

This is a Preliminary Official Statement "deemed final" within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Issuer will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 10, 2026**

**NEW ISSUE**

**NOT RATED**

*In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Notes that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Notes and any gain from the sale of the Notes are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.*

**\$5,506,655 BOND ANTICIPATION NOTES  
Consisting of  
\$4,228,400 GENERAL BOND ANTICIPATION NOTES  
And  
\$1,278,255 WATER UTILITY BOND ANTICIPATION NOTES  
OF THE  
BOROUGH OF NETCONG  
COUNTY OF MORRIS, NEW JERSEY  
(Bank-Qualified) (Non-Callable) (Book-Entry Only)**

**Dated: July 1, 2026**

**Due: July 1, 2027**

The \$5,506,655 Bond Anticipation Notes consisting of \$4,228,400 General Bond Anticipation Notes (the "General Notes") and \$1,278,255 Water Utility Bond Anticipation Notes (the "Water Notes" and together with the General Notes (the "Notes")) of the Borough of Netcong, in the County of Morris, New Jersey (the "Borough"), shall be issued as fully registered book-entry notes and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, Brooklyn, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Notes may be in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$1,000 or any integral multiple thereof (or such odd denomination, as necessary) with a minimum of \$5,000 required. Beneficial Owners of the Notes will not receive certificates representing their interests in the Notes. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Notes. See "THE NOTES - Book-Entry Only System" herein.

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

Interest on the Notes will be payable at maturity. Principal of and interest on the Notes will be paid to DTC by the Borough. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes are not subject to redemption prior to maturity.

**INTEREST**

**RATE**

\_\_\_\_%

**YIELD**

\_\_\_\_%

*The Notes are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey has served as municipal advisor to the Borough in connection with the issuance of the Notes. It is anticipated that the Notes in definitive form will be available for delivery to DTC in Brooklyn, New York, on or about July 1, 2026.*

**BIDS FOR THE NOTES WILL BE RECEIVED BY THE MUNICIPAL ADVISOR, ON  
BEHALF OF THE BOROUGH, UNTIL 11:00 A.M. ON JUNE 17, 2026,  
VIA ELECTRONIC MAIL AT [AINVERSO@MUNIADVISORS.COM](mailto:AINVERSO@MUNIADVISORS.COM) OR VIA PARITY.**

**BOROUGH OF NETCONG  
MORRIS COUNTY, NEW JERSEY**

**MAYOR**

Elmer Still

**BOROUGH COUNCIL**

Jack Sylvester  
Matthew Eddy  
Walter Barbero  
Thomas Laureys  
Todd Morton  
Joseph Nametko

**BOROUGH ADMINISTRATOR**

Ralph Blakeslee

**BOROUGH CLERK**

Cynthia L. Eckert

**CHIEF FINANCIAL OFFICER**

Jason Gabloff

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Pompton Plains, New Jersey

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Mount Arlington, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC  
Cranford, New Jersey

**MUNICIPAL ADVISOR**

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

No broker, dealer, salesperson or other person has been authorized by the Borough or the Underwriter to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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**OFFICIAL STATEMENT  
OF THE BOROUGH OF NETCONG  
IN THE COUNTY OF MORRIS, NEW JERSEY  
relating to**

**\$5,506,655 BOND ANTICIPATION NOTES  
Consisting of  
\$4,228,400 GENERAL BOND ANTICIPATION NOTES  
And  
\$1,278,255 WATER UTILITY BOND ANTICIPATION NOTES**

**INTRODUCTION**

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Netcong (the "Borough"), in the County of Morris (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$5,506,655 Bond Anticipation Notes consisting of \$4,228,400 General Bond Anticipation Notes (the "General Notes") and \$1,278,255 Water Utility Bond Anticipation Notes (the "Water Notes" and together with the General Notes, the "Notes"). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the Notes.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

**THE NOTES**

**General Description**

The Notes shall be dated and shall bear interest from their dated date and shall mature as shown on the front cover page hereof. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof (or such odd denomination as necessary), with a minimum purchase of \$5,000 required. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

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

## **Book-Entry Only System**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each series of the Notes, in the principal amount of each series of the Notes, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

NEITHER THE BOROUGH NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

### **Prior Redemption**

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

### **SECURITY AND SOURCE OF PAYMENT**

The Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of 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.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Notes or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services (the "Division") in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

### AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"), and adopted bond ordinances of the Borough as described in the following table.

The bond ordinances included in the sale of the Notes were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances 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 estopped from questioning the sale or the execution or the delivery of the Notes by the Borough.

The proceeds of the General Notes, along with available funds of the Borough in the amount of \$75,000, will be used to (i) currently refund \$3,501,400 of the Borough's outstanding \$3,576,400 General Bond Anticipation Notes, dated and issued on July 2, 2025 and maturing on July 2, 2026 (the "Prior General Notes"); and (ii) provide \$727,000 to finance certain unfunded projects.

### General Notes

<u>Ordinance</u>	<u>Description</u>	<u>Amount of Prior General Notes to be Refunded</u>	<u>Amount of New Notes</u>	<u>Total Amount of Notes</u>
2019-12	Various Improvements	\$118,000	\$0	\$118,000
2020-10	Various Improvements	218,850	0	218,850
2021-14	Various Improvements	175,200	0	175,200
2022-09	Various Improvements	309,360	0	309,360
2022-14	Acquisition of Senior Citizen Bus	81,190	0	81,190
2023-04/2024-10	Acquisition of a Fire Truck	857,000	0	857,000
2023-10	Various Improvements	893,000	0	893,000
2023-19	Improvements to Jenny Lind Street	62,500	0	62,500
2024-16/2025-12	Various Improvements	748,000	95,000	843,000
2024-18	Improvements to Hillside Avenue	38,300	0	38,300
2025-04	Various Public Improvements	0	272,000	272,000
2025-06	Improvement to Barone Street	<u>0</u>	<u>360,000</u>	<u>360,000</u>
<b>Total General Notes</b>		<b><u>\$3,501,400</u></b>	<b><u>\$727,000</u></b>	<b><u>\$4,228,400</u></b>

The proceeds of the Water Notes, along with available funds of the Borough in the amount of \$43,000, will be used to (i) currently refund \$1,123,255 of the Borough’s outstanding \$1,166,255 Water Utility Bond Anticipation Notes, dated and issued on July 2, 2025 and maturing on July 2, 2026 (the “Prior Water Notes”); and (ii) provide \$155,000 to finance certain unfunded projects.

