersects the Borough is NJ Route 28. Several other roadways such as Interstate 287, US Route 22 and NJ Route 18 are all located nearby. Commuters in the Borough also have access to public busing services. NJ Transit offers services from the Borough to the Port Authority Bus Terminal in New York City and services to Newark.

Form of Government

The Borough operates under the borough form of State municipal government. Under this form of government, a Mayor and a six (6) member Borough Council serve as the governing body. Specifically, the Borough uses a “weak mayor/strong council” form of government in which the Borough Council acts as the legislative body, with the Mayor presiding over the meetings and voting only in the event of a tie. Each member of the governing body is elected at-large by the legal voters in the community. The Borough Council members are elected for three-year terms, on a staggered basis, with two (2) seats coming up for election each year. The Mayor is elected to a four-year term. In addition to acting as the legislative arm of the governments,

¹ Source: The Borough, unless otherwise indicated.

each member of the Borough Council serves as a liaison to specific Borough operating departments.

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 cost-sharing 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.

Utilities

The Borough maintains and operates its own sewer lines, but sewerage treatment is provided through an agreement with the Middlesex County Utilities Authority.

Public Safety

The Borough has a paid police department and an all-volunteer fire department with four companies. The Borough also has a volunteer first aid and rescue squad and Office of Emergency Management.

Public Works

The Borough has a full-service department of public works which provides garbage collection twice a week. The public works department maintains the Borough's sewer system infrastructure and maintains the Borough's parks. The public works department operates a recycling depot and has an agreement with the Middlesex County Improvement Authority for twice a month curbside recycling pickup. The public works department provides most of the overlay work for the Borough's roads with major road reconstruction outsourced. Roads are swept and cleared of snow and ice by the department.

Education

The Borough's public school system provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12) including regular and special education programs for students of the Borough. The School District operates a total of five (5) learning facilities: three (3) elementary schools, one (1) intermediate school, one (1) middle school, and one (1) high school. As a Type II school district, under State law, the school district is governed by a board of education that operates independently of the Borough. A Superintendent of Schools, appointed by the Board, serves as the chief administrative officer of the School District. The Business Administrator/Board Secretary serves as the chief financial officer of the School District and oversees the business functions and financial reporting of the School District. The Business Administrator/Board Secretary works directly with the Board.

A summary of public school enrollments for the school years 2020-21 through 2024-25 are as follows:

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2024-2025	2,056
2023-2024	2,051
2022-2023	2,024
2021-2022	1,975
2020-2021	2,011

Source: Annual Comprehensive Financial Report of the School District

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	8,094	7,729	365	4.5%
2023	8,051	7,727	324	4.0%
2022	7,953	7,645	308	3.9%
2021	7,822	7,345	477	6.1%
2020	7,925	7,149	776	9.8%
<u>County</u>				
2024	451,078	430,775	20,303	4.5%
2023	449,456	430,665	18,791	4.2%
2022	441,300	425,061	16,239	3.7%
2021	434,089	406,494	27,595	6.4%
2020	431,854	393,791	38,063	8.8%
<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>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$105,000	\$111,549	\$103,556
Median Family Income	119,507	132,880	127,025
Per Capita Income	51,617	50,601	54,253

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

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	14,874	1.63%	890,119	3.12%	9,500,851	2.28%
2020	14,636	7.34	863,162	6.58	9,288,994	5.65
2010	13,635	-0.60	809,858	7.96	8,791,894	4.49
2000	13,717	5.07	750,162	11.67	8,414,350	8.85
1990	13,055	-3.15	671,780	12.74	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Newchester Construction Co	\$24,360,000	0.94%
Cedar Rose Associates LLC	19,170,000	0.74%
Skyview Estates, Inc.	18,834,600	0.73%
JT Realty Associates, LLC	18,584,500	0.72%
207 Pond Ave., LLC	18,243,400	0.71%
Pipeline Realty Middlesex LLC	17,500,000	0.68%
Hamiltonian Gardens LLC	15,730,000	0.61%
OT Bound Brook, LLC	13,520,000	0.52%
Rosenthal Realty Management, LLP	9,649,300	0.37%
Main Land Middlesex	<u>9,375,400</u>	<u>0.36%</u>
Total	<u>\$164,967,200</u>	<u>6.38%</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>
2025U	\$54,918,505	\$54,324,478	98.92%
2024	53,501,204	52,956,823	98.98%
2023	50,970,987	50,234,835	98.56%
2022	48,681,059	48,049,723	98.70%
2021	47,453,509	46,885,652	98.80%

U=Unaudited

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2025U	\$84,409	\$522,317	\$606,725	1.10%
2024	81,911	510,388	592,299	1.11%
2023	103,610	641,049	744,659	1.46%
2022	98,313	538,142	636,455	1.31%
2021	87,720	521,992	609,712	1.28%

U=Unaudited

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2025U	\$1,423,139
2024	1,423,139
2023	1,423,139
2022	1,423,139
2021	1,423,139

U=Unaudited

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2025	\$0.643	\$1.138	\$0.339	\$2.120
2024	0.701	1.249	0.364	2.314
2023R	0.651	1.199	0.353	2.203
2022	2.843	5.548	1.500	9.891
2021	2.829	5.429	1.381	9.639

R=Revaluation

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$2,584,523,100	\$2,650,249,282	97.52%	\$2,012,200	\$2,652,261,482
2024	2,307,991,700	2,450,877,880	94.17	1,997,100	2,452,874,980
2023R	2,309,851,600	2,324,028,172	99.39	1,976,900	2,326,005,072
2022	490,809,784	2,077,941,507	23.62	497,992	2,078,439,499
2021	490,927,834	1,902,821,062	25.80	553,723	1,903,374,785

R=Revaluation

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$29,389,300	\$2,018,640,000	\$0	\$144,693,300	\$327,150,500	\$64,650,000	\$2,584,523,100
2024	29,806,600	1,774,835,900	0	131,957,000	313,372,200	58,020,000	2,307,991,700
2023R	30,796,300	1,774,109,900	0	131,559,800	315,365,600	58,020,000	2,309,851,600
2022	5,244,600	390,862,584	0	32,006,600	52,332,800	10,363,200	490,809,784
2021	5,364,800	390,742,834	0	32,160,800	52,808,200	9,851,200	490,927,834

R=Revaluation

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$1,400,000	\$1,600,000	\$1,600,000	\$925,000	\$1,290,000
Miscellaneous Revenues	5,163,346	5,412,756	6,183,603	6,557,443	6,461,456
Receipts from Delinquent Taxes	525,000	500,000	510,000	600,000	500,000
Amount to be Raised by Taxation	<u>13,904,913</u>	<u>13,968,911</u>	<u>15,034,126</u>	<u>16,185,789</u>	<u>16,613,629</u>
Total Revenue:	<u>\$20,993,259</u>	<u>\$21,481,667</u>	<u>\$23,327,729</u>	<u>\$24,268,232</u>	<u>\$24,865,085</u>
<u>Appropriations</u>					
General Appropriations	\$14,906,795	\$15,162,525	\$16,310,244	\$17,193,066	\$17,778,691
Operations (Excluded from CAPS)	3,270,305	3,211,795	3,653,037	3,755,456	3,889,709
Deferred Charges and Statutory Expenditures	0	26,480	69,398	108,634	12,448
Judgments	0	20,000	20,000	0	0
Capital Improvement Fund	80,000	200,000	200,000	150,000	150,000
Municipal Debt Service	1,961,158	2,085,867	2,300,050	2,286,076	2,259,237
Reserve for Uncollected Taxes	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>	<u>775,000</u>
Total Appropriations:	<u>\$20,993,259</u>	<u>\$21,481,667</u>	<u>\$23,327,729</u>	<u>\$24,268,232</u>	<u>\$24,865,085</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025U	\$2,873,759	N/A
2024	3,007,758	1,290,000
2023	2,543,256	925,000
2022	3,109,882	1,600,000
2021	2,741,285	1,600,000

U: Unaudited
Source: Annual Audit Reports of the Borough

Swimming Pool Utility Operating Fund

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

Fund Balance - Swimming Pool Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2025U	\$163,861	N/A
2024	203,525	52,695
2023	230,773	73,010
2022	245,034	38,658
2021	213,392	61,528

U: Unaudited

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2025

General Purpose Debt

Serial Bonds	\$9,520,000
Bond Anticipation Notes	3,401,000
Bonds and Notes Authorized but Not Issued	2,757,991
Other Bonds, Notes and Loans	<u>2,089,645</u>
Total:	\$17,768,636

Local School District Debt

Serial Bonds	\$5,950,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$5,950,000

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	156,330
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$156,330

