

NEW ISSUE

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under 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. In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Notes is not included in gross income under the New Jersey Gross Income Tax Act. See “Tax Matters” herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Notes for certain noteholders.

**THE BOROUGH OF FRANKLIN LAKES,
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$7,599,700 BOND ANTICIPATION NOTES
(Non-Callable) (Tax Exempt) (Bank Qualified)**

Dated: June 12, 2026
Maturing: June 11, 2027
Interest Rate: ____%
Reoffered to Yield: ____%

The \$7,599,700 Bond Anticipation Notes (the “Notes”) of the Borough of Franklin Lakes, in the County of Bergen, New Jersey (the “Borough”) are payable as to principal and interest at maturity upon presentation and surrender at the office of the Chief Financial Officer of the Borough (the “Paying Agent”).

The Notes are issued: (i) to finance the costs of various capital projects and (ii) to pay for expenses incurred in connection with the issuance of the Notes.

The Notes are not subject to redemption prior to maturity.

The Notes are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount; provided, however, that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See “Noteholders’ Remedies in the Event of Default” and “Municipal Bankruptcy” herein.

The Notes are offered when, as and if issued and received by the purchaser and to approval of legality and validity by Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Borough. It is anticipated that the Notes in definitive form will be available for delivery on or about June 12, 2026.

Dated: May __, 2026

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall it be any part of the offering in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Borough within the meaning and for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

**THE BOROUGH OF FRANKLIN LAKES,
IN THE COUNTY OF BERGEN, NEW JERSEY**

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No dealer, broker, salesperson or other person has been authorized by the Borough to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

The information which is set forth herein has been provided by the Borough and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough. References in this Official Statement to the State of New Jersey statutes, 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 or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Borough during normal business hours. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT
RELATING TO**

\$7,599,700 BOND ANTICIPATION NOTES

**OF
THE BOROUGH OF FRANKLIN LAKES,
IN THE COUNTY OF BERGEN, NEW JERSEY**

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page hereof and the appendices hereto, has been prepared by the Borough of Franklin Lakes, in the County of Bergen (the “Borough”), in the State of New Jersey (the “State”) and provides certain information relating to the Borough in connection with the Borough’s sale of its \$7,599,700 Bond Anticipation Notes (the “Notes”). This Official Statement has been executed by and on behalf of the Borough by its Borough Treasurer and its distribution and use in connection with the sale of the Notes has been authorized by the Borough.

This Official Statement contains specific information relating to the Notes including their general description, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

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

DESCRIPTION OF THE NOTES

The following is a summary of certain provisions of the Notes. Reference is made to the Notes themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Date

The Notes will be dated June 12, 2026. The Notes will bear interest at the interest rate per annum stated on the cover page hereof, payable at maturity. The Notes will mature on June 11, 2027.

Denominations and Place of Payment

The Notes will be issued in the denominations of \$5,000 and any \$5,000 increment thereafter, except for one necessary odd denomination. Principal of and interest on the Notes are payable at maturity upon presentation at the office of the Chief Financial Officer of the Borough in the capacity as paying agent. The Notes will be issued in registered form.

Redemption

The Notes are not subject to redemption prior to maturity.

AUTHORIZATION

The Notes have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (N.J.S.A. §40A:2-1, et seq.) (the “Local Bond Law”). The Notes are authorized by bond ordinances and a resolution adopted by the governing body of the Borough. Such bond ordinances, or summaries thereof, were published after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be barred from questioning the sale, execution or delivery of such obligations.

The following table sets forth certain information with respect to the bond ordinance authorizing the Notes:

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Notes to be Issued</u>
1922	Purchase of fire apparatus	\$1,590,000
1991	Improvements of various roads	915,200
1997	Improvement of Pulis Avenue Playground	950,000
2015	Various Improvements	767,500
2022	Various Improvements	3,377,000

PURPOSE OF ISSUE

The Notes are issued to: (i) finance the costs of various capital projects; and (ii) pay for expenses incurred in connection with the issuance of the Notes.

SECURITY FOR THE NOTES

The Notes will be general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal and the interest on the Notes. The Notes are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Notes without limitation as to rate or amount. See “Noteholders’ Remedies in the Event of Default” and “Municipal Bankruptcy” herein.

CERTAIN RISK FACTORS

Climate

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods, earthquakes and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades

(commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the Borough as well as resulting in economic impacts such as loss of *ad valorem* tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Borough.

Cyber Security

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyberattacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Borough maintains certain insurance coverage for cyberattacks and related events. No assurances can be given that the Borough's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the Borough.

SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION

Set forth below is a summary of various statutory provisions and requirements relevant to the Borough's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

Legal Framework

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

Debt Limit

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3½%), in the case of a municipality, and two percent (2%), in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the “Local Finance Board”), a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit must 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 a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Short-Term Financing

Pursuant to the Local Bond Law, a local unit may sell short-term 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. Any such note is designated a “bond anticipation note”. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that 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 these 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.

Assessment Bonds

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within two (2) years and the final principal payment due within twenty (20) years of an issue’s date. No principal payment may be larger than a prior year’s principal payment.

Refunding Bonds

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body of the local unit.

Tax Anticipation Notes

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount by law to collectively thirty percent (30%) of the tax levy plus thirty percent (30%) of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within one hundred and twenty (120) days of the close of the fiscal year in which they were issued.

School Debt Subject to Voter Approval

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

The Local Budget Law

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. §40A:4-1, *et seq.* (the “Local Budget Law”), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of Community Affairs of the State (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it is certified by the Director of the Division (the “Director”), or in the case of a local unit’s examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Borough Treasurer and governing body of local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of preceding year, (d) reserve for uncollected taxes and (e) other reserves and nondisbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary 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 (deficit) must be raised in the succeeding year’s budget.

Each municipality is required to forward to the County Board of Taxation (the “County Board”) a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then

current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year. See the subcaption "Tax Assessment and Collection Procedure" below.

Appropriations Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. §40A:4-57 states that "no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose" (emphasis added).

Appropriation Caps

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. §40A:4-45.3), commonly referred to as the "CAP Law". The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a "CAP". The actual calculation of the CAP is somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year's total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2½%) or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the "Cost-of-Living Adjustment"), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage up to, but not to exceed three and one-half percent (3½%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

Property Tax Levy Cap

Chapter 44 of the Pamphlet Laws of 2010 imposes restrictions upon the allowable annual increase in the tax levy. In general municipalities have their tax levies limited to a two percent (2%) increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of two percent (2%); increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of two percent (2%) of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

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

In addition, budget amendments must be approved by the Director, except for federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. §40A:4-29, which governs the anticipation of delinquent tax collections, provides that: “[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year”.

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

This provision and N.J.S.A. §40A:4-40 require that an additional amount, commonly known or referred to as the “reserve for uncollected taxes”, be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will

at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year's percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the New Jersey Laws of 1997 authorizes any municipality to sell its "total property tax levy" to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein (N.J.S.A. §54:5-113.5).

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated and (iv) any special improvement districts within the local governmental unit, the current year's tax rate is struck by a county's board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

Emergency Appropriations/Deferral of Current Expenses

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (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 (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over three (3) years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than three percent (3%) of the previous year's final current operating appropriations may be raised in the portion of the local unit's budget outside the CAP if approved by at least two-thirds ($\frac{2}{3}$) of the members of the governing body and the Director. Emergency appropriations that aggregate more than three percent (3%) of the previous year's final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit's share of federal or State grants and other statutorily permitted items are outside the CAP.

Budget Transfers

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred

during the first three (3) months of the year to the previous year's budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriation or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal Public Utilities

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.

Capital Budget

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 the next ensuing six (6) 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 three (3) or six (6) 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 by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

Chapter 75 of the New Jersey of 1991, signed into law on April 7, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. §40A:4-3.1). Municipalities that change fiscal years must adopt a six (6) month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the six (6) month transition budget (N.J.S.A. §40A:2-51.2). The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue fiscal year adjustment bonds as well.

State Supervision

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

Tax Assessment and Collection Procedure

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the Borough. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits one hundred percent (100%) of the county taxes, payable quarterly on February 15, May 15, August 15 and November 15.

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

Upon the filing of certified adopted budgets by the municipality's local school district and the county, the tax rate is struck by the County Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection of taxes are set forth in N.J.S.A. §54:4-1, et seq. Special taxing districts are permitted for various special services rendered to the properties located within the special districts.

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter ($\frac{1}{4}$) or one-half ($\frac{1}{2}$) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to February 1 in each year, a municipality 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 Board on or before April 1 of the current tax year for its review. The County Board has the authority after a hearing to increase, 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 believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

The Local Fiscal Affairs Law

N.J.S.A. §40A:5-1, *et seq.* (the “Local Fiscal Affairs Law”), regulates the nonbudgetary financial activities of local governments. The Borough Treasurer 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 and commissions.

An independent examination of the local unit’s accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvements of the local unit’s financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

A local unit’s funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. §40A:5-12.1. A local unit is not authorized to invest funds in derivative products or reverse repurchase agreements.

Basis of Accounting

The accounting policies applicable to local governmental units have been prescribed by the Division. The following is a summary of the significant policies:

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled 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 or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

NOTEHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

Neither the Notes nor the proceedings with respect thereto specifically provide any remedies to the noteholders if the Borough defaults in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the noteholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Note, a noteholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Borough to levy and collect a tax upon all taxable property within the Borough, without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Notes as the same shall come due. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies. See the caption "Municipal Bankruptcy" herein.

MUNICIPAL BANKRUPTCY

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that the approval of the Municipal Finance Commission of New Jersey has been obtained. The powers of the Municipal Finance Commission of New Jersey have been vested in the New Jersey Local Finance Board.

Bankruptcy proceedings by the Borough could have adverse effects on the noteholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the Borough after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The federal bankruptcy act contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of general obligation indebtedness or the Notes, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the federal bankruptcy act cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy act are not to be construed as an indication that the Borough expects to resort to the provisions of the federal bankruptcy act or that, if it did, such action would be approved by the Municipal Finance Commission.

NO DEFAULT

There is no record of default in the payment of principal of or interest on bonds or notes of the Borough.