**Water Notes**

<u>Ordinance</u>	<u>Description</u>	<u>Amount of Prior Water Notes to be Refunded</u>	<u>Amount of New Notes</u>	<u>Total Amount of Notes</u>
2016-06	Various Water Improvements	\$52,000	\$0	\$52,000
2017-04	Various Water Improvements	16,000	0	16,000
2021-15	Various Water Improvements	146,000	0	146,000
2022-08	Water Main Replacement	135,500	0	135,500
2023-11	Various Water Improvements	438,755	0	438,755
2024-17	Various Water Improvements	335,000	0	335,000
2025-05	Various Water Improvements	<u>0</u>	<u>155,000</u>	<u>155,000</u>
	<b>Total Water Notes</b>	<b><u>\$1,123,255</u></b>	<b><u>\$155,000</u></b>	<b><u>\$1,278,255</u></b>
	<b>TOTAL NOTES:</b>			<b><u>\$5,506,655</u></b>

**NO DEFAULT**

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

**MARKET PROTECTION**

The Borough does not contemplate issuing any bonds during 2026. The Borough may issue additional bond anticipation notes during the remainder of the year, as necessary.

**QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Borough has designated the Notes as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, has represented that it reasonably expects that neither it nor its subordinate entities will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

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

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

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 bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

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

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the "Director"), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within eight months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

### **Debt Limits**

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last 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. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. The Borough has not exceeded its statutory debt limit. The Borough's statutory net debt as of December 31, 2025 is shown in Appendix "A".

### **Exceptions to Debt Limits - Extensions of Credit**

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### **Short-Term Financing**

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one

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 next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

### **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

### **The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)**

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt

service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

### **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“U.S. Government Securities”); (2) government money market mutual funds invested in U.S. Government Securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation (“local obligations”); (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less (a) constituting local obligations or (b) approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above, or local obligations. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

### **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days

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

### **Limitations on Municipal Appropriations and Tax Levy**

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to 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 directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2026, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits.

## Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality's 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 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by 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: "Receipts 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 (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:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected tax by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "ASSESSMENT AND COLLECTION OF TAXES - Tax Collection Procedure" herein for a brief discussion of Chapter 99.

## Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

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

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

### **Operation of 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.

### **Fiscal Year**

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

### **Budget Process**

Primary responsibility for the Borough's budget process lies with the Borough Committee. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 35% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

## **Capital Budget**

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

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. 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, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is 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. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

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

### **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Morris County Tax Board on or before the first day of April of the current tax year for review. The Morris County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Morris County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds). Further, pursuant to Assembly Bill No. 862, signed into law by Governor Murphy on January 18, 2022, residential tax appeal refunds, or commercial tax appeal

refunds exceeding \$100,000, may be paid to the property owner, with interest, as a credit against the balance of property taxes that become due within a three year period, with any excess after three years being paid immediately.

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain 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 of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Notes and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Notes to be included in gross income of the owners thereof retroactive to the date of issuance of the Notes, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Notes be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Borough’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Notes, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

### **Tax Opinions**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Notes that is included in the “adjusted financial statement income” of certain corporations is not excluded from the Federal corporate alternative minimum tax. For other Federal tax information, see “TAX MATTERS – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Notes and any gain from the sale of the Notes are not includable in gross income of the holders thereof.

### **Additional Federal Income Tax Consequences**

Prospective purchasers of the Notes should be aware that ownership of governmental obligations, such as the Notes, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors

as to any possible collateral consequences from the ownership of the Notes. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

### **Proposals for Tax Changes**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Notes or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes. Further, such proposals may impact the marketability or market value of the Notes simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes would be impacted thereby.

Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

### **STATEMENT OF LITIGATION**

To the knowledge of Murphy McKeon, P.C., Pompton Plains, New Jersey (the “Borough Attorney”) there is no litigation of any nature now pending or threatened that seeks to restrain or enjoin the issuance or the delivery of the Notes, the levy or the collection of any taxes to pay the principal of or the interest on the Notes or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of the taxes, affecting the validity of the Notes or the levy or the collection of taxes or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers of the Borough to their respective offices.

Additionally, there is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its noteholders. All of the Borough's tort actions are being defended by the Statewide Joint Insurance Fund and the Municipal Excess Liability Fund and/or legal counsel. Pending municipal real estate tax appeals are limited in number and based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its noteholders.

### **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking

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

## **RATING**

The Notes have not been rated.

## **UNDERWRITING**

The Notes have been purchased at a public sale from the Borough by \_\_\_\_\_ (the “Underwriter”) at a price of \$ \_\_\_\_\_ (par plus a bid premium of \$ \_\_\_\_\_).

The Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the Notes. The public offering yield on the Notes may be changed from time to time by the Underwriter without notice. The Notes may be offered and sold to dealers, including the Underwriter and dealers acquiring the Notes for their own account or any account managed by them, at a yield higher than the public offering yield.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES**

### **Absence of Litigation**

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

### **Legal Matters**

The legality of the Notes will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Notes have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Notes, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Notes and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix C – Proposed Form of Bond Counsel Opinion" herein.