TOTAL GROSS DEBT

\$23,874,966

Less: Statutory Deductions	
General Purpose Debt	\$40,038
Local School District Debt	5,950,000
Self-Liquidating Debt	<u>0</u>
Total:	\$5,990,038

TOTAL NET DEBT

\$17,884,928

Source: Annual Debt Statement of the Borough

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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>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$5,950,000	100.00%	\$5,950,000
County	844,209,499	1.52%	<u>12,814,743</u>
Net Indirect Debt			\$18,764,743
Net Direct Debt			<u>17,884,928</u>
Total Net Direct and Indirect Debt			<u>\$36,649,671</u>

Debt Limit (as of December 31, 2025)

Average Equalized Valuation Basis (2023, 2024, 2025)	\$2,432,144,770
Permitted Debt Limitation (3 1/2%)	85,125,067
Less: Net Debt	<u>17,884,928</u>
Remaining Borrowing Power	<u>\$67,240,139</u>
Percentage of Net Debt to Average Equalized Valuation	0.735%
Gross Debt Per Capita based on 2020 population of 14,636	\$1,631
Net Debt Per Capita based on 2020 population of 14,636	\$1,222

Source: Annual Debt Statement of the Borough

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

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APPENDIX B
FINANCIAL INFORMATION REGARDING THE BOROUGH

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INDEPENDENT AUDITOR'S REPORT

COMPILATION REPORT

AUDITED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

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SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Middlesex
County of Middlesex
Middlesex, New Jersey 08846

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

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

SUPLEE, CLOONEY & COMPANY LLC

Basis for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the regulatory financial statements in accordance with the regulatory basis of accounting prescribed by the Division, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the regulatory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

SUPLEE, CLOONEY & COMPANY LLC

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY LLC
Certified Public Accountants

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

March 26, 2025



SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Middlesex
County of Middlesex
Middlesex, New Jersey 07080

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2024 Annual Financial Statement (AFS) of the Borough of Middlesex, County of Middlesex, New Jersey as of December 31, 2025 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information, that is the representation of management of the Borough of Middlesex. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Borough of Middlesex has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough of Middlesex's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY LLC
Certified Public Accountants

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

March 19, 2026

BOROUGH OF MIDDLESEX

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Current Fund:			
Cash	\$ 7,079,646.26	\$ 7,156,786.78	\$ 6,146,340.71
Cash-Change Fund	500.00	500.00	500.00
Due State of NJ-Senior Citizen and Veteran Deductions	5,651.55	3,733.71	2,454.31
	<u>\$ 7,085,797.81</u>	<u>\$ 7,161,020.49</u>	<u>\$ 6,149,295.02</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	\$ 522,316.51	\$ 510,387.57	\$ 641,049.09
Tax Title Liens	84,408.77	81,910.98	103,610.30
Property Acquired for Taxes	1,423,139.00	1,423,139.00	1,423,139.00
Sewer Flow Charges Receivable	58,206.64	68,919.53	48,597.01
Revenue Accounts Receivable		22,716.84	14,153.48
Interfunds Receivable	133,232.93	174,980.04	125,840.19
	<u>\$ 2,221,303.85</u>	<u>\$ 2,282,053.96</u>	<u>\$ 2,356,389.07</u>
	<u>\$ 9,307,101.66</u>	<u>\$ 9,443,074.45</u>	<u>\$ 8,505,684.09</u>
Grant Fund:			
Grants Receivable	\$ 1,058,947.26	\$ 1,116,190.18	\$ 1,072,143.20
	<u>\$ 1,058,947.26</u>	<u>\$ 1,116,190.18</u>	<u>\$ 1,072,143.20</u>
	<u>\$ 10,366,048.92</u>	<u>\$ 10,559,264.63</u>	<u>\$ 9,577,827.29</u>

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

BOROUGH OF MIDDLESEX

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	\$ 714,889.12	\$ 1,003,318.69	\$ 1,029,043.75
Encumbrances	219,842.73	170,802.61	222,587.65
Due County Added/Omitted Taxes	13,417.98	7,569.39	6,624.81
Local School Taxes Payable	2,108,916.00	1,823,305.00	1,376,018.00
Prepaid Taxes	331,739.59	266,944.80	259,821.65
Tax Overpayments	228,722.60	228,722.60	225,648.11
Various Accounts Payable	99,617.47	195,339.21	114,805.47
Various Reserves	414,379.79	377,168.07	292,274.80
Interfunds Payable	80,513.61	80,092.33	79,214.52
	<u>\$ 4,212,038.89</u>	<u>\$ 4,153,262.70</u>	<u>\$ 3,606,038.76</u>
Reserve for Receivables and Other Assets	2,221,303.85	2,282,053.96	2,356,389.07
Fund Balance	<u>2,873,758.92</u>	<u>3,007,757.79</u>	<u>2,543,256.26</u>
	<u>\$ 9,307,101.66</u>	<u>\$ 9,443,074.45</u>	<u>\$ 8,505,684.09</u>
Grant Fund:			
Grants-Appropriated	\$ 981,573.90	\$ 1,036,063.83	\$ 1,016,655.09
Grants-Unappropriated	8,882.78		
Encumbrances Payable	58,978.33	28,871.11	53,930.42
Interfunds Payable	9,512.25	51,255.24	1,557.69
	<u>\$ 1,058,947.26</u>	<u>\$ 1,116,190.18</u>	<u>\$ 1,072,143.20</u>
	<u>\$ 10,366,048.92</u>	<u>\$ 10,559,264.63</u>	<u>\$ 9,577,827.29</u>

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

BOROUGH OF MIDDLESEX

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

<u>REVENUE AND OTHER INCOME REALIZED</u>	YEAR ENDED DECEMBER 31, 2025 (Unaudited)	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
Fund Balance Utilized	\$ 1,290,000.00	\$ 925,000.00	\$ 1,600,000.00
Miscellaneous Revenue Anticipated	6,540,099.26	6,992,228.74	6,400,444.52
Receipts From Delinquent Taxes	510,730.57	663,644.19	539,641.73
Receipts From Current Taxes	54,324,477.72	52,956,823.41	50,234,834.94
Non-Budget Revenue	198,221.07	107,126.44	196,481.62
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	729,401.96	717,618.81	756,975.76
Interfunds Returned	41,742.99		
Statutory Animal Control Excess		4,239.31	4,829.59
<u>TOTAL INCOME</u>	<u>\$ 63,634,673.57</u>	<u>\$ 62,366,680.90</u>	<u>\$ 59,733,208.16</u>
 <u>EXPENDITURES</u> 			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	\$ 8,326,809.00	\$ 8,213,394.00	\$ 7,738,039.00
Other Expenses	10,926,534.00	10,468,644.25	9,874,437.00
Municipal Debt Service	2,259,084.75	2,320,522.07	2,300,049.91
Capital Improvement Fund	150,000.00	150,000.00	200,000.00
Public and Private Programs Offset by Revenues	288,924.45	317,567.12	448,980.14
Deferred Charges and Statutory Expenditures	2,302,193.82	2,200,240.24	2,232,042.03
Judgments			20,000.00
County Taxes	8,798,497.61	8,410,502.84	8,154,016.70
Local District School Tax	29,418,564.00	28,847,169.00	27,726,570.00
Interfunds Advanced	8,064.81	49,139.85	5,699.11
<u>TOTAL EXPENDITURES</u>	<u>\$ 62,478,672.44</u>	<u>\$ 60,977,179.37</u>	<u>\$ 58,699,833.89</u>
Excess in Revenue	\$ 1,156,001.13	\$ 1,389,501.53	\$ 1,033,374.27
Fund Balance, January 1	<u>3,007,757.79</u>	<u>2,543,256.26</u>	<u>3,109,881.99</u>
	\$ 4,163,758.92	\$ 3,932,757.79	\$ 4,143,256.26
Decreased by:			
Utilized as Anticipated Revenue	<u>1,290,000.00</u>	<u>925,000.00</u>	<u>1,600,000.00</u>
Fund Balance, December 31	<u>\$ 2,873,758.92</u>	<u>\$ 3,007,757.79</u>	<u>\$ 2,543,256.26</u>