ABSENCE OF MATERIAL LITIGATION

In the opinion of the Borough Attorney, William T. Smith, Esq., Franklin Lakes, New Jersey (the "Borough Attorney"), no litigation of any nature is now pending or, to his knowledge, threatened restraining or enjoining the issuance or delivery of the Notes or the levy or collection of any taxes to pay the interest on or principal of the Notes, or in any manner questioning the authority or proceedings for the issuance of the Notes or for the levy or collection of said taxes, or relating to the Notes or affecting the validity thereof or the levy or collection of said taxes, and neither the corporate existence or boundaries of the Borough nor the title of any of the present officers thereof to their respective offices is being contested, and no authority or proceedings for the issuance of the Notes has or have been repealed, revoked or rescinded. A signed statement to that effect will be supplied upon delivery of the Notes. In the opinion of the Borough Attorney, there is no litigation pending or, to his knowledge, threatened against the Borough which if adversely decided would have a material adverse effect on the financial condition of the Borough or which is not otherwise adequately covered by Borough insurance.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under 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. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Notes, and Bond Counsel has assumed compliance by the Borough with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Borough to be delivered in connection with the issuance of the Notes.

In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Notes is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any future action, taken or not taken, any fact or circumstance that may come to its attention, or any change in law or interpretation thereof, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel

expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Notes, the Borough will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Notes through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes

from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Note Premium

In general, if an owner acquires the Notes for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Notes after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

SECONDARY MARKET DISCLOSURE

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Borough has undertaken to provide to the Municipal Securities Rulemaking Board (the “MSRB”), in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Notices include notices of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of 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 holders of the Notes, if material; (8) Note calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Borough, any of which affect security holders, 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 Borough, any of which reflect financial difficulties.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Borough, and no person, including any holder of the Notes, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The undertaking may be amended or modified without consent of the holders of the Notes under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Borough upon the delivery of the Notes will be on file at the office of the Borough Clerk.

The Borough has entered into prior undertakings to provide continuing disclosure for several outstanding bond issues which require the Borough to submit financial information by a date certain after the end of the fiscal year which occurs on December 31st. The Borough has appointed Phoenix Advisors, LLC, a division of First Security Municipal Advisors, Inc. to serve as continuing disclosure agent.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Borough, whose approving opinion will be delivered with the Notes substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed upon for the Borough by the Borough Attorney.

FINANCIAL STATEMENTS

The audited financial statements of the Borough for the years ended December 31, 2025 and 2024 are presented in Appendix B to this Official Statement (the “Financial Statements”). The Financial Statements have been prepared by Lerch, Vinci & Bliss, LLP, independent certified public accountants (the “Auditor”), as stated in their Independent Auditors’ Report appearing in Appendix B hereto. See “APPENDIX B - Financial Statements of the Borough”. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

UNDERWRITING

The Notes have been purchased from the Borough at a public sale by _____ at a price of \$_____. The Notes are being offered for sale at the prices or yields set forth on the cover of this Official Statement, which prices or yields may be changed from time to time by the respective purchasers without notice.

PREPARATION OF OFFICIAL STATEMENT

Lerch, Vinci & Bliss, LLP assisted in the preparation of this Official Statement with information obtained from the Borough and other sources, including publicly available sources, considered reliable, but Lerch, Vinci & Bliss, LLP does not make any warranty or other representation with respect to the accuracy and completeness of such information. Lerch, Vinci & Bliss, LLP takes responsibility for the audited information set forth in Appendix B hereto to the extent specified in their Independent Auditors’ Report set forth in Appendix B hereto.

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

Hawkins Delafield & Wood LLP and the Borough Attorney have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

Upon request, the Chief Financial Officer of the Borough will confirm to the purchasers of the Notes, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer, the descriptions and statements relating to the Borough herein, as of the date of this Official Statement, 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 such descriptions and statements, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Jonathan M. DeJoseph, Chief Financial Officer, Municipal Building, 480 DeKorte Drive, Franklin Lakes, New Jersey, 07407.

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC
INFORMATION RELATING TO THE BOROUGH**

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

Franklin Lakes is a residential municipality, of approximately 9.75 square miles in size, situated in picturesque western Bergen County. Neighboring communities include Mahwah, Oakland, Wyckoff and North Haledon. Franklin Lakes is within minutes of most of the main transportation corridors in the northeast and is within a thirty-minute ride to New York City.

The Borough's population of 11,251 lives in predominately single family homes. Franklin Lakes is considered an affluent community where the average house value is in excess of \$1 million, although many homes are valued at several million dollars. The Borough is home to Becton Dickinson's corporate headquarters is located on the border of State Highway 208.

Form of Government

The Borough of Franklin Lakes was chartered in 1922 as a Borough Council form of government in which the mayor is elected to a four-year term and six council persons are elected at large to serve staggered three-year terms.

The Mayor and Council meet the first and third Tuesday of every month for regular meetings. Meetings are open to the public in compliance with New Jersey's Open Public Meetings Act. Residents are given the opportunity to speak on proposed ordinances and other matters of concern.

The Borough Administrator is appointed by the Borough Council and is responsible for the implementation of policies of the Mayor and Council, for the administration of all borough affairs and for the day to day operations of the Borough. The Borough Administrator is the chief administrative officer for the Borough.

The Mayor is the chief executive officer of the Borough, and as such presides over all public meetings, provides leadership in the development of community projects and makes appointment to various boards. The Borough Council exercises all legislative powers including adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by State law.

Recreation/Quality of Life

The Borough provides many active and passive recreation opportunities for the benefit of its residents. The 119 acres of active recreation fields located in the Borough are part of the 389 acres of open space. Recreational activities include playgrounds, tennis, pickleball and basketball courts, and softball, baseball, lacrosse, football and soccer fields. The Franklin Lakes Recreation Department offers baseball, softball, soccer, football, lacrosse, tennis and cheerleading programs for the Borough's youth.

Borough residents have easy access to all of the necessities of modern life. There are several banks, two (2) super markets, dry cleaners, gas stations, restaurants, and pharmacies located within the Borough. Many others are located in surrounding communities. Franklin Lakes is within a short drive of the major retail shopping destinations of Northern New Jersey including, Paramus Park, Garden State Plaza, The Shops at Riverside, Bergen Town Center, and the Willowbrook Mall. Residents have access to some of the finest medical facilities in the country. Several large hospitals are located near the Borough including, Valley Hospital, Hackensack University Medical Center at Pascack Valley, St. Joseph's Wayne General Hospital, Hackensack University Medical Center and Holy Name Hospital. The world renowned teaching hospitals such as Columbia Presbyterian and New York Medical Center are less than an hour away. Several colleges and universities for higher education are located near the Borough including Montclair State University, William Paterson University, Fairleigh Dickinson University, Ramapo College and Bergen Community College.

Transportation

Franklin Lakes's location makes it an ideal area for businesses and residents. The Borough is strategically located only minutes away by automobile or mass transportation from New York City, Rockland County in New York State and all parts of New Jersey.

The Borough is adjacent to Route 208 and Route 287 which allows residents to access all major highways. New Jersey Transit provides bus service from the Borough to New York City and Rail passenger service on its Main Line/Bergen Line which runs through nearby towns, terminating in Hoboken where other convenient connections can be made via PATH to New York City, Newark and Jersey City.

There are many major interstate and local highways minutes away from Franklin Lakes in addition to Routes 208 and 287, including the Garden State Parkway, the New Jersey Turnpike, the New York State Thruway and Routes 4, 17, 46 and 80.

Library

The Franklin Lakes Free Public Library was founded in 1952. The Library circulates over 175,000 books, magazines, DVDs and CDs each year as well as providing access to on-line sources for e-books, movies and newspapers. In addition, residents are able to access vast databases with thousands of full-text articles and numerous other research sources. Franklin Lakes Library cards may access materials from over 70 libraries belonging to the Bergen County Cooperative Library System. The Library staff offers special outreach programs to schools and various local organizations. The Library is a community centerpiece for every resident to enjoy.

Public Safety

The Franklin Lakes Police Department patrols approximately ten square miles including portions of Routes 208 and 287. The department is currently staffed by 22 sworn Police Officers, 4 full time Communications Officers, and a full time Records Administrator. There are six divisions within the police department, Administration, Patrol, Detective, Traffic, Communications, and Records. The department operates 10 marked patrol units and 5 unmarked cars. The Franklin Lakes Police Department has adopted a strong community policing philosophy to strengthen relations between police and community, and takes an active role in all five borough schools.

The Borough's Volunteer Fire Department has over 30 active volunteer members and two fire stations which houses up to date firefighting equipment and vehicles including, a ladder truck, rescue/pumper trucks and rescue boats. Free ambulance and rescue service is provided to the public on a 24 hour a day basis by the Ambulance Corps.

Sanitation

The Borough contracts with a private scavenger for garbage collection and recycling pick-up.

The vast majority of homes in the Borough operate their own septic system. Electricity is supplied by Rockland Electric Co. and gas is supplied by Public Service Electric & Gas Company. Water is supplied to the Borough through private wells and by Veolia North America.

Education

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school district provides for Kindergarten through 8th grade and is comprised of two elementary schools, and one middle school. The Borough is also a member of the Ramapo Indian Hills Regional High School District (grades 9 through 12) which consists of high school students residing in Franklin Lakes, Oakland and Wyckoff.

Employment and Unemployment Comparisons

According to the State of New Jersey, Department of Labor and Industry, the unemployment percentages (on an annual average basis) were as follows:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Franklin Lakes</u>				
2024	5,329	5,146	183	3.4%
2023	5,290	5,107	183	3.5%
2022	5,124	4,951	173	3.4%
2021	4,888	4,624	264	5.4%
2020	4,851	4,462	389	8.0%
<u>County of Bergen</u>				
2024	541,844	521,596	20,248	3.7%
2023	536,776	517,682	19,094	3.6%
2022	519,799	502,401	17,398	3.3%
2021	499,794	468,726	31,068	6.2%
2020	494,538	449,149	45,389	9.2%
<u>State of New Jersey</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, Division of Planning & Research.