### **Certificates of Borough Officials**

The original purchasers of the Notes shall also receive a certificate, dated as of the date of delivery of the Notes and signed by the Chief Financial Officer that (a) as of the date of the Official Statement furnished by the Borough in relation to the Notes, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of said Official Statement and since the date of the sale of the Notes, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Notes. In addition, the original purchasers of the Notes shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Notes and receipt of payment therefor and a certificate, dated as of the date of delivery of the Notes and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the Notes or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

### **SECONDARY MARKET DISCLOSURE**

The Borough has a limited secondary market disclosure obligation pursuant to Rule 15c2-12(d)(3) because the Notes have a stated maturity of 18 months or less. In accordance with such exemption from full secondary market disclosure, the Borough will agree, pursuant to a continuing disclosure certificate to be executed on the date of issuance of the Notes, to undertake for the benefit of the Noteholders and the beneficial owners of the Notes to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Notes and the beneficial owners thereof:

Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence 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 or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to the rights of holders of the Notes, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the 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 of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the Borough, any of which affect holders of the Notes, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Borough, if any such event reflects financial difficulties.

The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Noteholder or beneficial owner of the Notes may pursue an action for specific performance to enforce the rights of all Noteholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Notes or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Noteholders and beneficial owners of the Notes.

The Borough reserves the right to terminate its obligation to provide notice of material events, as set forth above, if and when the Borough no longer remains an "obligated person" with respect to the Notes within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Noteholders or the beneficial owners of the Notes, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-

12 and does not, in such bond counsel's opinion, materially impair the interests of the Noteholders and the beneficial owners of the Notes.

The Borough has previously entered into secondary market disclosure undertakings in accordance with Rule 15c2-12. The Borough has engaged Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on MSRB's Electronic Municipal Market Access ("EMMA") website as required under its prior secondary market disclosure undertakings.

## **FINANCIAL STATEMENTS**

The financial statements of the Borough for the year ended December 31, 2025 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Nisivoccia LLP, Mount Arlington, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "Appendix B – Independent Auditor's Report and Financial Statements".

## **MUNICIPAL ADVISOR**

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

## **PREPARATION OF OFFICIAL STATEMENT**

The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

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

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the Borough of Netcong, 23 Maple Avenue, Netcong, New Jersey, 07857, Jason Gabloff, Chief Financial Officer, (973) 347-0252 or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

**MISCELLANEOUS**

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

This Official Statement has been duly executed and delivered by the Chief Financial Officer on behalf of the Borough.

**BOROUGH OF NETCONG, IN THE  
COUNTY OF MORRIS, NEW JERSEY**

By: /s/ \_\_\_\_\_  
Jason Gabloff  
Chief Financial Officer

Dated: June \_\_, 2026

**APPENDIX A**  
**ECONOMIC AND DEMOGRAPHIC INFORMATION**  
**RELATING TO THE BOROUGH OF NETCONG**

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

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

### **General Information**

The Borough is a small municipality located in the western portion of Morris County, bordering Sussex County and situated at the eastern gateway to New Jersey's Skylands region. Originally incorporated as a borough in 1894 from portions of Mount Olive Township and Roxbury Township, the Borough was developed as an important transportation and commercial center due to its strategic location along major rail and roadway corridors.

The Borough is situated along the shores of Lake Musconetcong and within the Musconetcong River watershed. The surrounding landscape consists of rolling hills, wooded areas, and water features characteristic of western Morris County. The Borough's location provides residents with access to both recreational amenities and the scenic natural environment of the Highlands region.

The Borough is traversed by Interstate 80 and U.S. Route 46, providing convenient access to employment centers throughout northern New Jersey and eastern Pennsylvania. Route 206 and Route 10 are in close proximity to the Borough. The Borough is also served by the NJ Transit Morris & Essex Line through the Netcong Station, which provides direct commuter rail service to destinations including Newark and New York City.

### **Form of Government**

The Borough operates under the Borough form of government, one of the most common forms of municipal government in New Jersey. The governing body consists of a Mayor, elected to a four-year term, and a six-member Borough Council, whose members are elected at-large to staggered three-year terms. The Mayor serves as the Borough's chief executive officer, while the Council functions as the legislative body responsible for adopting ordinances, approving the municipal budget, and establishing local policy. The day-to-day administration of the Borough is carried out by municipal staff under the direction of the Mayor and Borough Council. Through its various departments and boards, the Borough provides essential services including Public Safety, Public Works, Finance, Planning and Zoning, Code Enforcement, and Recreation, while maintaining municipal infrastructure and supporting the needs of residents and businesses.

### **Education**

Public education in the Borough is provided by the Netcong School District, which serves students in pre-kindergarten through eighth grade. Netcong Elementary School had an enrollment of 287 students as of the 2024-2025 school year. Upon completion of eighth grade, students attend

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

Lenape Valley Regional High School, which serves Netcong and several neighboring municipalities in the region. The district's Board of Education, comprised of nine members, sets policy and oversees the fiscal and educational operation of the district through its administration. As a Type II school district, the board's trustees are elected directly by voters to serve three-year terms of office on a staggered basis, with three seats up for election each year held (since 2012) as part of the November general election. The board appoints a superintendent to oversee the district's day-to-day operations and a business administrator to supervise the business functions of the district. The Borough's location also provides residents with access to a variety of higher education institutions throughout northern New Jersey, including County College of Morris and nearby four-year colleges and universities.