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

BOROUGH OF MIDDLESEX

CURRENT FUND

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

	<u>BUDGET</u>		<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
	<u>ADOPTED</u>	<u>NJSA 40A:4-87</u>		
Fund Balance Anticipated	\$ 925,000.00		\$ 925,000.00	
Miscellaneous Revenues:				
Alcoholic Beverage Licenses	\$ 16,500.00		\$ 16,553.20	\$ 53.20
Other Licenses	38,900.00		37,467.00	(1,433.00)
Fees and Permits:				
Construction Code Official	333,600.00		476,477.00	142,877.00
Other	16,600.00		22,796.47	6,196.47
Municipal Court - Fines and Costs	136,900.00		224,859.01	87,959.01
Interest and Costs on Taxes	134,600.00		123,491.33	(11,108.67)
Interest on Investments and Deposits	120,300.00		156,898.20	36,598.20
Sewer Rents Receivable	850,000.00		805,213.34	(44,786.66)
Payment in Lieu of Taxes - Presbyterian Homes	60,200.00		64,151.87	3,951.87
Payment in Lieu of Taxes - 150 Lofts, LLC	325,597.00		325,597.32	0.32
Payment in Lieu of Taxes - Midmarket Urban Renewal	51,014.00		52,814.40	1,800.40
Energy Receipts Tax	1,801,038.00		1,801,037.52	(0.48)
Municipal Relief Fund	185,644.64		185,644.64	
Alcohol Education and Rehabilitation		2,819.43	2,819.43	
American Rescue Plan Grant - 2024	21,000.00		21,000.00	
Body Armor Replacement Fund - Federal	2,275.52		2,275.52	
Body Armor Replacement Fund - State of New Jersey	2,355.66		2,355.66	
Clean Communities		37,082.09	37,082.09	
CDBG - County HUD Funds	63,854.00		63,854.00	
Distracted Driving Grant - 2023	7,000.00		7,000.00	
Drunk Driving Enforcement Fund		10,799.87	10,799.87	
Local Recreation Improvement Grant		65,000.00	65,000.00	
Municipal Alliance on Alcoholism & Drug Abuse	7,978.00		7,978.00	
National Opioid Settlement		33,488.08	33,488.08	
Older Americans Act - Information Assistance	7,000.00		7,000.00	
Older Americans Act - Transportation Assistance	10,000.00		10,000.00	
Recycling Tonnage Grant	16,919.97		16,919.97	
Safe Driving and Awareness Grants		28,000.00	28,000.00	
General Capital Fund Balance	200,000.00		200,000.00	
Cable Franchise Fees	88,613.76		88,613.76	
Host Community Benefit Funds	54,400.00		44,982.27	(9,417.73)
Payment in Lieu of Taxes - RG Middlesex Urban Renewal, LLC	501,079.00		501,079.64	0.64
Payment in Lieu of Taxes - The View at 220 Lincoln Blvd	186,456.00		186,456.32	0.32
Payment in Lieu of Taxes - CP Middlesex, LLC	319,500.00		319,561.93	61.93
Payment in Lieu of Taxes - The View at 220 Lincoln Blvd	329,815.08		329,815.08	
Payment in Lieu of Taxes - 150 Lofts, LLC	98,421.00		98,421.00	
Reserve for Payment of Debt Service	146,580.21		146,580.21	
Hazardous Waste Facilities Siting Act	100,000.00		100,000.00	
School Garbage Reimbursement	36,844.00		34,387.72	(2,456.28)
Interfund - Statutory Excess Due from Animal Trust	4,811.93		4,811.93	
Rental Registration Fees	36,000.00		83,300.00	47,300.00
Sale of Municipal Assets	231,000.00		231,000.00	
Sale of Municipal Assets - Cell Tower	14,644.96		14,644.96	
<u>Sub-Total Miscellaneous Revenues</u>	<u>\$ 6,557,442.73</u>	<u>\$ 177,189.47</u>	<u>\$ 6,992,228.74</u>	<u>\$ 257,596.54</u>
Receipts From Delinquent Taxes	\$ 600,000.00		\$ 663,644.19	\$ 63,644.19
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 15,410,454.93		\$ 15,698,817.32	\$ 288,362.39
Minimum Library Tax	775,334.25		775,334.25	
	<u>16,185,789.18</u>		<u>16,474,151.57</u>	<u>288,362.39</u>
<u>Budget Totals</u>	<u>\$ 24,268,231.91</u>	<u>\$ 177,189.47</u>	<u>\$ 25,055,024.50</u>	<u>\$ 609,603.12</u>
Non-Budget Revenues			107,126.44	107,126.44
	<u>\$ 24,268,231.91</u>	<u>\$ 177,189.47</u>	<u>\$ 25,162,150.94</u>	<u>\$ 716,729.56</u>

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

BOROUGH OF MIDDLESEX

CURRENT FUND

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

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:			
Revenue From Collections		\$	52,956,823.41
Allocated to:			
Local District School Taxes	\$	28,847,169.00	
County Taxes		<u>8,410,502.84</u>	
			<u>37,257,671.84</u>
Balance for Support of Municipal Budget Appropriations	\$	15,699,151.57	
Add: Appropriation "Reserve for Uncollected Taxes"		<u>775,000.00</u>	
Amount for Support of Municipal Budget Appropriations	\$		<u><u>16,474,151.57</u></u>

Interest on Investments and Deposits			
Cash Receipts	\$	154,263.83	
Due from Trust Payroll Fund		<u>2,634.37</u>	
	\$		<u><u>156,898.20</u></u>

ANALYSIS OF NON-BUDGET REVENUE

Duplicate Tax Bill Fees	\$	485.00	
Library Health Contributions		45,204.32	
Property Tax Lists		170.00	
Outside Police Admin Fees		21,142.50	
Abandoned Property Registration		6,000.00	
Bulk Ticket & Pickups		250.00	
FEMA		3,224.44	
Senior Citizens' and Veterans' Administrative Fee		1,471.08	
Miscellaneous		<u>29,179.10</u>	
	\$		<u><u>107,126.44</u></u>
Sewer Rents Receivable			
Cash Receipts	\$	809,719.39	
Less: Refunds		<u>4,506.05</u>	
	\$		<u><u>805,213.34</u></u>

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

BOROUGH OF MIDDLESEX
CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration:					
Salaries and Wages	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$	
Other Expenses	37,900.00	37,900.00	21,830.75	16,069.25	
Postage for All Departments					
Other Expenses	25,000.00	25,000.00	20,374.51	4,625.49	
Printing and Advertising					
Other Expenses	18,000.00	18,000.00	11,058.73	6,941.27	
Mayor and Council:					
Salaries and Wages	8,800.00	8,800.00	8,799.84	0.16	
Other Expenses	6,000.00	6,000.00	5,912.17	87.83	
Municipal Clerk:					
Salaries and Wages	208,500.00	208,500.00	208,079.93	420.07	
Other Expenses	12,100.00	12,100.00	10,276.50	1,823.50	
Elections	12,000.00	12,000.00	9,502.61	2,497.39	
Financial Administration:					
Salaries and Wages	168,500.00	168,500.00	166,779.87	1,720.13	
Other Expenses	51,300.00	51,300.00	37,614.75	13,685.25	
Audit	40,000.00	40,000.00	38,800.00	1,200.00	
Assessment of Taxes:					
Salaries and Wages	36,500.00	36,500.00	36,414.02	85.98	
Other Expenses	4,000.00	4,000.00	3,787.12	212.88	
Collection of Taxes:					
Salaries and Wages	126,500.00	126,500.00	126,378.17	121.83	
Other Expenses	6,860.00	6,860.00	5,327.56	1,532.44	
Legal Services and Costs:					
Other Expenses	180,000.00	185,000.00	170,068.92	14,931.08	
Computer Data Services					
Other Expenses	308,150.00	308,150.00	265,018.01	43,131.99	
Engineering Services and Costs:					
Other Expenses	58,500.00	58,500.00	20,357.65	38,142.35	
Environmental Legal & Engineering Services:					
Other Expenses	23,000.00	13,000.00	5,421.10	7,578.90	

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

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Purchasing Agent:					
Other Expenses	\$ 1,750.00	\$ 1,750.00	\$ 637.72	\$ 1,112.28	\$
Joint Land Use Board:					
Salaries and Wages	5,000.00	5,000.00	3,500.00	1,500.00	
Other Expenses	14,000.00	9,000.00	2,300.69	6,699.31	
Code Enforcement					
Salaries and Wages	60,000.00	60,000.00	51,890.65	8,109.35	
Other Expenses	7,000.00	7,000.00	1,121.50	5,878.50	
PUBLIC SAFETY					
Police:					
Salaries and Wages	4,220,000.00	4,185,000.00	4,072,765.94	112,234.06	
Other Expenses	140,100.00	140,100.00	126,732.59	13,367.41	
Juvenile Conference Committee:					
Salaries and Wages	2,215.00	2,215.00	2,215.00	100.00	
Other Expenses	100.00	100.00			
Fire Department:					
Other Expenses	200,400.00	200,400.00	199,420.40	979.60	
Rescue Squad Contribution					
Other Expenses	20,000.00	20,000.00	20,000.00		
Emergency Management Service:					
Salaries and Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	16,750.00	16,750.00	5,291.49	11,458.51	
Public Defender:					
Other Expenses	10,000.00	12,500.00	10,725.00	1,775.00	
Fire Hydrant Service					
Other Expenses	220,000.00	220,000.00	201,053.17	18,946.83	
Municipal Prosecutor					
Other Expenses	28,000.00	28,000.00	25,666.66	2,333.34	
Municipal Court:					
Salaries and Wages	210,000.00	210,000.00	204,706.96	5,293.04	
Other Expenses	10,700.00	12,200.00	10,170.41	2,029.59	