Population

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2024</u>
Borough of Franklin Lakes	9,873	10,422	10,602	11,079	11,251
County of Bergen	825,380	884,118	905,116	955,732	978,641
State of New Jersey	7,730,188	8,414,350	8,791,894	9,288,994	9,500,851

Source: Census Data

Per Capita Income

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Franklin Lakes	\$235,795	\$248,703	\$105,713
County of Bergen	124,884	152,200	63,735
State of New Jersey	103,556	127,025	54,253

Source: 2020-2024 American Community Survey 5-Year Estimates

BUDGET AND FINANCIAL INFORMATION

**Summary of the Borough of Franklin Lakes Budgets
Current Fund
(As Adopted)**

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Anticipated Revenues					
Fund Balance	\$ 1,300,000	\$ 1,450,000	\$ 1,400,000	\$ 1,400,000	\$ 2,450,000
Miscellaneous Revenues	5,682,221	6,106,078	5,183,513	4,420,517	6,039,060
Receipts from Delinquent Taxes	720,000	574,000	440,000	496,000	245,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>16,057,054</u>	<u>15,253,864</u>	<u>14,535,630</u>	<u>13,724,392</u>	<u>13,007,680</u>
	<u>\$23,759,275</u>	<u>\$23,383,942</u>	<u>\$21,559,143</u>	<u>\$20,040,909</u>	<u>\$21,741,740</u>
Appropriations					
Salaries and Wages	\$ 7,810,150	\$ 7,501,598	\$ 6,974,019	\$ 6,540,530	\$ 6,285,395
Other Expenses	11,841,158	11,096,239	10,290,264	8,985,744	8,823,055
Deferred Charges and Statutory Expenditures	2,112,967	1,928,805	1,952,000	1,872,635	1,707,480
Capital Improvement Fund	100,000	1,100,000	572,860	200,000	2,463,810
Municipal Debt Service	895,000	907,300	920,000	1,592,000	1,612,000
Reserve for Uncollected Taxes	<u>1,000,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
	<u>\$23,759,275</u>	<u>\$23,383,942</u>	<u>\$21,559,143</u>	<u>\$20,040,909</u>	<u>\$21,741,740</u>

Source: Borough Annual Budgets

**Comparative Schedule of Fund Balances
Current Fund**

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2025	\$ 3,988,787	\$ 1,300,000
2024	4,612,491	1,450,000
2023	3,966,773	1,400,000
2022	3,711,907	1,400,000
2021	4,430,178	2,450,000

Source: Annual Audit Reports

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2025	\$ 87,630,456	\$ 86,830,562	99.08%
2024	82,334,080	81,644,210	99.16%
2023	78,650,785	78,164,104	99.38%
2022	75,838,437	75,235,952	99.21%
2021	73,884,407	73,427,055	99.38%

Source: Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2025	\$ 71,032	\$ 725,847	\$ 796,879	0.91%
2024	59,264	578,106	637,370	0.77%
2023	48,016	441,617	489,633	0.62%
2022	37,628	512,228	549,856	0.73%
2021	27,146	255,146	282,292	0.38%

Source: Annual Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2026 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Becton Dickinson & Company	\$ 156,547,900
SGH Franklin Lakes LLC	83,270,000
Urban Farms Acquisition LLC	21,496,300
University Heights LLC	20,000,000
1st Real Estate Investment Trust	19,784,900
Franklin Lakes Realty LLC	18,422,600
East Coast Horizon @ Franklin Lakes	18,139,400
Sunrise of Franklin Lakes OPCO LLC	17,485,300
Franklin Manor Properties LLC	16,896,100
ITC Holdings LLC	10,671,600
	<u>\$ 382,714,100</u>

Source: Borough of Franklin Lakes Tax Assessor

**Assessed Valuations
Land and Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2026	\$ 16,132,400	\$ 4,076,826,000	\$ 2,085,400	\$ 388,113,900	\$ 30,374,200	\$ 73,458,100	\$ 4,586,990,000
2025	34,671,100	4,055,366,400	2,085,400	388,843,900	30,374,200	73,458,100	4,584,799,100
2024	44,103,400	4,010,796,200	2,085,400	387,027,900	30,374,200	73,458,100	4,547,845,200
2023	48,635,300	3,971,651,400	2,085,400	387,481,300	30,374,200	73,458,100	4,513,685,700
2022	58,261,500	3,906,254,900	2,082,500	387,461,900	30,374,200	56,562,000	4,440,997,000

Source: Tax Duplicate

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2026	\$ 4,586,990,000	72.72%	\$ 6,323,936,587
2025	4,584,799,100	73.65%	6,233,523,866
2024	4,547,845,200	81.88%	5,562,460,285
2023	4,513,685,700	91.43%	4,944,492,082
2022	4,440,997,000	94.97%	4,683,803,478

Source: Abstract of Ratables of Bergen County and the 2026 Equalization Table.

**Apportionment of Tax Levy
Including School and County Purposes**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County⁽¹⁾</u>
2025	\$ 87,630,456	\$ 15,562,358	\$ 33,566,085	\$ 23,908,724	\$ 14,593,289
2024	82,334,080	15,128,423	31,909,979	22,266,196	13,029,482
2023	78,650,785	14,245,413	31,177,701	21,371,037	11,856,634
2022	75,838,437	13,869,412	30,257,210	20,311,500	11,400,315
2021	73,884,607	13,911,196	29,407,906	19,291,856	11,273,649

Source: Tax Collector

(1) Includes County Open Space Tax

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County⁽¹⁾</u>
2025	\$ 1.904	\$ 0.331	\$ 0.733	\$ 0.522	\$ 0.318
2024	1.796	0.319	0.702	0.490	0.285
2023	1.730	0.304	0.691	0.474	0.261
2022	1.686	0.292	0.682	0.457	0.255
2021	1.662	0.292	0.674	0.442	0.254

Source: Tax Collector

(1) Includes County Open Space Tax

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31, of each year, the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2025

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 5,997,411,240
3 1/2% Borrowing Margin	209,909,393
Net Debt Issued, Outstanding and Authorized	9,688,367
Remaining Municipal Borrowing Capacity	200,221,026
Regional School	
3% Borrowing Margin	179,922,337
Debt, Issued, Outstanding and Authorized	18,525,025
Remaining School Borrowing Capacity	161,397,312
Local School	
3% Borrowing Margin	179,922,337
Debt Issued, Outstanding and Authorized	3,445,193
Remaining School Borrowing Capacity	176,477,144

Gross and Statutory Net Debt (Exclusive of Overlapping Debt) as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2025	\$ 31,703,754	\$ 9,688,397	0.162%
2024	31,242,174	7,920,086	0.144%
2023	33,301,474	8,730,086	0.175%
2022	34,204,852	8,481,938	0.185%
2021	16,448,639	9,743,567	0.220%

Source: Borough of Franklin Lakes Annual Audit Reports

**Statement of Indebtedness
As of December 31, 2025**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 5,490,000	
Bonds and Notes Authorized But Not Issued	<u>4,243,536</u>	
		\$ 9,733,536

REGIONAL SCHOOL

Bonds Issued and Outstanding		18,525,025
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LOCAL SCHOOL

Bonds Issued and Outstanding		<u>3,445,193</u>
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TOTAL GROSS DEBT		<u>31,703,754</u>
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STATUTORY DEDUCTIONS

Municipal Purpose	45,169	
Local School	3,445,193	
Regional School	<u>18,525,025</u>	
		<u>22,015,387</u>

TOTAL NET DEBT		<u>\$ 9,688,367</u>
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OVERLAPPING DEBT

County of Bergen (Note 1)	<u>\$ 41,299,625</u>	
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TOTAL OVERLAPPING DEBT		<u>\$ 41,299,625</u>
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GROSS DEBT

Per Capita (2024 Estimate -11,251)		\$ 2,818
Percent of Net Valuation Taxable (2025 - \$4,584,799,100)		0.69%
Percent of Estimated True Value of Real Property (2025- \$6,233,523,866)		0.51%

NET MUNICIPAL DEBT

Per Capita (2024 Estimate -11,251)		\$ 861
Percent of Net Valuation Taxable (2025 - \$4,584,799,100)		0.21%
Percent of Estimated True Value of Real Property (2025- \$6,233,523,866)		0.16%

OVERALL DEBT (Net and Overlapping Debt)

Per Capita (2024 Estimate -11,251)		\$ 4,532
Percent of Net Valuation Taxable (2025 - \$4,584,799,100)		1.11%
Percent of Estimated True Value of Real Property (2025- \$6,233,523,866)		0.82%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2024 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Source: Borough of Franklin Lakes 2025 Annual Audit

APPENDIX B

FINANCIAL STATEMENTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

ROBERT LERCH, CPA, PSA, RMA
CHRISTOPHER VINCI, CPA, PSA, RMA
CHRISTINA CUIFFO, CPA, PSA, RMA
JOHN CUIFFO, CPA, PSA, RMA
DEBRA GOLLE, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Franklin Lakes
Franklin Lakes, New Jersey

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the Borough of Franklin Lakes which comprise the balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin Lakes, as of December 31, 2025 and 2024, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Franklin Lakes as of December 31, 2025 and 2024, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Franklin Lakes as of December 31, 2025 and 2024, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Opinions

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Franklin Lakes on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Franklin Lakes' 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 of Franklin Lakes' 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.