### **Pension and Retirement Systems**

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

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

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

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

**Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2025	2,312	2,203	109	4.7%
2024	2,317	2,219	98	4.2%
2023	2,211	2,116	95	4.3%
2022	2,169	2,088	81	3.7%
2021	2,116	1,995	121	5.7%
<b><u>County</u></b>				
2025	275,993	263,944	12,049	4.4%
2024	276,232	265,742	10,490	3.8%
2023	276,826	267,049	9,777	3.5%
2022	271,002	262,459	8,543	3.2%
2021	263,828	249,819	14,009	5.3%
<b><u>State</u></b>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,899,384	4,672,089	227,295	4.6%
2023	4,879,285	4,668,296	210,989	4.3%
2022	4,771,781	4,586,675	185,106	3.9%
2021	4,674,518	4,361,147	313,371	6.7%

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

**Income (as of 2024)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>	<b><u>National</u></b>
Median Household Income	\$83,958	\$137,623	\$103,556	\$80,734
Median Family Income	103,913	167,626	127,025	99,999
Per Capita Income	50,788	71,112	54,253	44,673

Source: US Bureau of the Census

**Population**

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

<b><u>Year</u></b>	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2024 est.	3,925	16.3%	523,053	2.7%	9,500,851	2.3%
2020	3,375	4.4%	509,285	3.5%	9,288,994	5.7%
2010	3,232	25.3%	492,276	4.7%	8,791,894	4.5%
2000	2,580	-22.1%	470,212	11.6%	8,414,350	8.9%
1990	3,311	-6.9%	421,353	3.4%	7,730,188	5.0%

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

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2025 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Netcong Heights	\$32,890,900	10.31%
Dowel-Netcong, LLC	8,953,500	2.81%
Semper Development Group, LLC	4,150,000	1.30%
Store Master Funding LLC	3,661,800	1.15%
Netcong 201 LLC Morris Canal Plaza	3,216,300	1.01%
Great Northern 59 Love Lane LLC	3,002,000	0.94%
Great Northern 69 Love Lane LLC	2,833,300	0.89%
El Coyote LLC	1,960,000	0.61%
Netcong Property Holding LLC	1,957,100	0.61%
Bell Atlantic - NJ	<u>1,944,900</u>	<u>0.61%</u>
<b>Total</b>	<b><u>\$64,569,800</u></b>	<b><u>20.23%</u></b>

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

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025	\$11,051,921	\$10,877,111	98.42%
2024	10,958,171	10,840,521	98.93%
2023	11,077,969	10,911,409	98.50%
2022	10,410,217	10,300,302	98.94%
2021	10,175,246	9,891,665	97.21%

Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>Delinquent % of Tax Levy</u>
2025	\$22,921	\$132,435	\$155,356	1.41%
2024	19,750	111,153	130,903	1.19%
2023	16,606	147,939	164,545	1.49%
2022	13,435	81,258	94,693	0.91%
2021	10,156	147,607	157,763	1.55%

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Property Acquired For Taxes</u>
2025	\$229,400
2024	229,400
2023	229,400
2022	229,400
2021	229,400

Source: Annual Audit Reports of the Borough

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

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

<b><u>Year</u></b>	<b><u>General Municipal</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>Total County</u></b>	<b><u>Total</u></b>
2025	\$0.988	\$1.452	\$0.716	\$0.291	\$3.447
2024	0.967	1.450	0.725	0.275	3.417
2023	0.982	1.418	0.774	0.273	3.447
2022	0.942	1.301	0.740	0.261	3.244
2021	0.900	1.264	0.725	0.234	3.123

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

## **Valuation of Property**

<b><u>Year</u></b>	<b><u>Assessed Value of Real Property</u></b>	<b><u>True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Public Utility Equip.</u></b>	<b><u>Equalized Valuation</u></b>
2025	\$319,112,300	\$458,956,278	69.53%	\$0	\$458,956,278
2024	319,744,500	387,006,173	82.62%	0	387,006,173
2023	319,963,800	347,522,320	92.07%	0	347,522,320
2022	318,920,400	330,933,278	96.37%	0	330,933,278
2021	324,657,700	318,698,047	101.87%	0	318,698,047

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

## **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2025	\$4,676,900	\$219,843,700	\$0	\$36,456,400	\$20,296,000	\$37,839,300	\$319,112,300
2024	4,644,000	220,041,400	0	36,923,800	20,296,000	37,839,300	319,744,500
2023	4,357,800	220,792,600	0	36,078,600	20,296,000	38,438,800	319,963,800
2022	4,357,800	220,242,100	0	36,924,500	18,957,200	38,438,800	318,920,400
2021	4,249,600	220,460,800	0	37,011,300	18,957,200	43,978,800	324,657,700

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

**Financial Operations**

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

**Summary of Current Fund Budget**

<b><u>REVENUE</u></b>	<b><u>Adopted</u></b> <b><u>2022</u></b>	<b><u>Adopted</u></b> <b><u>2023</u></b>	<b><u>Adopted</u></b> <b><u>2024</u></b>	<b><u>Adopted</u></b> <b><u>2025</u></b>	<b><u>Adopted</u></b> <b><u>2026</u></b>
Fund Balance Utilized	\$575,000	\$615,000	\$615,000	\$615,000	\$740,000
Miscellaneous Revenues	921,639	1,401,252	1,417,458	1,227,170	1,038,170
Federal/State Grants	11,897	238,397	9,201	14,764	9,226
Receipts from Delinquent Taxes	142,000	81,000	90,000	90,000	90,000
Amount to be Raised by Taxation	<u>3,004,956</u>	<u>3,144,764</u>	<u>3,094,899</u>	<u>3,155,445</u>	<u>3,381,880</u>
Total Revenue:	<u>\$4,655,492</u>	<u>\$5,480,413</u>	<u>\$5,226,557</u>	<u>\$5,102,379</u>	<u>\$5,259,276</u>
<b><u>APPROPRIATIONS</u></b>					
General Purpose (Inside CAP)	\$3,839,909	\$3,990,559	\$4,047,335	\$4,365,981	\$4,516,834
Operations (Outside CAP)	70,168	117,186	69,680	71,000	71,000
Federal/State Grants	11,897	238,897	9,201	14,764	9,226
Capital Improvement Fund	53,208	45,000	78,425	153,000	67,900
Debt Service	189,115	700,431	626,300	125,000	222,000
Deferred Charges	125,542	23,000	23,000	0	0
Transferred to BOE	27,653	27,340	27,616	27,634	27,316
Reserve for Uncollected Taxes	<u>338,000</u>	<u>338,000</u>	<u>345,000</u>	<u>345,000</u>	<u>345,000</u>
Total Appropriations:	<u>\$4,655,492</u>	<u>\$5,480,413</u>	<u>\$5,226,557</u>	<u>\$5,102,379</u>	<u>\$5,259,276</u>