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

BOROUGH OF MIDDLESEX

"A-3"
SHEET #3

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>PUBLIC WORKS</u>					
Road Department:					
Salaries and Wages	\$ 918,000.00	\$ 903,000.00	\$ 880,793.00	\$ 22,207.00	\$
Other Expenses	130,000.00	140,000.00	121,194.74	18,805.26	
Garbage and Trash Removal:					
Salaries and Wages	418,000.00	418,000.00	410,219.84	7,780.16	
Other Expenses	50,000.00	50,000.00	46,561.30	3,438.70	
Solid Waste Collection:					
Salaries and Wages	175,000.00	175,000.00	166,253.90	8,746.10	
Building and Grounds:					
Salaries and Wages	57,500.00	57,500.00	57,349.80	150.20	
Other Expenses	120,000.00	120,000.00	119,118.66	881.34	
Community Services Act Condo:					
Other Expenses	45,000.00	45,000.00	44,739.13	260.87	
Shade Tree Commission:					
Salaries and Wages	2,665.00	2,665.00	2,658.51	6.49	
Other Expenses	55,000.00	60,000.00	59,873.60	126.40	
Rental of Rescue Squad Building and Services:					
Other Expenses	10,000.00	10,000.00	7,200.00	2,800.00	
<u>HEALTH AND HUMAN SERVICES</u>					
Board of Health:					
Other Expenses	84,000.00	84,000.00	80,092.51	3,907.49	
Senior Nutrition Program:					
Salaries and Wages	22,650.00	17,650.00	15,910.00	1,740.00	
Animal Control Services:					
Other Expenses	36,000.00	36,000.00	27,700.00	8,300.00	
Title III Senior Medical Transportation:					
Salaries and Wages	39,100.00	34,100.00	34,075.00	25.00	
Title III Information & assistance Program:					
Salaries and Wages	40,300.00	35,300.00	30,979.40	4,320.60	

CURRENT FUND

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

	APPROPRIATIONS		BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET			PAID OR CHARGED	RESERVED	
PARKS AND RECREATION						
Parks & Playgrounds:						
Salaries and Wages	\$ 547,000.00	\$	537,000.00	\$ 521,276.38	\$	15,723.62
Other Expenses	76,550.00		76,550.00	71,465.40		5,084.60
Housing and Community Advisory Board:						
Salaries and Wages	500.00		500.00	375.00		125.00
Other Expenses	100.00		100.00			100.00
Beautification Committee						
Other Expenses	1,000.00		1,000.00	278.63		721.37
Multi-Family Solid Waste Collection						
Other Expenses	30,000.00		30,000.00	26,375.90		3,624.10
Recreation Service & Programs						
Salaries and Wages	91,000.00		91,000.00	62,931.93		28,068.07
Other Expenses	25,000.00		25,000.00	10,521.82		14,478.18
Senior Bus Transportation:						
Other Expenses	4,500.00		4,500.00	2,525.59		1,974.41
Senior Citizen Coordinator:						
Salaries and Wages	70,000.00		70,000.00	69,590.97		409.03
Other Expenses	23,900.00		23,900.00	22,437.88		1,462.12
	210,000.00		210,000.00	209,077.76		922.24
	6,300.00		7,300.00	5,793.64		1,506.36
STATE UNIFORM CONSTRUCTION CODE						
Construction Code Official:						
Salaries and Wages						
Other Expenses						

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>INSURANCE</u>					
Temporary Disability Insurance	\$ 31,200.00	\$ 31,200.00	\$ 29,673.62	\$ 1,526.38	\$
Long Term Disability Insurance	21,500.00	21,500.00	20,790.34	709.66	
General Liability Insurance	330,000.00	330,000.00	325,968.58	4,031.42	
Workmen's Compensation	220,500.00	220,500.00	220,464.78	35.22	
Employee Group Insurance	3,117,920.00	3,117,920.00	3,033,673.86	84,246.14	
Health Insurance Waiver	30,000.00	30,000.00	30,000.00		
Other Expenses					
Flood Plain Management	13,000.00	15,500.00	11,392.50	4,107.50	
Other Expenses					
<u>Utility Expenses & Purchases:</u>					
Electricity	190,000.00	190,000.00	172,334.07	17,665.93	
Street Lighting	185,000.00	185,000.00	159,149.95	25,850.05	
Telephones	70,000.00	70,000.00	55,539.63	14,460.37	
Water	40,000.00	48,000.00	43,872.21	4,127.79	
Natural Gas	30,000.00	30,000.00	27,113.31	2,886.69	
Fuel Oil	75,000.00	80,000.00	80,000.00		
Gasoline	110,000.00	120,000.00	120,000.00		
Sewerage Processing & Disposal:					
Salaries and Wages	128,000.00	128,000.00	112,666.44	15,333.56	
Other Expenses	26,150.00	26,150.00	23,918.47	2,231.53	
<u>LANDFILL/SOLID WASTE DISPOSAL COSTS</u>					
Other Expenses	425,000.00	425,000.00	356,438.05	68,561.95	

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

BOROUGH OF MIDDLESEX
CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>UNCLASSIFIED</u>					
Celebration of Public Events:					
Other Expenses	\$ 25,500.00	\$ 25,500.00	\$ 21,548.53	\$ 3,951.47	\$
Accumulated Sick Leave Compensation Salaries and Wages	75,000.00	75,000.00	75,000.00		
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	15,091,460.00	15,051,960.00	14,297,915.02	754,044.98	
Contingent	15,000.00	15,000.00		15,000.00	
<u>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</u>	15,106,460.00	15,066,960.00	14,297,915.02	769,044.98	
Detail:					
Salaries and Wages	8,001,730.00	7,926,730.00	7,691,688.31	235,041.69	
Other Expenses	7,104,730.00	7,140,230.00	6,606,226.71	534,003.29	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.) Contribution to:	365,000.00	370,000.00	365,787.81	4,212.19	
Public Employee's Retirement System	564,592.00	564,592.00	564,592.00		
Police and Firemen's Retirement Fund	1,143,014.00	1,143,014.00	1,143,014.00		
Defined Contribution Retirement Plan	14,000.00	14,000.00	11,189.14	2,810.86	
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	2,086,606.00	2,091,606.00	2,084,582.95	7,023.05	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	17,193,066.00	17,158,566.00	16,382,497.97	776,068.03	

BOROUGH OF MIDDLESEX
CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library	\$ 775,334.25	\$ 775,334.25	\$ 775,334.25	\$	
MCUA - Sewer Authority - Contractual	1,600,000.00	1,600,000.00	1,582,304.72	17,695.28	
Piscataway Sewerage Authority - Share of Costs	350,000.00	350,000.00	245,004.62	104,995.38	
LOSAP	60,000.00	60,000.00		60,000.00	
<u>INSURANCE</u>					
Employee Group Insurance	57,080.00	57,080.00	57,080.00		
Stormwater Pollution Programs:					
NJPDES/Stormwater Permit	286,664.00	286,664.00	286,664.00		
Salaries and Wages	3,000.00	3,000.00	3,000.00		
Other Expenses					
<u>SHARED SERVICE AGREEMENTS</u>					
County Curbside Collection Program:					
Other Expenses	265,000.00	265,000.00	220,440.00	44,560.00	
Emergency Dispatch Services:					
Other Expenses	218,000.00	218,000.00	218,000.00		
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
Alcohol Education and Rehabilitation (40A:4-87 - \$2,819.43)		2,819.43	2,819.43		
American Rescue Plan Grant - 2024	21,000.00	21,000.00	21,000.00		
Body Armor Grant - Federal	2,275.52	2,275.52	2,275.52		
Body Armor Grant - State	2,355.66	2,355.66	2,355.66		
CDBG	63,854.00	63,854.00	63,854.00		
Clean Communities Program (40A:4-87 - \$37,082.09)		37,082.09	37,082.09		
Distracted Driving Grant - 2023	7,000.00	7,000.00	7,000.00		
Drunk Driving Enforcement Fund (40A:87 + \$10,799.87)		10,799.87	10,799.87		
Local Recreation Improvement Grant (40A:4-87 + \$65,000.00)		65,000.00	65,000.00		
Municipal Alliance on Alcohol & Drug Abuse	7,978.00	7,978.00	7,978.00		
Municipal Alliance on Alcohol & Drug Abuse - Match	1,994.50	1,994.50	1,994.50		
National Opioid Settlement (40A:4-87 - \$33,488.08)		33,488.08	33,488.08		
Older Americans Act	17,000.00	17,000.00	17,000.00		
Recycling Tonnage Grant	16,919.97	16,919.97	16,919.97		
Safe Driving and Awareness Grants (40A:4-87 + 28,000.00)		28,000.00	28,000.00		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>3,755,455.90</u>	<u>3,932,645.37</u>	<u>3,705,394.71</u>	<u>227,250.66</u>	