By/s/

LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
April 10, 2026

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2025 AND 2024

ASSETS	<u>2025</u>	<u>2024</u>
Cash	\$ 7,562,667	\$ 7,385,537
Change Fund	615	615
Grants Receivable	44,972	100,998
Prepaid Payroll Expense	<u>-</u>	<u>334,961</u>
	<u>7,608,254</u>	<u>7,822,111</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes	725,847	578,106
Tax Title Liens	71,032	59,264
Revenue Accounts Receivable	13,822	9,004
Due from Animal Control Trust Fund	17,587	10,593
Due from Assessment Trust Fund	<u>2,295</u>	<u>1,443</u>
	<u>830,583</u>	<u>658,410</u>
Total Assets	<u>\$ 8,438,837</u>	<u>\$ 8,480,521</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2025 AND 2024
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>2025</u>	<u>2024</u>
Appropriation Reserves	\$ 932,652	\$ 602,470
Encumbrances Payable	699,778	797,442
Accounts Payable	33,580	23,789
Reserve for Grants - Appropriated	278,724	239,428
Reserve for Grants - Unappropriated	176	400
Prepaid Taxes	621,073	626,370
Due to Other Trust Fund	76,118	23,012
Due to County for Added & Omitted Taxes	56,068	103,795
Reserve for Tax Appeals	866,635	766,635
Fees Payable	43,081	14,947
Due to State of NJ - Senior Citizens/Veterans Deductions	8,318	8,068
Reserve for Recreation Online Fees	3,214	3,214
Reserve from Sale of Assets	<u>50</u>	<u>50</u>
 Total Liabilities	 3,619,467	 3,209,620
 Reserve for Receivables and Other Assets	 830,583	 658,410
Fund Balance	<u>3,988,787</u>	<u>4,612,491</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 8,438,837</u>	 <u>\$ 8,480,521</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,450,000	\$ 1,400,000
Miscellaneous Revenue Anticipated	6,095,513	5,996,334
Receipts from Delinquent Taxes	578,106	439,284
Receipts from Current Taxes	86,730,562	81,644,210
Non-Budget Revenue	307,024	505,674
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	448,683	119,582
Prior Year Interfunds Returned		10,592
Statutory Excess - Animal Control Trust Fund	6,994	10,593
Cancellation of Reserves/Overpayments	-	46
Cancellation of Stale Dated Checks	16,314	-
	<u>95,633,196</u>	<u>90,126,315</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	7,485,398	6,988,419
Other Expenses	11,277,311	10,412,663
Capital Improvements	1,100,000	572,860
Municipal Debt Service	907,250	919,950
Deferred Charges and Statutory Expenditures	1,928,805	1,955,000
County Taxes	14,537,221	12,925,687
Due County for Added Taxes	56,068	103,795
Local District School Taxes	33,566,085	31,909,979
Regional High School Tax	23,908,724	22,266,196
Refund of Prior Year Revenue	18,798	3,010
Refund of Prior Year Taxes	8,504	10,752
Cancellation of Grants Receivable	4,640	
Interfunds Established	7,846	12,036
Disallowed Sr. Deduction - Prior Years	250	250
	<u>94,806,900</u>	<u>88,080,597</u>
Statutory Excess to Fund Balance (Brought Forward)	<u>826,296</u>	<u>2,045,718</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Continued)

	<u>2025</u>	<u>2024</u>
Statutory Excess to Fund Balance (Carried Forward)	\$ 826,296	\$ 2,045,718
FUND BALANCE, January 1	<u>4,612,491</u>	<u>3,966,773</u>
	5,438,787	6,012,491
Decreased by:		
Utilized as Anticipated Revenue	<u>1,450,000</u>	<u>1,400,000</u>
FUND BALANCE, December 31	<u>\$ 3,988,787</u>	<u>\$ 4,612,491</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>		<u>2024</u>	
	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>
FUND BALANCE ANTICIPATED	\$ 1,450,000	\$ 1,450,000	\$ 1,400,000	\$ 1,400,000
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	\$ 10,500	\$ 10,000	\$ 10,000	\$ 10,500
Other	17,915	21,258	18,700	19,960
Fees and Permits	174,625	186,984	173,130	175,358
Fines and Costs - Municipal Court	240,000	175,779	207,000	243,318
Interest and Costs on Taxes and Assessments	180,000	166,457	150,000	183,312
Interest on Investments and Deposits	629,000	601,548	568,000	660,975
Abandoned Property Fees	17,400	11,000	19,100	17,400
Lease of Land for Monopole	257,100	274,170	152,655	401,125
Recreation Program Fees	355,000	349,867	263,000	355,155
VFW Parking Permits	9,600	7,740	9,000	9,660
Uniform Construction Code Fees	755,000	889,976	634,000	755,819
Energy Receipts Tax	1,796,906	1,796,906	1,796,906	1,796,906
Watershed Moratorium Offset Aid	5,969	5,969	5,969	5,969
Municipal Relief Aid			185,218	185,218
Recycling Revenue	30,000	16,778	15,000	32,597
Borough Facilities Use	33,500	25,010	40,000	33,840
Public and Private Programs Offset with Appropriations				
Private Donations	102,536	102,536	7,325	7,325
Leap Challenge Grant			50,000	50,000
Recycling Tonnage	17,763	17,763	18,039	18,039
Drive Sober or Get Pulled Over	7,000	7,000	6,690	6,690
Clean Communities	39,776	39,776	40,105	40,105
Body Armor Replacement			2,312	2,312
Distracted Driving	6,978	6,978	6,735	6,735
Bergen Mun Emp Benefits Fund Wellness			10,000	10,000
National Opioids Settlement	11,806	11,806	28,793	28,793
County Prosecutor's Office Confiscated Funds	5,655	5,655		
Spotted Lantern Fly			20,000	20,000
Other Special Items of Revenue				
Shared Service - Franklin Lakes BOE SROs	355,000	176,147	274,000	327,680
Shared Service - Franklin Lakes BOE SLEOs	66,000	46,602		
Utility Operating Surplus of Prior Year	579,000	579,000		
Uniform Fire Safety Act	21,600	20,680	20,000	21,636
Cable T.V. Franchise Fee	184,521	184,521	184,210	188,495
Library Reimbursement	255,000	247,095	197,000	255,911
Outside Police Employment			90,000	-
PILOT - Municipal	56,800	61,512	48,800	53,876
Reserve for Future Capital Projects	49,000	49,000	71,625	71,625
Total Miscellaneous Revenues	<u>6,270,950</u>	<u>6,095,513</u>	<u>5,323,312</u>	<u>5,996,334</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Continued)

	<u>2025</u>		<u>2024</u>	
	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>
RECEIPTS FROM DELINQUENT TAXES	\$ 574,000	\$ 578,106	\$ 440,000	\$ 439,284
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET				
Local Tax for Municipal Purposes	13,195,552	13,454,152	12,698,111	13,451,034
Minimum Library Tax	<u>2,058,312</u>	<u>2,058,312</u>	<u>1,837,519</u>	<u>1,837,519</u>
	<u>15,253,864</u>	<u>15,512,464</u>	<u>14,535,630</u>	<u>15,288,553</u>
Total General Revenue	<u>\$ 23,548,814</u>	<u>\$ 23,636,083</u>	<u>\$ 21,698,942</u>	<u>\$ 23,124,171</u>

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2025 STATEMENT OF EXPENDITURES

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS"					
General Government					
General Administration					
Salaries and Wages	\$ 374,375	\$ 374,375	\$ 355,749	\$ 18,626	
Other Expenses	145,600	145,600	137,181	8,419	
Mayor & Council					
Salaries and Wages	36,000	41,000	41,000	-	
Other Expenses	25,050	25,050	22,105	2,945	
Municipal Clerk					
Salaries and Wages	160,360	160,360	158,034	2,326	
Other Expenses	64,600	64,600	54,612	9,988	
Financial Administration					
Salaries and Wages	259,880	277,880	272,697	5,183	
Other Expenses	40,025	45,025	36,235	8,790	
Audit Services					
Other Expenses	48,700	48,700	43,800	4,900	
Revenue Administration (Tax Collection)					
Salaries and Wages	81,386	81,386	77,450	3,936	
Other Expenses	25,820	25,820	21,565	4,255	
Tax Assessment Administration					
Salaries and Wages	46,172	46,172	45,583	589	
Other Expenses	11,530	36,530	10,457	26,073	
Legal Services (Legal Department)					
Other Expenses	260,000	191,000	126,287	64,713	
Engineering Services and Costs					
Salaries and Wages	61,930	62,130	62,070	60	
Other Expenses	63,770	83,770	48,229	35,541	
Land Use Administration					
Planning Board					
Salaries and Wages	4,500	4,500	4,402	98	
Other Expenses	12,300	14,300	11,573	2,727	
Zoning Board of Adjustment					
Salaries and Wages	3,500	3,500	2,146	1,354	
Other Expenses	6,250	6,250	2,284	3,966	
Zoning Official					
Salaries and Wages	13,497	13,597	13,497	100	
Insurance					
General Liability	339,480	339,480	337,718	1,762	
Worker's Compensation	222,318	222,318	222,318	-	
Employee Group Health	1,885,947	1,885,947	1,795,275	90,672	
Other Insurance Premiums	16,607	16,607	8,242	8,365	
Health Benefit Waiver	110,000	110,000	102,019	7,981	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Public Safety					
Police Department					
Salaries and Wages	\$ 3,889,770	\$ 3,889,770	\$ 3,734,437	\$ 155,333	
Other Expenses	542,045	542,045	518,217	23,828	
Office of Emergency Management					
Salaries and Wages	7,500	7,500	6,000	1,500	
Other Expenses	6,386	6,386	4,549	1,837	
Ambulance Service					
Other Expenses	80,350	80,350	59,341	21,009	
Fire Department					
Salaries and Wages	16,500	16,500	14,631	1,869	
Other Expenses	214,750	214,750	208,771	5,979	
Uniform Fire Safety					
Salaries and Wages	88,000	88,000	76,213	11,787	
Other Expenses	278,350	278,350	248,302	30,048	
Municipal Court					
Salaries and Wages	170,477	170,477	166,534	3,943	
Other Expenses	21,280	21,280	19,051	2,229	
Municipal Court Public Defender					
Salaries and Wages	8,600	8,600	7,716	884	
Municipal Prosecutor's Office					
Salaries and Wages	23,000	23,000	18,636	4,364	
Public Works					
Streets and Road Maintenance					
Salaries and Wages	1,293,592	1,313,592	1,306,249	7,343	
Other Expenses	473,400	478,400	449,438	28,962	
Solid Waste Collection					
Other Expenses	1,258,800	1,258,800	1,258,800	-	
Recycling					
Other Expenses	60,000	60,000	58,747	1,253	
Solid Waste Disposal					
Other Expenses	430,000	455,000	454,624	376	
Buildings and Grounds					
Other Expenses	379,100	364,100	345,277	18,823	
Vehicle Maintenance (including Police)					
Other Expenses	267,000	207,000	172,334	34,666	
Shade Tree					
Salaries and Wages	60,000	60,000	49,622	10,378	
Health and Human Services					
Board of Health					
Salaries and Wages	174,785	174,785	174,778	7	
Other Expenses	51,650	51,650	46,802	4,848	
Animal Control Services					
Other Expenses	15,500	15,500	11,640	3,860	
Parks and Recreation					
Recreation Services and Programs					
Salaries and Wages	217,037	217,037	212,026	5,011	
Other Expenses	318,800	338,800	295,791	43,009	
Senior Citizens Programs					
Other Expenses	18,000	18,000	18,000	-	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDING DECEMBER 31, 2025
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 672	\$ 1,328	
Celebration of Public Events					
Other Expenses	33,500	33,500	28,754	4,746	
Cable T.V. Committee					
Other Expenses	1,250	1,250	484	766	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Construction Official					
Salaries and Wages	330,740	330,740	297,232	33,508	
Other Expenses	89,700	88,900	54,065	34,835	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	100,000	100,000	91,761	8,239	
Plumbing Inspector					
Salaries and Wages	65,000	65,000	53,996	11,004	
Fire Protection Official					
Salaries and Wages	14,997	15,497	15,243	254	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	200,000	200,000	188,428	11,572	
Street Lighting	45,000	45,000	38,458	6,542	
Telephone	70,000	65,000	51,615	13,385	
Water	52,000	62,000	58,969	3,031	
Gasoline	110,000	104,000	93,132	10,868	
Telecommunications	32,000	32,000	21,568	10,432	-
	<u>15,830,456</u>	<u>15,830,456</u>	<u>14,943,431</u>	<u>887,025</u>	<u>-</u>
Total Operations Within "CAPS"					
	15,830,456	15,830,456	14,943,431	887,025	-
Total Operations including Contingent - Within "CAPS"	<u>15,830,456</u>	<u>15,830,456</u>	<u>14,943,431</u>	<u>887,025</u>	<u>-</u>
Detail:					
Salaries and Wages	7,501,598	7,485,398	7,208,080	277,318	-
Other Expenses	8,328,858	8,345,058	7,735,351	609,707	-