Source: Annual Adopted Budgets of the Borough

**Fund Balance**

**Current Fund**

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

**Fund Balance - Current Fund**

<b><u>Year</u></b>	<b><u>Fund</u></b> <b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025	\$1,162,304	\$740,000
2024	796,023	615,000
2023	1,027,665	615,000
2022	1,065,365	615,000
2021	1,004,834	575,000

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

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

	<b><u>Fund Balance - Water Utility</u></b>	
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025	\$1,063,133	\$332,815
2024	1,146,635	302,778
2023	1,214,470	166,668
2022	1,236,959	67,700
2021	1,221,184	126,510

Source: Annual Audit Reports of the Borough

Sewer Utility Operating Fund

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

	<b><u>Fund Balance - Sewer Utility</u></b>	
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025	\$665,068	\$410,000
2024	868,422	344,182
2023	1,176,498	350,808
2022	1,263,327	241,954
2021	1,342,877	295,685

Source: Annual Audit Reports of the Borough

Solid Waste Utility Operating Fund

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

	<b><u>Fund Balance - Solid Waste</u></b>	
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025	\$54,074	\$27,225
2024	1,069	0
2023	8	0
2022	0	0
2021	0	0

Source: Annual Audit Reports of the Borough

*[Remainder of page intentionally left blank]*

**Borough Indebtedness as of December 31, 2025**

**General Purpose Debt**

Serial/Term Bonds	\$0
Bond Anticipation Notes	3,576,400
Bonds and Notes Authorized but Not Issued	756,853
Other Bonds, Notes and Loans	0
Total:	<u>\$4,333,253</u>

**Local/Regional School District Debt**

Serial/Term Bonds	\$738,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$738,000</u>

**Self-Liquidating Debt**

Serial/Term Bonds	\$611,742
Bond Anticipation Notes	1,166,255
Bonds and Notes Authorized but Not Issued	392,196
Other Bonds, Notes and Loans	0
Total:	<u>\$2,170,193</u>

**TOTAL GROSS DEBT**

**\$7,241,446**

**Less: Statutory Deductions**

General Purpose Debt	\$0
Local/Regional School District Debt	738,000
Self-Liquidating Debt	2,170,193
Total:	<u>\$2,908,193</u>

**TOTAL NET DEBT**

**\$4,333,253**

Source: Annual Debt Statement and Annual Audit Report of the Borough

*[Remainder of Page Intentionally Left Blank]*

**Overlapping Debt (as of December 31, 2025)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$738,000	100.0%	\$738,000
Regional School District	0	0.0%	0
Morris County	403,626,166	0.3%	1,234,652
			<hr/>
Net Indirect Debt			\$1,972,652
Net Direct Debt			4,333,253
Total Net Direct and Indirect Debt			<hr/> <b>\$6,305,905</b> <hr/>

**Debt Limit**

**DEBT LIMIT AND BORROWING CAPACITY**

Average Equalized Valuation Basis (2023, 2024, 2025)	\$397,828,257
Permitted Debt Limitation (3.50%)	13,923,989
Less: Net Debt	4,333,253
Remaining Borrowing Power	<hr/> <b>\$9,590,736</b> <hr/>
Percentage of Net Debt to Average Equalized Valuation	1.089%
Gross Debt Per Capita based on 2020 population of 3,375	\$2,146
Net Debt Per Capita based on 2020 population of 3,375	\$1,284

Source: Annual Debt Statement and Annual Audit Report of the Borough

**Litigation**

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

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

**APPENDIX B**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**THE BOROUGH OF NETCONG**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEARS**  
**ENDED DECEMBER 31, 2025, 2024 AND 2023**

BOROUGH OF NETCONG  
APPENDIX B  
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## Independent Auditors' Report

The Honorable Mayor and Members  
of the Borough Council  
Borough of Netcong  
Netcong, New Jersey

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

#### ***Opinions***

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Borough of Netcong, in the County of Morris (the "Borough") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

#### *Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting*

In our opinion, except for the effects of the matter described in the Basis for Unmodified and Qualified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the general fixed assets account group of the Borough as of December 31, 2025 and 2024 in accordance with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

#### *Unmodified Opinions on the Various Funds on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund of the Borough as of December 31, 2025 and 2024, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended in accordance with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

#### *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 and account group of the Borough as of December 31, 2025 and 2024, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

The Honorable Mayor and Members  
of the Borough Council  
Borough of Netcong  
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***Basis for Unmodified Opinions on the Various Funds and Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting***