BOROUGH OF MIDDLESEX
CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$	\$
TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"	150,000.00	150,000.00	150,000.00		
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	1,341,472.00	1,341,472.00	1,341,472.00		
Payment of Bond Anticipation Notes and Capital Notes	200,000.00	200,000.00	200,000.00		
Interest on Bonds	263,650.00	263,650.00	263,650.00		
Interest on Notes	369,590.50	369,590.50	369,590.50		
NJEIT Loan	111,363.27	145,863.27	145,809.57		53.70
TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"	2,286,075.77	2,320,575.77	2,320,522.07		53.70
<u>DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>					
Deferred Charges to Future Taxation - Unfunded					
Ordinance 1715-14	\$ 69,476.44	\$ 69,476.44	\$ 69,476.44	\$	
Ordinance 1808-12	34,334.53	34,334.53	34,334.53		
Ordinance 1857-14	4,823.27	4,823.27	4,823.27		
TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"	\$ 108,634.24	\$ 108,634.24	\$ 108,634.24	\$	\$

CURRENT FUND

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

	APPROPRIATIONS	BUDGET AFTER MODIFICATION	PAYD OR CHARGED	EXPENDED	RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET					
	6,300,165.91	6,511,855.38	6,284,551.02	227,250.66		53.70
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>23,493,231.91</u>	<u>23,670,421.38</u>	<u>22,667,048.99</u>	<u>1,003,318.69</u>		<u>53.70</u>
SUB-TOTAL GENERAL APPROPRIATIONS	<u>775,000.00</u>	<u>775,000.00</u>	<u>775,000.00</u>			
RESERVE FOR UNCOLLECTED TAXES						
TOTAL GENERAL APPROPRIATIONS	<u>\$ 24,268,231.91</u>	<u>\$ 24,445,421.38</u>	<u>\$ 23,442,048.99</u>	<u>\$ 1,003,318.69</u>		<u>\$ 53.70</u>
Amendment by (NJSA 40A:4-87) Budget	\$ 177,189.47	24,268,231.91				
	<u>\$ 24,445,421.38</u>					
Reserve for Uncollected Taxes			\$ 775,000.00			
Encumbrances Payable			170,802.61			
Reserve for Grants Appropriated			317,567.12			
Disbursements			<u>22,178,679.26</u>			
			<u>\$ 23,442,048.99</u>			

BOROUGH OF MIDDLESEX

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

<u>A S S E T S</u>	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Assessment Fund:			
Cash	\$ 4,095.77	\$ 4,095.77	\$ 4,095.77
Assessment Receivable	1,470.00	1,470.00	1,470.00
	<u>\$ 5,565.77</u>	<u>\$ 5,565.77</u>	<u>\$ 5,565.77</u>
Animal Control Fund:			
Cash	\$ 22,303.33	\$ 18,194.93	\$ 18,998.93
	<u>\$ 22,303.33</u>	<u>\$ 18,194.93</u>	<u>\$ 18,998.93</u>
Other Trust Fund:			
Cash	\$ 4,453,900.68	\$ 4,052,658.93	\$ 4,203,264.27
Due Current Fund	80,513.61	80,092.33	79,214.52
	<u>\$ 4,534,414.29</u>	<u>\$ 4,132,751.26</u>	<u>\$ 4,282,478.79</u>
Escrow Trust Fund:			
Cash	\$ 745,822.02	\$ 844,969.28	\$ 914,827.75
	<u>\$ 745,822.02</u>	<u>\$ 844,969.28</u>	<u>\$ 914,827.75</u>
Payroll Trust Fund:			
Cash	\$ 112,912.38	\$ 128,418.32	\$ 125,100.30
	<u>\$ 112,912.38</u>	<u>\$ 128,418.32</u>	<u>\$ 125,100.30</u>
Public Assistance Trust Fund:			
Cash	\$ 9,838.95	\$ 9,838.69	\$ 9,837.89
	<u>\$ 9,838.95</u>	<u>\$ 9,838.69</u>	<u>\$ 9,837.89</u>
	<u>\$ 5,430,856.74</u>	<u>\$ 5,139,738.25</u>	<u>\$ 5,356,809.43</u>

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

BOROUGH OF MIDDLESEX

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Fund Balance	\$ 5,565.77	\$ 5,565.77	\$ 5,565.77
	<u>\$ 5,565.77</u>	<u>\$ 5,565.77</u>	<u>\$ 5,565.77</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	\$ 13,234.43	\$ 9,099.03	\$ 9,348.41
Due Current Fund	9,068.90	9,068.90	9,641.52
Due to State of New Jersey		27.00	9.00
	<u>\$ 22,303.33</u>	<u>\$ 18,194.93</u>	<u>\$ 18,998.93</u>
Other Trust Fund:			
Reserve For:			
State Unemployment Compensation Insurance	\$ 167,174.43	\$ 170,531.91	\$ 162,340.04
Various Trust Deposits	4,367,240.12	3,962,219.35	4,120,138.75
	<u>\$ 4,534,414.55</u>	<u>\$ 4,132,751.26</u>	<u>\$ 4,282,478.79</u>
Escrow Trust Fund:			
Developers' Escrow - Water & Soil	\$ 20,576.40	\$ 20,576.40	\$ 20,576.40
Developers' Escrow Funds	725,245.62	824,392.88	894,251.35
	<u>\$ 745,822.02</u>	<u>\$ 844,969.28</u>	<u>\$ 914,827.75</u>
Payroll Trust Fund:			
Payroll Deductions Payable	\$ 112,479.22	\$ 128,281.04	\$ 124,977.94
Due Current Fund	433.16	137.28	122.36
	<u>\$ 112,912.38</u>	<u>\$ 128,418.32</u>	<u>\$ 125,100.30</u>
Public Assistance Trust Fund:			
Reserve for Public Assistance	\$ 9,838.69	\$ 9,838.69	\$ 9,837.89
	<u>\$ 9,838.69</u>	<u>\$ 9,838.69</u>	<u>\$ 9,837.89</u>
	<u>\$ 5,430,856.74</u>	<u>\$ 5,139,738.25</u>	<u>\$ 5,356,809.43</u>

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

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BOROUGH OF MIDDLESEX

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023, December 31, 2024 and
December 31, 2025 (Unaudited)

\$ 5,565.77

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

BOROUGH OF MIDDLESEXGENERAL CAPITAL FUNDBALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>A S S E T S</u>			
Cash	\$ 1,051,968.29	\$ 2,227,397.36	\$ 2,268,273.65
Grants - In - Aid, Loans and Oter Receivable	2,381,534.43	2,379,718.08	1,667,759.27
Deferred Charges to Future Taxation:			
Funded	11,609,645.28	7,769,609.77	8,170,816.10
Unfunded	6,158,990.90	9,728,381.46	9,187,302.00
	<u>\$ 21,202,138.90</u>	<u>\$ 22,105,106.67</u>	<u>\$ 21,294,151.02</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	\$ 3,401,000.00	\$ 7,854,000.00	\$ 6,177,000.00
General Serial Bonds Payable	9,520,000.00	5,621,500.00	6,905,000.00
Contracts Payable	2,124,163.07	4,049,702.75	1,543,402.37
Capital Improvement Fund	296,179.40	251,766.40	189,426.40
Reserve for Grant Receivable	94,654.19	94,654.19	94,654.19
Reserve for Insurance Refund	4,838.08	4,838.08	4,838.08
Reserve for Payment of Debt Service	40,038.38	77,440.44	146,580.21
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	911,470.85	951,623.00	370,041.02
Environmental Infrastructure Fund Loans	1,178,174.43	1,196,486.77	895,775.08
Improvement Authorizations:			
Funded	498,519.58		1,157,648.10
Unfunded	2,962,426.45	1,782,420.57	3,470,109.33
Fund Balance	170,674.47	220,674.47	339,676.24
	<u>\$ 21,202,138.90</u>	<u>\$ 22,105,106.67</u>	<u>\$ 21,294,151.02</u>

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

BOROUGH OF MIDDLESEX

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	YEAR ENDED DECEMBER <u>31, 2025</u> (Unaudited)	YEAR ENDED DECEMBER <u>31, 2024</u>
Balance, January 1	C	\$ 220,674.47	\$ 339,676.24
Increased by:			
Cancellation of Ordinances	C-10	<u>80,998.23</u>	<u>80,998.23</u>
		\$ 220,674.47	\$ 420,674.47
Decreased by:			
Surplus Anticipated-Current Fund	C-2	<u>50,000.00</u>	<u>200,000.00</u>
Balance, December 31	C	\$ <u>170,674.47</u>	\$ <u>220,674.47</u>