**BOROUGH OF FRANKLIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN					
"CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 535,000	\$ 535,000	\$ 529,912	\$ 5,088	
Social Security System (O.A.S.I.)	357,008	357,008	348,411	8,597	
DCRP Employer Contribution	20,000	20,000	18,782	1,218	
Police & Firemen's Retirement System	<u>1,016,797</u>	<u>1,016,797</u>	<u>1,009,688</u>	<u>7,109</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,928,805</u>	<u>1,928,805</u>	<u>1,906,793</u>	<u>22,012</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>17,759,261</u>	<u>17,759,261</u>	<u>16,850,224</u>	<u>909,037</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Municipal Library	2,058,312	2,058,312	2,058,312	-	
NJ DEP Stormwater Permit	12,000	12,000	8,595	3,405	-
Insurance					
General Liability	17,595	17,595	17,595	-	-
Worker's Compensation	2,682	2,682	2,682	-	-
Group Health Insurance	<u>224,350</u>	<u>224,350</u>	<u>224,350</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>2,314,939</u>	<u>2,314,939</u>	<u>2,311,534</u>	<u>3,405</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	4,800	4,800	4,800	-	-
Borough of Franklin Lakes Board of Education					
School Resource Officers					
Other Expenses	<u>421,000</u>	<u>421,000</u>	<u>400,790</u>	<u>20,210</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>425,800</u>	<u>425,800</u>	<u>405,590</u>	<u>20,210</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
Recycling Tonnage		\$ 17,763	\$ 17,763	-	
Clean Communities		39,776	39,776	-	
Private Donations	\$ 26,642	102,536	102,536	-	
Drive Sober or Get Pulled Over Grant	-	7,000	7,000	-	
Distracted Driving	-	6,978	6,978	-	
National Opioids Settlement	-	11,806	11,806	-	
County Prosecutor's Office Confiscated Funds	-	5,655	5,655	-	-
	<u>26,642</u>	<u>191,514</u>	<u>191,514</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>26,642</u>	<u>191,514</u>	<u>191,514</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,767,381</u>	<u>2,932,253</u>	<u>2,908,638</u>	<u>\$ 23,615</u>	<u>-</u>
Detail					
Other Expenses	<u>2,767,381</u>	<u>2,932,253</u>	<u>2,908,638</u>	<u>23,615</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	810,000	810,000	810,000	-	
Interest on Bonds	97,300	97,300	97,250	-	\$ 50
Total Municipal Debt Service - Excluded from "CAPS"	<u>907,300</u>	<u>907,300</u>	<u>907,250</u>	<u>-</u>	<u>50</u>
Total General Appropriations Excluded from "CAPS"	<u>4,774,681</u>	<u>4,939,553</u>	<u>4,915,888</u>	<u>23,615</u>	<u>50</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Subtotal General Appropriations	\$ 22,533,942	\$ 22,698,814	\$ 21,766,112	\$ 932,652	\$ 50
Reserve for Uncollected Taxes	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	-	-
Total General Appropriations	<u>\$ 23,383,942</u>	<u>\$ 23,548,814</u>	<u>\$ 22,616,112</u>	<u>\$ 932,652</u>	<u>\$ 50</u>
Budget as Adopted		\$ 23,383,942			
Added by N.J.S. 40A:4-87		<u>164,872</u>			
		<u>\$ 23,548,814</u>			

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2024 STATEMENT OF EXPENDITURES

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

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS"					
General Government					
General Administration					
Salaries and Wages	\$ 362,680	\$ 362,680	\$ 355,793	\$ 6,887	
Other Expenses	128,050	139,050	138,518	532	
Mayor & Council					
Salaries and Wages	41,000	41,000	41,000	-	
Other Expenses	15,000	21,600	21,558	42	
Municipal Clerk					
Salaries and Wages	158,674	158,674	146,837	11,837	
Other Expenses	46,550	47,050	46,599	451	
Financial Administration					
Salaries and Wages	229,495	229,495	226,935	2,560	
Other Expenses	34,400	34,400	34,398	2	
Audit Services					
Other Expenses	48,600	48,600	40,700	7,900	
Revenue Administration (Tax Collection)					
Salaries and Wages	88,235	88,235	86,868	1,367	
Other Expenses	23,375	23,375	20,171	3,204	
Tax Assessment Administration					
Salaries and Wages	44,820	45,320	45,245	75	
Other Expenses	10,830	10,830	9,009	1,821	
Legal Services (Legal Department)					
Other Expenses	240,000	240,000	206,709	33,291	
Engineering Services and Costs					
Salaries and Wages	60,160	60,860	60,737	123	
Other Expenses	48,500	48,500	39,230	9,270	
Land Use Administration					
Planning Board					
Salaries and Wages	4,680	4,680	3,432	1,248	
Other Expenses	10,300	10,300	9,077	1,223	
Zoning Board of Adjustment					
Salaries and Wages	3,520	3,820	3,432	388	
Other Expenses	7,250	7,250	2,704	4,546	
Zoning Official					
Salaries and Wages	13,105	13,205	13,166	39	
Insurance					
General Liability	278,415	278,415	275,975	2,440	
Worker's Compensation	214,800	214,800	214,800	-	
Employee Group Health	1,900,000	1,809,275	1,732,419	76,856	
Other Insurance Premiums	22,900	22,900	17,222	5,678	
Health Benefit Waiver	100,000	100,000	97,551	2,449	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Public Safety					
Police Department					
Salaries and Wages	\$ 3,514,925	\$ 3,514,925	\$ 3,498,922	\$ 16,003	
Other Expenses	459,820	478,820	478,650	170	
Office of Emergency Management					
Salaries and Wages	7,280	7,280	7,000	280	
Other Expenses	9,900	9,900	6,997	2,903	
Ambulance Service					
Other Expenses	79,770	79,770	57,654	22,116	
Fire Department					
Salaries and Wages	16,500	16,500	3,529	12,971	
Other Expenses	204,900	217,900	209,814	8,086	
Uniform Fire Safety					
Salaries and Wages	72,500	76,500	76,447	53	
Other Expenses	242,300	255,300	255,131	169	
Municipal Court					
Salaries and Wages	159,760	163,760	162,302	1,458	
Other Expenses	12,950	16,150	14,333	1,817	
Municipal Court Public Defender					
Salaries and Wages	8,600	8,600	8,156	444	
Municipal Prosecutor's Office					
Salaries and Wages	22,000	22,000	20,595	1,405	
Public Works					
Streets and Road Maintenance					
Salaries and Wages	1,313,395	1,313,395	1,274,488	38,907	
Other Expenses	445,900	445,900	445,900	-	
Solid Waste Collection					
Other Expenses	1,258,400	1,258,400	1,218,715	39,685	
Solid Waste Disposal					
Other Expenses	449,000	449,000	406,260	42,740	
Buildings and Grounds					
Other Expenses	369,000	369,000	313,952	55,048	
Vehicle Maintenance (including Police)					
Other Expenses	263,000	273,000	261,379	11,621	
Shade Tree					
Other Expenses	62,000	(2,225)	(2,225)	-	
Health and Human Services					
Board of Health					
Salaries and Wages	169,685	169,685	169,565	120	
Other Expenses	45,650	47,400	44,725	2,675	
Animal Control Services					
Other Expenses	15,000	15,000	14,760	240	
Parks and Recreation					
Recreation Services and Programs					
Salaries and Wages	210,485	211,285	211,270	15	
Other Expenses	287,200	299,200	289,119	10,081	
Senior Citizens Programs					
Other Expenses	18,000	18,000	18,000	-	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDING DECEMBER 31, 2024
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 884	\$ 1,116	
Celebration of Public Events					
Other Expenses	31,500	31,500	28,780	2,720	
Cable T.V. Committee					
Other Expenses	1,500	1,500	303	1,197	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	315,170	318,170	317,230	940	
Other Expenses	70,400	81,400	81,157	243	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	89,000	89,000	87,522	1,478	
Plumbing Inspector					
Salaries and Wages	53,790	54,790	54,625	165	
Fire Protection Official					
Salaries and Wages	14,560	14,560	14,341	219	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	250,000	250,000	180,278	69,722	
Street Lighting	33,000	43,000	42,736	264	
Telephone	55,000	71,000	64,195	6,805	
Water	37,000	52,000	42,000	10,000	
Gasoline	110,000	100,000	98,306	1,694	
Telecommunications	22,000	24,000	24,000	-	-
Reserve for Tax Appeals	100,000	100,000	100,000	-	-
Total Operations Within "CAPS"	15,038,179	15,031,679	14,491,880	539,799	-
Total Operations including Contingent - Within "CAPS"	15,038,179	15,031,679	14,491,880	539,799	-
Detail:					
Salaries and Wages	6,974,019	6,988,419	6,889,437	98,982	-
Other Expenses	8,064,160	8,043,260	7,602,443	440,817	-