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

***Matter Giving Rise to Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting***

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

***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 on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

*Nisiroccia LLP*  
Mount Arlington, New Jersey  
March 27, 2025

BOROUGH OF NETCONG  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Regular Fund:			
Cash - Checking	\$ 2,370,152.90	\$ 2,235,451.79	\$ 2,635,494.57
Change Funds	200.00	200.00	200.00
	<u>2,370,352.90</u>	<u>2,235,651.79</u>	<u>2,635,694.57</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	132,435.43	111,153.15	147,945.59
Tax Title Liens Receivable	22,920.84	19,749.60	16,605.96
Property Acquired for Taxes at Assessed Valuation	229,400.00	229,400.00	229,400.00
Revenue Accounts Receivable	4,548.38	3,685.19	4,594.02
Prepaid Local School Taxes	101,746.00		
Due from:			
Animal Control Fund	56.50	1,329.00	4,142.35
Other Trust Fund			108.95
General Capital Fund		336,579.50	43,739.77
Water Utility Operating Fund		27,233.80	
Total Receivables and Other Assets With Full Reserves	<u>491,107.15</u>	<u>729,130.24</u>	<u>446,536.64</u>
Deferred Charges:			
Special Emergency Authorization			23,000.00
Total Deferred Charges			<u>23,000.00</u>
Total Regular Fund	<u>2,861,460.05</u>	<u>2,964,782.03</u>	<u>3,105,231.21</u>
Federal and State Grant Fund			
Due from Current Fund	112,965.12	160,584.65	313,321.68
Due from Water Utility Capital Fund	10,000.00		
Federal and State Grant Receivable		10,000.00	10,000.00
Total Federal and State Grant Fund	<u>122,965.12</u>	<u>170,584.65</u>	<u>323,321.68</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,984,425.17</u>	<u>\$ 3,135,366.68</u>	<u>\$ 3,428,552.89</u>

BOROUGH OF NETCONG  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	December 31,		
	2025	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	\$ 391,433.23	\$ 417,676.42	\$ 377,006.53
County Taxes Payable - Pilot		18,549.97	12,755.16
Local School Taxes Payable		227,710.00	187,215.00
Regional School Taxes Payable	5,267.95		61,743.00
Special Improvement District Taxes Payable		2,269.06	2,578.68
Prepaid Taxes	65,140.46	59,542.17	114,234.86
Tax Overpayments		1,177.06	250.01
Due to State of New Jersey:			
Marriage License Fees	150.00	400.00	500.00
Veterans and Senior Citizens Deductions	2,441.69	1,773.88	2,500.60
Due to:			
Federal and State Grant Fund	112,965.12	160,584.65	313,321.68
Other Trust Fund - Tax Sale Premiums	15,400.00		
General Capital Fund	75,000.00		
Water Utility Operating Fund	1,785.20		
Reserve for:			
Free Library with State Aid	33,149.25	32,418.25	31,689.25
Premium on Tax Sale		52,800.00	48,400.00
Municipal Relief Fund			41,866.12
Sale of Municipal Assets	8,373.41	18,043.41	31,670.83
Payment in Lieu of Taxes	356,305.23	304,322.47	255,701.24
Tax Appeals	97,216.21	100,000.00	100,000.00
Rental and Lead Paint Inspections	32,854.00	31,794.00	39,029.00
Revaluation	10,567.50	10,567.50	10,567.50
	<u>1,208,049.25</u>	<u>1,439,628.84</u>	<u>1,631,029.46</u>
Reserve for Receivables and Other Assets	491,107.15	729,130.24	446,536.64
Fund Balance	<u>1,162,303.65</u>	<u>796,022.95</u>	<u>1,027,665.11</u>
 Total Regular Fund	 <u>2,861,460.05</u>	 <u>2,964,782.03</u>	 <u>3,105,231.21</u>
Federal and State Grant Fund:			
Due to General Capital Fund			11,500.00
Encumbrances Payable	18,480.96		
Unappropriated Reserves	9,225.70	14,764.46	9,200.54
Appropriated Reserves	95,258.46	155,820.19	302,621.14
 Total Federal and State Grant Fund	 <u>122,965.12</u>	 <u>170,584.65</u>	 <u>323,321.68</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 2,984,425.17</u>	 <u>\$ 3,135,366.68</u>	 <u>\$ 3,428,552.89</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG

CURRENT FUND

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

	December 31,		
	2025	2024	2023
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 615,000.00	\$ 615,000.00	\$ 615,000.00
Miscellaneous Revenue Anticipated	1,345,467.60	1,527,130.88	1,772,896.64
Receipts from:			
Delinquent Taxes	111,403.15	147,957.23	81,264.81
Current Taxes	10,877,111.27	10,840,520.99	10,911,409.34
Nonbudget Revenue	64,642.35	56,767.39	79,117.91
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	338,539.80	254,437.64	174,939.51
Interfunds and Other Receivables Returned	365,142.30	47,991.07	41,237.97
Reserve for Special Improvement District Tax Payable			8,663.06
 Total Income	<u>13,717,306.47</u>	<u>13,489,805.20</u>	<u>13,684,529.24</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	4,757,318.46	4,881,556.54	5,141,931.58
County Taxes	927,270.00	878,484.11	871,161.84
Local School District Taxes	4,633,144.00	4,636,194.00	4,535,140.00
Regional School District Taxes	2,285,537.00	2,315,342.00	2,476,664.00
Special District Taxes	30,703.81	29,716.77	34,333.96
Prior Year Senior Citizens Deductions Disallowed	250.00	11.64	6.76
Prepaid Local School Taxes	101,746.00		
Interfunds and Other Receivables Advanced	56.50	365,142.30	47,991.07
Total Expenditures	<u>12,736,025.77</u>	<u>13,106,447.36</u>	<u>13,107,229.21</u>
 Statutory Excess to Fund Balance	981,280.70	383,357.84	577,300.03
<u>Fund Balance</u>			
Balance January 1	<u>796,022.95</u>	<u>1,027,665.11</u>	<u>1,065,365.08</u>
	1,777,303.65	1,411,022.95	1,642,665.11
Decreased by:			
Utilized as Anticipated Revenue	<u>615,000.00</u>	<u>615,000.00</u>	<u>615,000.00</u>
Balance December 31	<u>\$ 1,162,303.65</u>	<u>\$ 796,022.95</u>	<u>\$ 1,027,665.11</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
CURRENT FUND  
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,			
	2025		2024	
	Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 615,000.00	\$ 615,000.00	\$ 615,000.00	\$ 615,000.00
Miscellaneous Revenue	1,241,934.46	1,345,467.60	1,426,658.04	1,527,130.88
Receipts from Delinquent Taxes	90,000.00	111,403.15	90,000.00	147,957.23
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes				
Minimum Library Tax	3,155,445.00	3,345,456.46	3,094,898.50	3,325,784.11
Budget Totals	5,102,379.46	5,417,327.21	5,226,556.54	5,615,872.22
Nonbudget Revenue		64,642.35		56,767.39
	\$ 5,102,379.46	\$ 5,481,969.56	\$ 5,226,556.54	\$ 5,672,639.61