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

BOROUGH OF MIDDLESEX
SWIMMING POOL UTILITY FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>BALANCE</u> <u>DEC. 31, 2025</u> <u>(Unaudited)</u>	<u>BALANCE</u> <u>DEC. 31, 2024</u>	<u>BALANCE</u> <u>DEC. 31, 2023</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>BALANCE</u> <u>DEC. 31, 2025</u> <u>(Unaudited)</u>	<u>BALANCE</u> <u>DEC. 31, 2024</u>	<u>BALANCE</u> <u>DEC. 31, 2023</u>
ASSETS							
Operating Fund:							
Assets:							
Cash and Investments - Treasurer	\$ 181,664.61	\$ 191,977.19	\$ 237,035.14		\$ 49,384.76	\$ 19,610.71	\$ 39,181.08
Cash and Investments - Snack Bar		3,001.00	3,001.00		2,500.00	4,302.45	978.00
Due from Swimming Pool Capital Fund	148,599.90	148,599.90	148,599.90		114,518.62	114,518.62	114,518.62
	<u>330,264.51</u>	<u>343,578.09</u>	<u>388,636.04</u>		<u>1,621.35</u>	<u>1,621.35</u>	<u>3,185.42</u>
Total Operating Fund					<u>166,403.38</u>	<u>140,053.13</u>	<u>157,863.12</u>
				Fund Balance	<u>163,861.13</u>	<u>203,524.96</u>	<u>230,772.92</u>
				Total Operating Fund	<u>330,264.51</u>	<u>343,578.09</u>	<u>388,636.04</u>
Capital Fund:							
Cash and Investments - Treasurer	31,976.79	31,976.79	31,976.79		7,730.10	7,730.10	7,730.10
Fixed Capital	2,193,263.77	2,193,263.77	2,193,263.77		148,599.90	148,599.90	148,599.90
	<u>2,225,240.56</u>	<u>2,225,240.56</u>	<u>2,225,240.56</u>	Due to Swimming Pool Operating Fund	1,849,630.77	1,708,130.77	1,571,630.77
				Reserve for Amortization	187,303.60	187,303.00	187,303.00
				Deferred Reserve for Amortization	31,976.79	31,976.79	31,976.79
Total Capital Fund	<u>2,225,240.56</u>	<u>2,225,240.56</u>	<u>2,225,240.56</u>	Fund Balance	<u>2,225,241.16</u>	<u>2,225,240.56</u>	<u>2,225,240.56</u>
	<u>\$ 2,555,505.07</u>	<u>\$ 2,568,818.65</u>	<u>\$ 2,613,876.60</u>		<u>\$ 2,555,505.67</u>	<u>\$ 2,568,818.65</u>	<u>\$ 2,613,876.60</u>

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

BOROUGH OF MIDDLESEX

SWIMMING POOL UTILITY OPERATING FUND

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS

<u>REVENUE AND OTHER INCOME REALIZED</u>	YEAR ENDED DECEMBER 31, 2025 (Unaudited)	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
Fund Balance	\$ 52,695.00	\$ 73,010.00	\$ 38,658.00
Fees - Membership	305,168.44	312,067.23	317,057.80
Miscellaneous	110,433.44	113,476.28	109,470.89
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	21,207.94	38,654.46	35,657.93
Cancellation of Accrued Interest on Bonds	<u>1,621.35</u>	<u>1,564.07</u>	<u>1,210.00</u>
 Total Revenues	 <u>491,126.17</u>	 <u>538,772.04</u>	 <u>502,054.62</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating	383,246.00	395,217.00	380,130.00
Debt Service	78,528.00	78,528.00	78,528.00
Statutory Expenditures and Deferred Charges	<u>16,321.00</u>	<u>19,265.00</u>	<u>19,000.00</u>
 Total Expenditures	 <u>478,095.00</u>	 <u>493,010.00</u>	 <u>477,658.00</u>
 Excess in Revenues	 13,031.17	 45,762.04	 24,396.62
 <u>FUND BALANCE</u>			
Balance - January 1	<u>203,524.96</u>	<u>230,772.92</u>	<u>245,034.30</u>
	216,556.13	276,534.96	269,430.92
Decreased by:			
Utilization as Anticipated Revenue	<u>52,695.00</u>	<u>73,010.00</u>	<u>38,658.00</u>
 Balance - December 31	 <u>\$ 163,861.13</u>	 <u>\$ 203,524.96</u>	 <u>\$ 230,772.92</u>

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

"D-2"

BOROUGH OF MIDDLESEX

SWIMMING POOL UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE-REGULATORY BASIS

REF.

Balance - December 31, 2023, Decemebrer 31,2024 and Balance - December 31, 2025 (Unaudited)	D	<u>\$ 31,976.79</u>
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The accompanying Notes to Financial Statements are an integral part of this statement

BOROUGH OF MIDDLESEX

SWIMMING POOL UTILITY OPERATING FUND

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

	<u>2024</u> <u>BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>(DEFICIT)</u>
Fund Balance	\$ 73,010.00	\$ 73,010.00	\$
Fees - Membership	316,600.00	312,067.23	(4,532.77)
Miscellaneous	<u>103,400.00</u>	<u>113,476.28</u>	<u>10,076.28</u>
	<u>\$ 493,010.00</u>	<u>\$ 498,553.51</u>	<u>\$ 5,543.51</u>
 Analysis of Miscellaneous Revenues:			
Interest		\$ 7,848.71	
Miscellaneous Revenues		<u>105,627.57</u>	
		<u>\$ 113,476.28</u>	

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

BOROUGH OF MIDDLESEX

SWIMMING POOL UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

	2024 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
Operating:							
Salaries and Wages	\$ 275,217.00	\$ 255,217.00	\$ 247,122.96	\$	\$ 8,094.04		
Other Expenses	120,000.00	140,000.00	124,540.64	4,302.45	11,156.91		
Debt Service:							
Payment of Bond Principal	78,528.00	78,528.00	78,528.00				
Statutory Expenditures:							
Contribution to:							
Social Security System (O.A.S.I.)	19,265.00	19,265.00	18,905.24		359.76		
Total Swimming Pool Utility Appropriations	\$ 493,010.00	\$ 493,010.00	\$ 469,096.84	\$ 4,302.45	\$ 19,610.71		

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

"E"

BOROUGH OF MIDDLESEX
STATEMENT OF GENERAL FIXED ASSETS
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>FIXED ASSETS:</u>		
Land	\$ 5,752,900.00	\$ 5,864,700.00
Buildings	6,364,200.00	6,533,000.00
Machinery and Equipment	<u>11,137,378.24</u>	<u>10,754,055.00</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 23,254,478.24</u>	<u>\$ 23,151,755.00</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 23,254,478.24</u>	<u>\$ 23,151,755.00</u>

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

BOROUGH OF MIDDLESEX

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Middlesex is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough council consists of elected officials and is responsible for the fiscal control of the Borough. A Mayor is elected to serve a term of four years. A Council consisting of six members is elected to serve staggered three-year terms.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization.

Except as noted below, the financial statements of the Borough of Middlesex include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Middlesex, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Middlesex do not include the operations of the free public library, volunteer rescue organizations or the local public school district, inasmuch as their activities are administered by separate boards.

B. Description of Funds

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Borough of Middlesex conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Middlesex are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account groups:

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

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

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

Swimming Pool Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally-owned swimming pool.

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

C. Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage system are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of the purchase and are not capitalized in their own respective funds. The Borough has valued its land and buildings at assessed values. GAAP requires capital assets to be recorded at their historical cost or estimated historical cost. Additionally, GAAP requires depreciation to be calculated on capital assets, with the exception of land.

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

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

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

Fixed Capital - Swimming Pool Utility - Accounting for utility fund "fixed capital" is done in compliance with N.J.A.C. 5:30-5.6. Property and equipment purchased by the Swimming Pool Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not

capitalized.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Swimming Pool Utility (continued) - The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents changes to operations for the cost of acquisitions of property, equipment, and improvements. The utility does not record depreciation on fixed assets.

Accounting and Financial Reporting for Pensions - Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

The New Jersey Division of Local Government Services issued Local Finance Notice 2021-10 which allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 68. As of the date of this report, the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions.

It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

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

The New Jersey Division of Local Government Services issued Local Finance Notice 2021-10 which allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 75. As of the date of this report, the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance in the bank was exposed to custodial credit risk. Of the cash balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$14,499,500.28 was covered by NJGUDPA. The New Jersey Cash Management Fund is an investment pool and is not insured by either FDIC or GUDPA. The Borough has \$155,227.90 in the New Jersey Cash Management Fund.