BOROUGH OF FRANKLIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN					
"CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 565,000	\$ 565,000	\$ 561,140	\$ 3,860	
Social Security System (O.A.S.I.)	344,000	347,000	341,028	5,972	
DCRP Employer Contribution	18,000	18,000	16,875	1,125	
Police & Firemen's Retirement System	<u>1,025,000</u>	<u>1,025,000</u>	<u>976,786</u>	<u>48,214</u>	<u>-</u>
 Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	 <u>1,952,000</u>	 <u>1,955,000</u>	 <u>1,895,829</u>	 <u>59,171</u>	 <u>-</u>
 Total General Appropriations for Municipal Purposes Within "CAPS"	 <u>16,990,179</u>	 <u>16,986,679</u>	 <u>16,387,709</u>	 <u>598,970</u>	 <u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Municipal Library	1,837,519	1,837,519	1,837,519	-	
Solid Waste Collection	-	-	-	-	
NJ DEP Stormwater Permit	10,000	13,500	10,000	3,500	
Insurance					
General Liability	<u>49,585</u>	<u>49,585</u>	<u>49,585</u>	<u>-</u>	<u>-</u>
 Total Other Operations Excluded from "CAPS"	 <u>1,897,104</u>	 <u>1,900,604</u>	 <u>1,897,104</u>	 <u>3,500</u>	 <u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	4,800	4,800	4,800	-	-
Borough of Franklin Lakes Board of Education					
School Resource Officers					
Other Expenses	<u>274,000</u>	<u>274,000</u>	<u>274,000</u>	<u>-</u>	<u>-</u>
 Total Interlocal Municipal Service Agreements	 <u>278,800</u>	 <u>278,800</u>	 <u>278,800</u>	 <u>-</u>	 <u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
State of New Jersey Recycling Tonnage Grant	\$ -	18,039	18,039	-	-
Clean Communities Grant		40,105	40,105	-	-
Private Donations	200	7,325	7,325	-	-
Drive Sober/Get Pulled Over Grant		6,690	6,690	-	-
Bergen Municipal Employees Benefits Fund Grant		10,000	10,000	-	-
Distracted Driving		6,735	6,735	-	-
Body Armor Replacement Program		2,312	2,312	-	-
National Opioids Settlement		28,793	28,793	-	-
Spotted Laternfly Program		20,000	20,000	-	-
Leap Challenge Grant	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-
Total Public and Private Programs Offset by Revenues	<u>50,200</u>	<u>189,999</u>	<u>189,999</u>	-	-
Total Operations Excluded from "CAPS"	<u>2,226,104</u>	<u>2,369,403</u>	<u>2,365,903</u>	\$ 3,500	-
Detail					
Other Expenses	<u>2,226,104</u>	<u>2,369,403</u>	<u>2,365,903</u>	<u>3,500</u>	-
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>572,860</u>	<u>572,860</u>	<u>572,860</u>	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>572,860</u>	<u>572,860</u>	<u>572,860</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	810,000	810,000	810,000	-	-
Interest on Bonds	<u>110,000</u>	<u>110,000</u>	<u>109,950</u>	-	<u>50</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>920,000</u>	<u>920,000</u>	<u>919,950</u>	-	<u>50</u>
Total General Appropriations Excluded from "CAPS"	<u>3,718,964</u>	<u>3,862,263</u>	<u>3,858,713</u>	<u>3,500</u>	<u>50</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Subtotal General Appropriations	\$ 20,709,143	\$ 20,848,942	\$ 20,246,422	\$ 602,470	\$ 50
Reserve for Uncollected Taxes	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 21,559,143</u>	<u>\$ 21,698,942</u>	<u>\$ 21,096,422</u>	<u>\$ 602,470</u>	<u>\$ 50</u>
Budget as Adopted		\$ 21,559,143			
Added by N.J.S. 40A:4-87		<u>139,799</u>			
		<u>\$ 21,698,942</u>			

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
ANIMAL CONTROL TRUST FUND		
Cash	\$ 45,648	\$ 33,954
Due from State of NJ	<u>1</u>	<u>-</u>
	<u>45,649</u>	<u>33,954</u>
OTHER TRUST FUND		
Cash	4,690,694	4,036,924
Prepaid Payroll Tax	-	26,980
Due from Current Fund	<u>76,118</u>	<u>23,012</u>
	<u>4,766,812</u>	<u>4,086,916</u>
ASSESSMENT TRUST FUND		
Cash	65,147	56,107
Assessments Receivable	<u>50,509</u>	<u>58,697</u>
	<u>115,656</u>	<u>114,804</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Cash	<u>13,971</u>	<u>25,635</u>
	<u>13,971</u>	<u>25,635</u>
Total Assets	<u>\$ 4,942,088</u>	<u>\$ 4,261,309</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2025 AND 2024
(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL TRUST FUND		
Due to Current Fund	\$ 17,587	\$ 10,593
Due to State of NJ	-	17
Reserve for Animal Control Expenditures	<u>28,062</u>	<u>23,344</u>
	<u>45,649</u>	<u>33,954</u>
OTHER TRUST FUND		
Payroll Deductions and Withholdings Payable	6,390	47,732
Due to Current Fund	-	-
Reserve for:		
Affordable Housing	1,720,025	1,502,532
Miscellaneous Reserves	473,872	435,000
Escrow Deposits	<u>2,566,525</u>	<u>2,101,652</u>
	<u>4,766,812</u>	<u>4,086,916</u>
ASSESSMENT TRUST FUND		
Due to Current Fund	2,295	1,443
Due to General Capital Fund	62,852	54,664
Reserve for Assessments	<u>50,509</u>	<u>58,697</u>
	<u>115,656</u>	<u>114,804</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Due to the State of New Jersey	-	-
Reserve for Unemployment Insurance Claims	<u>13,971</u>	<u>25,635</u>
	<u>13,971</u>	<u>25,635</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 4,942,088</u>	<u>\$ 4,261,309</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 1,804,783	\$ 3,147,932
Grants Receivable	1,436,582	-
Due from Assessment Trust Fund	62,852	54,664
Deferred Charges to Future Taxation - Funded	5,490,000	6,300,000
Deferred Charges to Future Taxation - Unfunded	<u>4,243,536</u>	<u>1,620,086</u>
 Total Assets	 <u>\$ 13,037,753</u>	 <u>\$ 11,122,682</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Serial Bond Payable	\$ 5,490,000	\$ 6,300,000
Improvement Authorizations		
Funded	1,081,259	1,517,935
Unfunded	950,477	47,325
Encumbrances Payable	3,711,085	3,011,467
Capital Improvement Fund	377,271	152,795
Reserve for Payment of Debt - Grants	45,169	
Reserve for Grants Receivable	1,300,000	-
Reserve for Future Capital Projects	-	49,000
Fund Balance	<u>82,492</u>	<u>44,160</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 13,037,753</u>	 <u>\$ 11,122,682</u>

There were bonds and notes authorized but not issued on December 31, 2025 and 2024 of \$4,243,536 and \$1,620,086, respectively (Exhibit C-14).

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 44,160	\$ 32,790
Increased by:		
Cancellation of Funded Improvement Authorizations	30,144	-
Assessment Collections	<u>8,188</u>	<u>11,370</u>
	82,492	44,160
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ 82,492</u>	<u>\$ 44,160</u>

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Operating Fund		
Cash	\$ 178,468	\$ 791,447
Accounts Receivable	<u>2,118</u>	<u>2,465</u>
Total Operating Fund	<u>180,586</u>	<u>793,912</u>
Total Assets	<u><u>\$ 180,586</u></u>	<u><u>\$ 793,912</u></u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	<u>\$ 11,292</u>	<u>\$ 11,028</u>
	11,292	11,028
Reserve for Receivable	2,118	2,465
Fund Balance	<u>167,176</u>	<u>780,419</u>
Total Operating Fund	<u>180,586</u>	<u>793,912</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 180,586</u></u>	<u><u>\$ 793,912</u></u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Revenue and Other Income Realized		
Surplus Anticipated	\$ 49,073	\$ 24,800
Sewer User Fees	160,312	163,441
Sewer Connection Fees	18,188	553,521
Non-Budget Revenue	2,202	1,862
Other Credits to Income		
Unexpended Balances of Appropriation Reserves	<u>11,028</u>	<u>11,824</u>
	<u>240,803</u>	<u>755,448</u>
 Expenditures		
Budget Appropriations		
Operating	<u>225,973</u>	<u>179,000</u>
	<u>225,973</u>	<u>179,000</u>
 Excess of Revenues Over Expenditures	14,830	576,448
 Prior Year Surplus Utilized as Current Fund Anticipated Revenue	<u>(579,000)</u>	<u>-</u>
	(564,170)	
 Fund Balance, January 1	<u>780,419</u>	<u>228,771</u>
	216,249	805,219
 Utilized as Anticipated Revenue	<u>(49,073)</u>	<u>(24,800)</u>
 Fund Balance, December 31	<u>\$ 167,176</u>	<u>\$ 780,419</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>		<u>2024</u>	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
Anticipated Fund Balance	\$ 49,073	\$ 49,073	\$ 24,800	\$ 24,800
Sewer User Fees	159,900	160,312	137,700	163,441
Sewer Connection Fees	<u>17,000</u>	<u>18,188</u>	<u>16,500</u>	<u>553,521</u>
	<u>\$ 225,973</u>	<u>\$ 227,573</u>	<u>\$ 179,000</u>	<u>\$ 741,762</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating Other Expenses	\$ 225,973	\$ 225,973	\$ 214,681	\$ 11,292
	<u>\$ 225,973</u>	<u>\$ 225,973</u>	<u>\$ 214,681</u>	<u>\$ 11,292</u>

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

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating Other Expenses	\$ 179,000	\$ 179,000	\$ 167,972	\$ 11,028
	<u>\$ 179,000</u>	<u>\$ 179,000</u>	<u>\$ 167,972</u>	<u>\$ 11,028</u>

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Land	\$ 38,868,800	\$ 39,125,800
Buildings and Improvements	5,734,400	6,585,038
Vehicles	7,547,891	6,268,164
Machinery and Equipment	<u>5,055,329</u>	<u>5,939,637</u>
Total Assets	<u>\$ 57,206,420</u>	<u>\$ 57,918,639</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 57,206,420</u>	<u>\$ 57,814,318</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Franklin Lakes (the "Borough") was incorporated in 1922 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by State law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department and volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Franklin Lakes have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. However under the regulatory basis of accounting municipalities are required to follow GASB pronouncements with regard to disclosure requirements for notes to the financial statements.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Unemployment Insurance Trust Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2024 balances to conform to the December 31, 2025 presentation.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Franklin Lakes follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Inventories - 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 inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables (Continued)

unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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 for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges – Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Prepaid Items – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. The Borough has elected not to implement GASB 101 "Compensated Absences" to determine its compensated absences liability. The Borough has reported compensated absences liability for only vested employees eligible for such payments. GAAP requires the liability to be determined for both vested and non-vested employees and that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the proprietary funds and government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The Borough appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements it's share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

Other Post-Employment Benefits (OPEB) – The Borough funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements it's actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Franklin Lakes has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets purchased after December 31, 2015 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

General Fixed Assets purchased prior to December 31, 2015 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets, including intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs), be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

- General Capital Fund
- Trust Funds (except Assessment Trust Fund)

The Borough must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting (Continued)

1977 Appropriation “CAP”: The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall Current Fund appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum. Exceptions to the limitations imposed by the Appropriation CAP also exist for other items including capital expenditures; debt service extraordinary expenses approved by the Local Finance Board; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Additionally, municipalities can bank the unused appropriation increases for use in any of the next two (2) succeeding budget years.