	For the Years Ended December 31,	
	2023	
	Budget After Modification	Realized
Fund Balance Anticipated	\$ 615,000.00	\$ 615,000.00
Miscellaneous Revenue	1,639,649.00	1,772,896.64
Receipts from Delinquent Taxes	81,000.00	81,264.81
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes		
Minimum Library Tax	3,144,764.00	3,332,109.54
Budget Totals	5,480,413.00	5,801,270.99
Nonbudget Revenue		79,117.91
	\$ 5,480,413.00	\$ 5,880,388.90

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
CURRENT FUND  
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,			
	2025			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operations for Municipal Purposes:				
Salaries and Wages	\$ 2,277,549.00	\$ 2,269,396.22	\$ 8,152.78	
Other Expenses	1,531,247.46	1,211,562.52	319,684.94	
Capital Improvements	153,000.00	153,000.00		
Debt Service	125,000.00	124,939.00		\$ 61.00
Deferred Charges and Statutory	670,583.00	669,166.59	1,416.41	
Total Operations for Municipal Purposes	4,757,379.46	4,428,064.33	329,254.13	61.00
Reserve for Uncollected Taxes	345,000.00	345,000.00		
	\$ 5,102,379.46	\$ 4,773,064.33	\$ 329,254.13	\$ 61.00
Adopted Budget	\$ 5,102,379.46			
	\$ 5,102,379.46			

	For the Years Ended December 31,			
	2024			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operations for Municipal Purposes:				
Salaries and Wages	\$ 2,101,149.00	\$ 2,090,855.21	\$ 10,293.79	
Other Expenses	1,413,111.54	1,059,133.21	353,978.33	
Capital Improvements	78,425.00	78,425.00		
Debt Service	626,300.00	626,300.00		
Deferred Charges and Statutory	662,571.00	661,490.89	1,080.11	
Total Operations for Municipal Purposes	4,881,556.54	4,516,204.31	365,352.23	
Reserve for Uncollected Taxes	338,000.00	338,000.00		
	\$ 5,219,556.54	\$ 4,854,204.31	\$ 365,352.23	\$ -0-
Adopted Budget	\$ 5,226,556.54			
Added by NJSA 40:48-17.1 & 17.3	27,616.00			
	\$ 5,254,172.54			

BOROUGH OF NETCONG  
CURRENT FUND  
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,			
	2023			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operations for Municipal Purposes:				
Salaries and Wages	\$ 1,934,399.47	\$ 1,907,082.41	\$ 27,317.06	
Other Expenses	1,812,604.53	1,536,554.83	276,049.70	
Capital Improvements	45,000.00	45,000.00		
Debt Service	700,431.00	699,949.58		\$ 481.42
Deferred Charges and Statutory	649,978.00	649,371.46	606.54	
Total Operations for Municipal Purposes	<u>5,142,413.00</u>	<u>4,837,958.28</u>	<u>303,973.30</u>	<u>481.42</u>
Reserve for Uncollected Taxes	338,000.00	338,000.00		
	<u>\$ 5,480,413.00</u>	<u>\$ 5,175,958.28</u>	<u>\$ 303,973.30</u>	<u>\$ 481.42</u>
Adopted Budget	\$ 5,480,413.00			
Added by NJSA 40:48-17.1 & 17.3	<u>27,340.00</u>			
	<u>\$ 5,507,753.00</u>			

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 5,084.50	\$ 6,490.20	\$ 8,270.35
Due from Current Fund			
	<u>5,084.50</u>	<u>6,490.20</u>	<u>8,270.35</u>
Other Trust Funds:			
Cash and Cash Equivalents	848,353.31	958,125.17	772,777.05
Due from Current Fund	15,400.00		
	<u>863,753.31</u>	<u>958,125.17</u>	<u>772,777.05</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 868,837.81</u></u>	<u><u>\$ 964,615.37</u></u>	<u><u>\$ 781,047.40</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Reserve for Animal Control Expenditures	\$ 5,028.00	\$ 5,160.00	\$ 4,128.00
Due to State of NJ		1.20	
Due to Current Fund	56.50	1,329.00	4,142.35
	<u>5,084.50</u>	<u>6,490.20</u>	<u>8,270.35</u>