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

NOTE 2: CASH AND CASH EQUIVALENT (CONTINUED)

B. Investments (Continued)

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by local units.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Middlesex's investment activities during the year were in accordance with the above New Jersey Statute.

As of December 31, 2024, the Borough has \$155,227.90 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, are included in the below Summary of Municipal Debt and Summary of Statutory Debt Condition Annual Debt Statement:

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 15,623,609.77	\$ 14,347,816.10	\$ 14,207,286.71
Swimming Pool Utility:			
Bonds, Notes and Loans	<u>141,500.00</u>	<u>278,000.00</u>	<u>410,000.00</u>
	15,765,109.77	14,625,816.10	14,617,286.71
Less:			
Cash on Hand - Excess BAN Proceeds	782,123.26	28,376.49	18,409.15
Reserve for Payment of Debt Service	<u>77,440.44</u>	<u>146,580.21</u>	<u>94,399.90</u>
	<u>14,905,546.07</u>	<u>14,450,859.40</u>	<u>14,504,477.66</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Notes and Loans	2,656,504.72	3,038,678.49	3,979,181.76
Swimming Pool Utility:			
Bonds, Notes and Loans	<u>156,330.00</u>	<u>156,330.00</u>	<u>156,330.00</u>
Total Authorized but not Issued	<u>2,812,834.72</u>	<u>3,195,008.49</u>	<u>4,135,511.76</u>
Net Bonds and Notes Issued and and Authorized but not issued	<u>\$ 17,718,380.79</u>	<u>\$ 17,645,867.89</u>	<u>\$ 18,639,989.42</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.763%:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$6,220,000.00	\$6,220,000.00	-0-
Swimming Pool Utility Debt	297,830.00	297,830.00	-0-
General Debt	<u>18,280,114.49</u>	<u>859,563.70</u>	<u>\$17,420,550.79</u>
	<u>\$24,797,944.49</u>	<u>\$7,377,393.70</u>	<u>\$17,420,550.79</u>

Net debt \$17,420,550.79 divided by equalized valuation basis per N.J.S. 40A:2-2, \$2,284,282,519.67 equals 0.763%

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

Equalized Valuation Basis - December 31, 2024	\$ <u>2,284,282,519.67</u>
3 1/2% of Equalized Valuation Basis	\$ 79,949,888.19
Net Debt	<u>17,420,550.79</u>
Remaining Borrowing Power	\$ <u>62,529,337.40</u>

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

NOTE 3: MUNICIPAL DEBT (CONTINUED)

OUTSTANDING
BALANCE
DECEMBER
31, 2024

LONG-TERM DEBT

General Serial Bonds:

\$2,878,000 in General Obligation Bonds dated July 16, 2015, with a final installment of \$326,500 due on July 15 with an interest rate of 2.500%	\$326,500.00
\$3,700,000 in General Obligation Refunding Bonds dated December 19, 2019, with a final installment of \$755,000.00 due on February 15 with an interest rate of 5.000%.	750,000.00
\$4,965,000 in General Obligation Bonds dated May 12, 2022, due in annual installments ranging between \$345,000.00 and \$420,000.00 due on May 1 of each year with interest rates from 3.000% to 5.000%.	<u>4,545,000.00</u>
	<u><u>\$5,621,500.00</u></u>

Swimming Pool Utility Serial Bonds:

\$1,235,000 in General Obligation Bonds dated July 16, 2015 with a final installment of \$141,500 due on July 15 of with an interest rate of 2.500%	<u>\$141,500.00</u>
	<u><u>\$141,500.00</u></u>

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

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

General Capital Fund	\$ 2,656,504.72
Swimming Pool Capital Fund	<u>156,330.00</u>
Total	<u><u>\$ 2,812,834.72</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

Cash Receipts from Fees, Rents or Other Charges for Year and Anticipated Surplus		\$ 498,553.51
<u>Deductions:</u>		
Operation and Maintenance	\$ 414,482.00	
Debt Service	<u>78,528.00</u>	
Total Deductions		<u>493,010.00</u>
Excess in Revenue - Self-Liquidating		<u>\$ 5,543.51</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING

YEAR	<u>General Capital</u>		<u>Swim Pool Utility Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2025	\$1,421,500.00	\$197,237.50	\$141,500.00	\$3,537.50	\$1,763,775.00
2026	420,000.00	151,200.00			571,200.00
2027	420,000.00	130,200.00			550,200.00
2028	420,000.00	109,200.00			529,200.00
2029	420,000.00	88,200.00			508,200.00
2030-2034	2,100,000.00	229,950.00			2,329,950.00
2035	420,000.00	6,825.00			426,825.00
	<u>\$5,621,500.00</u>	<u>\$912,812.50</u>	<u>\$141,500.00</u>	<u>\$3,537.50</u>	<u>\$6,679,350.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

<u>YEAR</u>	<u>TRUST LOAN</u>		<u>FUND</u>	<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>LOAN</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	
2025	\$ 15,000.00	\$ 35,018.18	\$ 43,464.49	\$ 93,482.67
2026	20,000.00	34,268.18	43,464.49	97,732.67
2027	20,000.00	33,268.18	43,464.49	96,732.67
2028	20,000.00	32,268.18	43,464.49	95,732.67
2029	25,000.00	31,268.18	43,464.49	99,732.67
2030-2034	125,000.00	137,590.90	217,322.45	479,913.35
2035-2039	152,343.00	109,582.80	217,322.45	479,248.25
2040-2044	194,263.00	82,465.88	217,322.45	494,051.33
2045-2049	215,770.00	48,627.04	217,322.45	481,719.49
2050-2053	164,247.00	12,171.60	109,874.52	286,293.12
	<u>\$ 951,623.00</u>	<u>\$ 556,529.12</u>	<u>\$ 1,196,486.77</u>	<u>\$ 2,704,638.89</u>

BOND ANTICIPATION NOTES

In accordance with NJSA 40A:2-8.1, a local unit may, in anticipation of the issuance of bonds, borrow money and issue notes if the bond ordinance or subsequent resolution so provides. Any such note shall be designated as a "bond anticipation note" and shall be subject to the following provisions:

- (1) every note shall contain a recital that it is issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year;
- (2) all such notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes; and

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTES (CONTINUED)

(3) no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

The Borough had the following outstanding bond anticipation note(s) at year end:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
General Capital	5.00%	05/08/25	\$ 7,854,000.00

NOTE 4: FUND BALANCES APPROPRIATED

As of the date of the report, the 2025 budget has not been introduced.

NOTE 5: PROPERTY TAXES

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

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

	Balance December <u>31, 2024</u>	Balance December <u>31, 2023</u>
Prepaid Taxes	\$ <u>266,944.80</u>	\$ <u>259,821.65</u>

NOTE 6: PENSION PLANS

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

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

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

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

Vesting and Benefit Provisions

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

NOTE 6: PENSION PLANS

Vesting and Benefit Provisions (Continued)

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

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

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and 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 life insurance benefits is based on actual claims paid. For fiscal year 2023, 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. During 2023 PERS provides for employee contributions of 7.50% of employees' base salary.

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. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For the fiscal year 2023, the State contributed an amount more than the actuarially determined amount. During 2023, PFRS provides for employee contributions of 10.00% of employees' base salary.

The Borough's share of pension, which is based upon the annual billings received from the State, amounted to \$1,707,606.00 for 2024, \$1,800,644.00 for 2023, and \$1,614,738.00 for 2022.

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB 68

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2023. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2023.