2010 Levy “CAP”: The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation for municipal purposes, exclusive of amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2%, and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy. Additionally, municipalities can bank the unused tax levy for use in any of the next three (3) succeeding budget years.

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2025 and 2024 the Borough Council increased the original budget by \$164,872 and \$139,799, respectively. The increases for 2025 and 2024 were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2025 and 2024.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

The Borough’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee’s salary or funds which may pass to the local government upon the happening of a future condition.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At December 31, 2025 and 2024, the book value of the Borough's deposits were \$14,361,993 and \$15,478,151 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,560,476 and \$16,412,426, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2025</u>	<u>2024</u>
Insured	\$ 13,999,057	\$ 15,880,139
Uninsured and Collateralized	<u>561,419</u>	<u>532,287</u>
	<u>\$ 14,560,476</u>	<u>\$ 16,412,426</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2025 and 2024, the Borough’s bank balances of \$561,419 and \$532,287 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2025</u>	<u>2024</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 561,419</u>	<u>\$ 532,287</u>

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools, 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2025 and 2024 the Borough had no outstanding investments.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2025 and 2024 consisted of the following:

<u>Current</u>	<u>2025</u>	<u>2024</u>
Property Taxes	\$ 725,847	\$ 578,106
Tax Title Liens	<u>71,032</u>	<u>59,264</u>
	<u>\$ 796,879</u>	<u>\$ 637,370</u>

In 2025 and 2024, the Borough collected \$578,106 and \$439,284 from delinquent taxes, which represented 91% and 90%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 19,882	\$ 76,118	\$ 12,036	\$ 23,012
Trust Fund:				
Animal Control Trust		17,587		10,593
Other Trust	76,118		23,012	
Assessment Trust		65,147		56,107
General Capital Fund	<u>62,852</u>	<u>-</u>	<u>54,664</u>	<u>-</u>
Total	<u>\$ 158,852</u>	<u>\$ 158,852</u>	<u>\$ 89,712</u>	<u>\$ 89,712</u>

The above balances are the result of revenues being received or expenditures being paid by one fund on behalf of another.

The Borough expects all interfund balances to be liquidated within one year.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 6 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2025</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2024</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,943,815	\$ 1,300,000	\$ 4,176,532	\$ 1,450,000
Non-Cash Surplus	<u>44,972</u>	<u>-</u>	<u>435,959</u>	<u>-</u>
	<u>\$ 3,988,787</u>	<u>\$ 1,300,000</u>	<u>\$ 4,612,491</u>	<u>\$ 1,450,000</u>
 Sewer Utility Operating Fund				
Cash Surplus	\$ 167,176	\$ 38,000	\$ 780,419	\$ 49,073
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 167,176</u>	<u>\$ 38,000</u>	<u>\$ 780,419</u>	<u>\$ 49,073</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2025 and 2024.

	Balance December 31, <u>2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustment</u>	Balance, December 31, <u>2025</u>
<u>2025</u>					
Land	\$ 39,125,800			\$ (257,000)	\$ 38,868,800
Buildings and Improvements	6,585,038			(850,638)	5,734,400
Vehicles	6,180,418	\$ 521,505		845,968	7,547,891
Machinery and Equipment	<u>6,027,383</u>	<u>263,483</u>	<u>\$ 207,991</u>	<u>(1,027,546)</u>	<u>5,055,329</u>
	<u>\$ 57,918,639</u>	<u>\$ 784,988</u>	<u>\$ 207,991</u>	<u>\$(1,289,216)</u>	<u>\$ 57,206,420</u>
	Balance December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustment</u>	Balance, December 31, <u>2024</u>
<u>2024</u>					
Land	\$ 39,125,800				\$ 39,125,800
Buildings and Improvements	6,585,038				6,585,038
Vehicles	6,182,618	\$ 49,800	\$ 52,000		6,180,418
Machinery and Equipment	<u>5,920,862</u>	<u>165,628</u>	<u>59,107</u>	<u>-</u>	<u>6,027,383</u>
	<u>\$ 57,814,318</u>	<u>\$ 215,428</u>	<u>\$ 111,107</u>	<u>\$ -</u>	<u>\$ 57,918,639</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. 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, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2025</u>	<u>2024</u>
Issued		
General		
Bonds and Notes	\$ 5,490,000	\$ 6,300,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(45,169)</u>	<u>-</u>
Net Debt Issued	5,444,831	6,300,000
Authorized But Not Issued		
Bonds and Notes		
General	4,222,700	1,590,000
Assessment	<u>20,836</u>	<u>30,086</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,688,367</u>	<u>\$ 7,920,086</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is in the format of the Borough's Annual Debt Statement and indicates a statutory net debt of .162% and .144% at December 31, 2025 and 2024, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2025</u>			
General Debt	\$ 9,733,536	\$ 45,169	\$ 9,688,367
School Debt	<u>21,970,218</u>	<u>21,970,218</u>	<u>-</u>
Total	<u>\$ 31,703,754</u>	<u>\$ 22,015,387</u>	<u>\$ 9,688,367</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 7,920,086	\$ -	\$ 7,920,086
School Debt	<u>23,322,088</u>	<u>23,322,088</u>	<u>-</u>
Total	<u>\$ 31,242,174</u>	<u>\$ 23,322,088</u>	<u>\$ 7,920,086</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2025</u>	<u>2024</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 209,909,393	\$ 193,022,306
Net Debt	<u>9,688,367</u>	<u>7,920,086</u>
Remaining Borrowing Power	<u>\$ 200,221,026</u>	<u>\$ 185,102,220</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
\$5,055,000, 2014 Bonds, due in an annual installment to \$460,000 through September 1, 2029, interest at 2.00%	\$ 1,840,000	\$ 2,300,000
\$5,025,000, 2020 Bonds, due in annual installments of \$350,000 to \$375,000 through September 1, 2035, interest at 1.00%-1.625%	<u>3,650,000</u>	<u>4,000,000</u>
	<u>\$ 5,490,000</u>	<u>\$ 6,300,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2025 is as follows:

Calendar <u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2026	\$ 810,000	\$ 84,550	\$ 894,550
2027	810,000	71,850	881,850
2028	810,000	59,150	869,150
2029	810,000	46,450	856,450
2030	375,000	33,750	408,750
2031	375,000	28,594	403,594
2032	375,000	22,969	397,969
2033	375,000	17,344	392,344
2034	375,000	11,719	386,719
2035	<u>375,000</u>	<u>6,094</u>	<u>381,094</u>
Total	<u>\$ 5,490,000</u>	<u>\$ 382,470</u>	<u>\$ 5,872,470</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough’s long-term capital debt activity for the years ended December 31, 2025 and 2024 were as follows:

	Balance, December 31, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2025</u>	Due Within <u>One Year</u>
<u>2025</u>					
General Capital Fund					
Bonds Payable	\$ 6,300,000	\$ -	\$ 810,000	\$ 5,490,000	\$ 810,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance, December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
General Capital Fund					
Bonds Payable	\$ 7,110,000	\$ -	\$ 810,000	\$ 6,300,000	\$ 810,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Commitment</u>	<u>Estimated Date of Completion/ Acquisition</u>
<u>2025</u>		
2025 Road Program	\$ 936,578	2026
Pulis Ave Playground	939,249	2026
Fire Truck	1,659,794	2026
<u>2024</u>		
Ambulance	\$ 377,005	2025
Oil/Water Separator at DPW	207,874	2025
HVAC System	90,318	2025
Fire Truck	1,659,794	2026

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, certain employees and bargaining units are permitted to be compensated for one-half (1/2) of their unused sick days from the previous calendar year. Carryover days not paid in the succeeding calendar year are forfeited.

These amounts, which have not been determined and are considered immaterial to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the footnotes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2025 and 2024 were as follows:

	Balance, December 31, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2025</u>
<u>2025</u>				
Net Pension Liability - PERS (1)	\$ 5,291,609			\$ 5,291,609
Net Pension Liability - PFRS (1)	8,158,998			8,158,998
Net OPEB Liability (2)	<u>27,005,274</u>	<u>-</u>	<u>\$ -</u>	<u>27,005,274</u>
Total Other Long-Term Liabilities	<u>\$ 40,455,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,455,881</u>

- (1) GASB Statement Numbers 68 Pension financial information was not provided by the State's Division of Pensions and Benefits as of the date of audit.
- (2) GASB Statement Number 75 OPEB financial information was not provided by the client as of the date of audit.

	Balance, December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Net Pension Liability - PERS	\$ 6,081,243		\$ 789,634	\$ 5,291,609
Net Pension Liability - PFRS	8,450,279		291,281	8,158,998
Net OPEB Liability	<u>29,094,134</u>	<u>-</u>	<u>2,088,860</u>	<u>27,005,274</u>
Total Other Long-Term Liabilities	<u>\$ 43,625,656</u>	<u>\$ -</u>	<u>\$ 3,169,775</u>	<u>\$ 40,455,881</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PFRS:

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

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

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.nj.gov/treasury/pensions/annual-reports.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Empower (formerly Prudential Retirement) is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2025 was not available and for June 30, 2024 is \$13.7 billion, and the plan fiduciary net position as a percentage of the total pension liability is 68.22% at June 30, 2024. The collective net pension liability of the participating employers for local PFRS at June 30, 2025 was not available and for June 30, 2024 is \$12.4 billion and the plan fiduciary net position as a percentage of total pension liability is 72.66% at June 30, 2024.