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$5,915,790.00 for the Borough’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough’s proportion of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Borough’s proportion was 0.0408425639 percent, which was an increase of 0.0009474932 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension benefit of \$106,535.00 for the Borough’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statements based on the April 1, 2024 billing was \$564,592.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 56,563.00	\$ 24,182.00
Changes of assumptions	12,996.00	358,522.00
Net difference between projected and actual earnings on pension plan investments	27,243.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>245,218.00</u>	<u>75,433.00</u>
	<u>\$ 342,020.00</u>	<u>\$ 458,137.00</u>

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

Year Ended <u>June 30,</u>	<u>Amount</u>
2024	(\$278,375.00)
2025	(140,374.00)
2026	277,574.00
2027	(9,641.00)
2028	<u>34,699.00</u>
	<u>(\$116,117.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>June 30, 2023</u>
Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75-6.55%
	Based on
	Years of Service
Investment Rate of Return	7.00%

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2023 asset are summarized in the following table:

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

Discount Rate

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$7,701,100.00	\$5,915,790.00	\$4,396,255.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2023, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

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

The non-employer contributing entities’ total proportionate share of the non-employer contribution that is associated with the Borough as of December 31, 2023 was 0.0409976310%, The non-employer contributing entities’ contribution and employer pension expense and related revenue for the year ended June 30, 2023 was \$18,449.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Pension plan fiduciary net position

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

Police and Firemen's Retirement System (PFRS)

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

At June 30, 2023, the State reported a net pension liability of \$9,101,220.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

At June 30, 2023, the Borough's proportion was 0.08237305 percent, which was a decrease of 0.01245128 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$704,266.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2024 billing was \$1,143,014.00.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 389,696.00	\$ 434,047.00
Changes of assumptions	19,644.00	614,550.00
Net difference between projected and actual earnings on pension plan investments	463,508.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>578,856.00</u>	<u>1,385,772.00</u>
	<u>\$ 1,451,704.00</u>	<u>\$ 2,434,369.00</u>

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

Year Ended		<u>Amount</u>
<u>June 30</u>		
2024	\$	(515,571.20)
2025		(501,289.20)
2026		385,490.80
2027		(208,418.20)
2028		(144,594.20)
Thereafter		<u>1,717.00</u>
	\$	<u>(982,665.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

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

Inflation rate:

Price	2.75%
Wage	3.25%

Salary Increases

Through	All Future Years
	3.25-16.25%
	Based on Years of Service

Investment Rate of Return	7.00%
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Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on scale MP-2021.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

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

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

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$12,680,956.00	\$9,101,220.00	\$6,120,154.00

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation

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

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2023 and 2022 is 0.08237312% and 0.09482436% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$191,785.00 and \$240,485.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$190,756.00 and \$222,865.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,677,006.00 and \$1,931,681.00, respectively.

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

Borough's Proportionate Share of Net Pension Liability	\$9,101,220.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,677,006.00</u>
	<u><u>\$10,778,226.00</u></u>

Pension plan fiduciary net position

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

NOTE 7: COMPENSATED ABSENCES

The Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$201,267.18 and \$201,687.99 for 2024 and 2023, respectively. This amount represents the current value of all accumulations and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payments of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriation. In addition, the Police are entitled to compensation hours capped at a maximum of 480 hours per officer. The estimated cost of such compensation would approximate \$293,369.39 and \$277,613.52 for 2024 and 2023, respectively.

NOTE 8: DEFERRED COMPENSATION PLAN

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

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

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

NOTE 9: LITIGATION

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

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2024. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from current tax revenues, through the establishment of a reserve, or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has a reserve of \$24,496.20 at December 31, 2024.

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains insurance coverage through the Central Jersey Joint Insurance Fund (JIF) covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

<u>Year</u>	<u>Borough Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ 10,604.66	\$ 2,412.79	\$ 170,531.91
2023	15,118.23	40,318.11	162,340.04
2022	736.28	3,740.87	187,539.92

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

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

NOTE 13: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

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

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

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.

NOTE 13: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Plan Description and Benefits Provided (Continued)

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.

Contributions

The Borough's contributions to SHBP for the years ended December 31, 2023, 2022 and 2021 were \$1,439,708.00, \$1,207,144.00 and \$884,361.00 respectively, which equaled the required contributions for the year.

Total Net OPEB Liability

At June 30, 2023, the Plan reported a Liability of \$23,359,630.00 for the Borough's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

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

At June 30, 2023, the Borough's proportion was 0.155663 percent, which was an increase of 0.028610 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State reported OPEB expense of \$80,477.00. This OPEB expense was based on the OPEB plans June 30, 2023 measurement date.

NOTE 13: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Total Net OPEB Liability (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 1,077,226.00	\$ 6,343,712.00
Changes of assumptions	3,025,948.00	6,603,019.00
Net difference between projected and actual earnings on pension plan investments		3,854.00
Changes in proportion	<u>7,071,440.00</u>	<u>1,158,742.00</u>
	<u>\$ 11,174,614.00</u>	<u>\$ 14,109,327.00</u>

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

Year Ended		<u>Amount</u>
<u>June 30</u>		
2024	\$	(1,467,596.40)
2025		(988,088.40)
2026		8,266.60
2027		632,082.60
2028		71,417.60
Thereafter		<u>(1,190,795.00)</u>
	\$	<u>(2,934,713.00)</u>

NOTE 13: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions and Other Inputs

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

Salary Increases*:

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

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

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

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

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

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

Discount Rate

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

NOTE 13: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

	June 30, 2023		
	1.00% <u>Decrease (2.65)</u>	At Discount <u>Rate (3.65)</u>	1.00% <u>Increase (4.65%)</u>
Total OPEB Liability	\$27,057,897.00	\$23,359,630.00	\$20,384,944.00

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

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

	June 30, 2023		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% Increase
Total OPEB	\$19,852,936.00	\$23,359,630.00	\$27,849,268.00

OPEB Plan Fiduciary Net Position

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

NOTE 14: DEFERRED SCHOOL TAXES

School taxes raised in the calendar year for the school fiscal year (July 1 to June 30) which remain unpaid at December 31 may be deferred to current fund balance in an amount not exceeding fifty percent (50%) of the levy providing the school district has not requisitioned the funds. The balance of unpaid local school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2024, are as follows:

Total Balance of Local Tax	\$14,391,797.00
Deferred Taxes	<u>12,568,492.00</u>
Local Tax Payable	\$ <u>1,823,305.00</u>

NOTE 15: INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$174,980.04	\$80,092.33
Grant Fund		51,255.24
Animal Control Fund		9,068.90
Trust Other Fund	80,092.33	
Payroll Trust Fund		137.28
Swimming Pool Utility Operating Fund	148,599.90	114,518.62
Swimming Pool Utility Capital Fund		148,599.90
	<u>\$403,672.27</u>	<u>\$403,672.27</u>

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

NOTE 16: LENGTH OF SERVICE AWARDS PROGRAM

The Borough of Middlesex adopted an ordinance establishing a Length of Service Awards Program for the members of the Middlesex Fire Department pursuant to N.J.S.A. 40A:14-183 *et seq.*

All assets of the plan are held by an independent administrator, the Lincoln Financial Advisers.

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer. The cost amounted to \$41,400.00 and \$44,850.00 in 2024 and 2023, respectively.

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

NOTE 17: FIXED ASSETS

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

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Land	\$ 5,864,700.00		\$ 111,800.00	\$ 5,752,900.00
Building and Improvements	6,533,000.00		168,800.00	6,364,200.00
Machinery and Equipment	10,754,055.00	\$ 583,422.24	200,099.00	11,137,378.24
	<u>\$ 23,151,755.00</u>	<u>\$ 583,422.24</u>	<u>\$ 480,699.00</u>	<u>\$ 23,254,478.24</u>

NOTE 18: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes, N.J.S.A. 40A:20-1 *et seq.* sets forth the criteria and mechanism by which property taxes can and are abated. The exemption provided by the Borough are predominately for affordable housing projects. Taxes are abated include municipal, local, school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough's PILOT billings in 2024 were \$1,872,082.00 and taxes in 2024 that otherwise would have been due on these long-term tax exemptions amount to \$4,080,132.73, based upon the assessed valuations of the long-term tax exemption properties.

NOTE 19: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through March 26, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that no subsequent events need to be disclosed.

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 Borough of Middlesex, in the County of Middlesex, 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

BOROUGH OF MIDDLESEX, IN THE
COUNTY OF MIDDLESEX, NEW JERSEY

By: _____
CAROLINE BENSON,
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 Borough Council of the
Borough of Middlesex, in the
County of Middlesex, New Jersey

RE: Borough of Middlesex, County of Middlesex, New Jersey
\$ _____ Bond Anticipation Notes, Series 2026A

Dear Mayor and Members of the Borough Council:

We have examined a record of the proceedings relating to the issuance of \$ _____ Bond Anticipation Notes, Series 2026A (the "Notes") of the Borough of Middlesex, in the County of Middlesex, a municipal corporation of the State of New Jersey (the "Borough"). 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 the Borough's bond anticipation notes originally issued in the amount of \$3,401,000, dated May 7, 2025 and maturing on May 6, 2026; (ii) temporarily finance the cost of various general and sewer capital improvements to be undertaken in and by the Borough in the amount of \$1,980,000; 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 Borough 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 Borough 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 Borough, 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 Borough 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 Borough 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 Borough 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 Borough 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 Borough 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 Borough therewith.

The Borough has taken the actions necessary for the Notes to be designated or deemed designated as "qualified tax-exempt obligations," as defined in and for purposes of Section 265(b)(3) of the Code, and has made certain representations and covenants necessary to cause the Notes to continue to be obligations described in such Section of the Code during the period in which the Notes are outstanding.

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

1. The Notes are valid and legally binding obligations of the Borough and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of 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 Borough 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 Borough 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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