The total pension liabilities for the June 30, 2024 measurement date were determined based on actuarial valuations as of July 1, 2023 which were rolled forward to June 30, 2024.

Actuarial Methods and Assumptions

In the July 1, 2023 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2025 and 2024 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2025, 2024 and 2023 were equal to the required contributions.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2025, 2024 and 2023, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2025	\$ 1,009,688	\$ 529,912	\$ 18,782
2024	976,786	561,140	16,875
2023	1,003,876	533,887	15,221

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense (benefit) excluding that attributable to employer-paid member contributions.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2025 for the measurement date of June 30, 2025 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2025 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2024 and 2023. Employer allocation percentages have been rounded for presentation purposes. Contributions from employers are recognized when due, based on statutory requirements.

Public Employees Retirement System (PERS)

At December 31, 2024, the Borough reported a liability of \$5,291,609 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2024, the Borough’s proportionate share was 0.03894 percent, which was a decrease of 0.00304 percent from its proportionate share measured as of June 30, 2023 of 0.04198 percent.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2024, the pension system has determined the Borough’s pension expense to be \$122,162 for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$561,140. At December 31, 2024, the Borough’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 106,001	\$ 14,088
Changes of Assumptions	6,574	60,206
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		245,357
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>176,379</u>	<u>401,119</u>
Total	<u>\$ 288,954</u>	<u>\$ 720,770</u>

At December 31, 2024 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2025	\$ (220,166)
2026	139,340
2027	(198,171)
2028	(147,229)
2029	(5,590)
Thereafter	<u>-</u>
	<u>\$ (431,816)</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2024 was based on the June 30, 2024 measurement date as determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2024</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rates

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 generational basis. Mortality improvement is based on Scale MP-2021.

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2024) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2024, as reported for the year ended December 31, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>2024</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	7.10%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Investment Grade Credit	7.00%	5.37%
US Equity	28.00%	8.63%
Non-US Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
High Yield	4.50%	6.74%
Real Assets	3.00%	8.20%
Private Credit	8.00%	8.90%
Real Estate	8.00%	10.95%
Private Equity	13.00%	12.40%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for 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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

The following presents the Borough’s proportionate share of the PERS net pension liability as of December 31, 2024 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2024</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 7,031,247</u>	<u>\$ 5,291,609</u>	<u>\$ 3,811,186</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2024. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.nj.gov/treasury/pensions.

Police and Firemen’s Retirement System (PFRS)

At December 31, 2024 the Borough reported a liability of \$8,158,998 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2024, the Borough’s proportionate share was 0.07901 percent, which was an increase of 0.00253 percent from its proportionate share measured as of June 30, 2022 of 0.07648 percent.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2024, the pension system has determined the Borough pension expense to be \$647,724 for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$976,786. At December 31, 2024, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 514,011	\$ 279,318
Changes of Assumptions	12,898	239,616
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	63,859
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>621,339</u>	<u>90,019</u>
Total	<u>\$ 1,148,248</u>	<u>\$ 672,812</u>

At December 31, 2024 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2025	(107,648)
2026	560,353
2027	(71,538)
2028	(12,727)
2029	98,235
Thereafter	<u>8,761</u>
	<u>\$ 475,436</u>

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2024 was based on the June 30, 2024 measurement date as determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2024</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	
Rate for All Future Years	3.25%-16.25%
	Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rates

Employee mortality rates were based on the Pub-2010 (safety employee) amount-weighted mortality table (sex specific) projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality (sex specific) projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for males and 100% of the Pub-2010 Safety Disabled Retire amount – weighted mortality table for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2024) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2024, as reported for the year ended December 31, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>2024</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Cash Equivalents	2.00%	3.40%
U.S. Treasury Bond	7.00%	4.10%
Non-US Developed Large-Cap Equity	9.50%	6.70%
Non-US Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Small Cap Equity	1.50%	9.60%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Private Debit/Credit	8.00%	9.10%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Equity	10.00%	10.00%

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. 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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2024 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2024</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>11,657,393</u>	\$ <u>8,158,998</u>	\$ <u>5,245,602</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2024. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State 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. Accordingly, the Borough’s proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State’s proportionate share is 100% for PFRS under this legislation.

At December 31, 2024, the State’s proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,608,529. For the year ended December 31, 2024, the pension system has determined the State’s proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$185,048 which is the same as the actual contribution the State made on behalf of the Borough of \$185,048. At December 31, 2024 (measurement date June 30, 2024) the State’s share of the PFRS net pension liability attributable to the Borough was 0.07901 percent, which was a decrease of 0.00253 percent from its proportionate share measured as of December 31, 2023 (measurement date June 30, 2023) of 0.07648 percent. The State’s proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported in the Borough’s financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2024, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$6,168,761. For the year ended December 31, 2024 the plan has determined the State's proportionate share of the OPEB expense (benefit) attributable to the Borough for the OPEB special funding situation is \$(803,334). At December 31, 2023, (measurement date June 30, 2024), the State's share of the OPEB liability attributable to the Borough was 0.12649 percent, which was a decrease of 0.00049 percent from its proportionate share measured as of December 31, 2024 (measurement date June 30, 2023) of 0.12698 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Description

The Borough provides a postemployment healthcare plan (OPEB) for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough can amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The Borough provides other post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents under certain agreements continues upon the death of the retiree. For an employee to qualify for employer provided other post-retirement medical benefits, they shall have retired in compliance with the requirements of the Public Employees Retirement System and the Police and Firemen's Retirement System. Under certain employment contracts, the other post-retirement medical benefits can begin for eligible employees upon retirement for a period beginning at age 55. Under certain employment contracts, employee provided other post-retirement medical benefits are provided to certain employees and their dependents upon permanent disability or death in the line of duty.

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Employees Covered by Postemployment Benefits

At December 31, 2024, the following employees were covered by postemployment health care benefits:

	<u>2024</u>
Active Employees	20
Inactive Employees or Beneficiaries Currently Receiving Benefits	35
Inactive Employees Entitles to But Not Yet Receiving Benefits	<u>55</u>

The Borough’s OPEB liability at December 31, 2025 was not available at the time of audit. At December 31, 2024, the Borough’s total OPEB liability were \$27,005,274. Net OPEB liability was measured as of December 31, 2024 and the OPEB liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2024, the Borough has determined it’s OPEB expense to be \$1,853,991, based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$677,351.

Actuarial Assumptions

The Borough’s total OPEB liability reported for the year ended December 31, 2024 was based on the December 31, 2023 measurement date as determined by an actuarial valuation as of December 31, 2023 which was rolled forward to December 31, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2024</u>
Inflation Rate	2.5%
Salary Increases	2.5%
Discount Rate	4.08%
Healthcare Cost Trend Rates	6.5%

The discount rate was based on the Bond Buyer 20 Index for 2024.

Mortality rates were based on the Pub-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the Borough’s OPEB liability for the year ended December 31, 2024 based on measurement date of December 31, 2024 is as follows:

	Total OPEB Liability 2024
	<u> </u>
Balance - Beginning of Year	\$ 29,094,134
Changes for the Year:	
Service Cost	\$ 201,526
Interest on the Total OPEB Liability	944,416
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	(1,908,599)
Changes in Assumptions	(674,541)
Benefit Payments	<u>(651,662)</u>
Net Changes	<u>(2,088,860)</u>
Balance - End of Year	<u>\$ 27,005,274</u>

Changes in assumptions for 2024 reflect a change in the discount rate from 3.26 percent in 2023 to 4.08 percent in 2024.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Borough’s net OPEB liability as of December 31, 2024 calculated using the discount rate of 4.08%, as well as what the Borough’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.08%, or 1-percentage-point higher 5.08%, than the current rate:

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
<u>2024</u>			
Net OPEB Liability	\$ <u>30,519,554</u>	\$ <u>27,005,274</u>	\$ <u>24,115,159</u>

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

The following presents the Borough’s net OPEB liability as of December 31, 2024 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(3.08%)</u>	Healthcare Cost Trend Rates <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
<u>2024</u>			
Net OPEB Liability	\$ <u>24,299,419</u>	\$ <u>27,005,274</u>	\$ <u>30,242,556</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 13 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Franklin Lakes is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

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

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2025	\$ 11,054	\$ 22,718	\$ 13,971
2024	10,546	13,442	25,635
2023	9,504	25,799	28,531

NOTE 14 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2025 and 2024. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2025 and 2024, the Borough reserved \$866,635 and \$766,635, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 14 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2025 and 2024, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2025 and 2024, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 16 SUBSEQUENT EVENTS

Debt Authorized

On March 17, 2026, the Borough adopted a bond ordinance authorizing the issuance \$3,377,000 in Bonds or bond anticipation notes to fund various capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

Special Emergency Appropriation

On March 3, 2026, the Borough adopted an ordinance authorizing a Special Emergency Appropriation in the amount of \$625,000 for the preparation and execution of a complete revaluation of real property. As of the date of this report the Borough has not issued nor awarded the sale of bonds or notes.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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MOSHIUR RAHMAN†

June 12, 2026

*ADMITTED IN NY ONLY
†ADMITTED IN PA ONLY

Borough Council of the
Borough of Franklin Lakes, in the
County of Bergen, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to the Borough of Franklin Lakes, in the County of Bergen, a municipal corporation of the State of New Jersey (the “Borough”), and have examined a record of proceedings relating to the issuance by the Borough of a Bond Anticipation Note in the denomination of in the denomination of \$7,599,700 (the “Note”). The Bond Anticipation Note is dated June 12, 2026, matures on June 11, 2027, bears interest at the rate of _____ per centum (___%) per annum payable at maturity is issued in registered form, is transferable as therein provided, and is issued pursuant to the Local Bond Law of the State of New Jersey, and by virtue of a bond ordinance or ordinances of the Borough.

The Bond Anticipation Note is a temporary obligation issued in anticipation of the issuance of bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Note in order that interest on the Note be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Borough delivered in connection with the issuance of the Note which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Borough has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Note is excludable from gross income under Section 103 of the Code. In rendering this opinion, we have assumed that the Borough will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Note is a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Bond Anticipation Note is issued but, if not so paid, payable ultimately from ad valorem taxes which may be levied upon all the taxable property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited

by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Note 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. In addition, in our opinion, under existing statutes, interest on the Note is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Borough other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchasers of the Note.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We have examined the Note and, in our opinion, the form of the Note and their execution are regular and proper.

Very truly yours,