BOROUGH OF NETCONG  
TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due to Current Fund			\$ 108.95
Due to General Capital Fund			9,532.83
Reserve for:			
Premiums on Tax Sale	\$ 15,400.00		
Master Escrow	142,036.10	\$ 218,730.97	175,165.18
Forfeited Assets	69,724.89	71,618.05	69,815.40
State Unemployment Insurance	95,258.33	91,760.97	82,865.78
Recycling	26,578.51	32,612.08	25,445.75
Parking Offenses Adjudication Act	1,556.09	1,427.47	1,287.99
Recreation	30,538.93	26,282.57	29,448.70
Public Defender	16,405.04	15,778.99	15,032.67
Compensated Absences	128,335.02	139,474.51	137,141.93
Storm Recovery	28,439.28	27,353.98	26,060.17
Outside Police Duty	160,495.43	118,412.08	41,883.81
Uniform Fire Penalties	30,408.19	26,328.56	18,221.56
Public Space Advisory Committee	118,577.50	188,344.94	140,766.33
	<u>863,753.31</u>	<u>958,125.17</u>	<u>772,777.05</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b><u>\$ 868,837.81</u></b>	<b><u>\$ 964,615.37</u></b>	<b><u>\$ 781,047.40</u></b>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,702,611.09	\$ 140,758.01	\$ 712,913.01
Due from Current Fund	75,000.00		
Due from Federal and State Grant Funds			11,500.00
Due from Other Trust Funds			9,532.83
Due from Water Utility Capital Fund		90,003.80	
Rural Communities Program Grant Receivable	14,630.00	14,630.00	14,630.00
New Jersey Department of Transportation Grant Receivable	824,748.76	1,612,112.94	1,541,113.52
Community Development Block Grant Receivable	40,667.70	40,667.70	120,000.00
Assistance to Firefighters Grant Receivable		75,000.00	
Local Recreation Grant	79,000.00		76,000.00
Deferred Charges to Future Taxation:			
Unfunded	4,333,253.00	3,681,192.00	3,447,185.00
	<u>4,333,253.00</u>	<u>3,681,192.00</u>	<u>3,447,185.00</u>
TOTAL ASSETS	<u>\$ 7,069,910.55</u>	<u>\$ 5,654,364.45</u>	<u>\$ 5,932,874.36</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	\$ 3,576,400.00	\$ 1,052,539.00	\$ 1,634,685.00
Green Acres Loan Payable			
Improvement Authorizations:			
Funded	591,901.23	1,162,754.21	1,642,076.83
Unfunded	1,954,097.12	2,778,848.22	2,118,637.21
Reserve for:			
Fire Equipment	30,000.00	20,000.00	10,000.00
Vehicles and Equipment	22,000.00	17,000.00	12,000.00
Police Equipment	19,554.42	14,554.42	9,554.42
NJ Department of Transportation Grant Receivable	196,290.00		
Payment of Debt Service			86,421.50
Due to Current Fund		336,579.50	43,739.77
Due to Water Utility Capital Fund	500,000.00		115,307.00
Capital Improvement Fund	154,094.54	40,594.54	20,169.54
Fund Balance	25,573.24	231,494.56	240,283.09
	<u>25,573.24</u>	<u>231,494.56</u>	<u>240,283.09</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 7,069,910.55</u>	<u>\$ 5,654,364.45</u>	<u>\$ 5,932,874.36</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2025	2024	2023
Balance January 1,	\$ 231,494.56	\$ 240,283.09	\$ 332,600.07
Increased by:			
Premium on Sale of Bond Anticipation Notes	4,078.68	1,231.47	7,683.02
Funds Received from the Sale of the Reservoir	139,980.00	139,980.00	139,980.00
	235,573.24	381,494.56	340,283.09
Decreased by:			
Utilized as Anticipated Revenue in the Current Fund	210,000.00	150,000.00	100,000.00
Balance December 31,	\$ 25,573.24	\$ 231,494.56	\$ 240,283.09

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
WATER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 1,350,273.13	\$ 1,272,658.40	\$ 1,093,343.64
Due from Current Fund	1,785.20		
Due from Water Utility Capital Fund		40,000.00	271,864.29
Receivables with Full Reserves:			
Consumer Accounts Receivable	64,211.06	63,853.92	62,206.68
Deferred Charges:			
Emergency Authorization (40A:4-46)			25,000.00
Total Operating Fund	<u>1,416,269.39</u>	<u>1,376,512.32</u>	<u>1,452,414.61</u>
Capital Fund:			
Cash and Cash Equivalents	823,033.64	59,419.53	13,518.92
Grants Receivable:			
Morris County Community Development Block Grant			80,000.00
NJ Department of Environmental Protection	600,000.00	600,000.00	600,000.00
Due from General Capital Fund			115,307.00
Fixed Capital	3,727,883.93	3,727,883.93	3,727,883.93
Fixed Capital Authorized and Uncompleted	<u>3,790,873.00</u>	<u>3,635,873.00</u>	<u>3,300,873.00</u>
Total Capital Fund	<u>8,941,790.57</u>	<u>8,023,176.46</u>	<u>7,837,582.85</u>
<u>TOTAL ASSETS</u>	<u>\$ 10,358,059.96</u>	<u>\$ 9,399,688.78</u>	<u>\$ 9,289,997.46</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 40,395.48	\$ 30,340.84	\$ 43,700.37
Accrued Interest on Notes and Loans	26,618.32	14,456.46	14,706.46
Water Rent Overpayments	1,988.52	3,239.48	888.28
Prepaid Water Rents	387.89	270.48	129.00
Due to Current Fund		27,233.80	
Due to Sewer Utility Operating Fund	219,383.07	90,442.65	116,016.81
Due to Solid Waste Utility Operating Fund	151.62	40.00	296.74
	<u>288,924.90</u>	<u>166,023.71</u>	<u>175,737.66</u>
Reserve for Receivables and Inventory	64,211.06	63,853.92	62,206.68
Fund Balance	<u>1,063,133.43</u>	<u>1,146,634.69</u>	<u>1,214,470.27</u>
Total Operating Fund	<u>1,416,269.39</u>	<u>1,376,512.32</u>	<u>1,452,414.61</u>

BOROUGH OF NETCONG  
WATER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	December 31,		
	2025	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Fund:			
Bond Anticipation Notes Payable	1,166,255.00	435,500.00	478,500.00
Loans Payable	611,741.91	648,697.16	685,652.41
Improvement Authorizations:			
Funded	487,542.26	523,613.99	541,176.99
Unfunded	866,950.39	857,435.68	528,491.12
Capital Improvement Fund	153,736.34	138,136.34	122,573.34
Due to Federal and State Grant Fund	10,000.00		
Due to General Capital Fund		90,003.80	
Due to Water Utility Operating Fund		40,000.00	271,864.29
Reserve for:			
Amortization	3,467,687.53	3,401,687.53	3,333,687.53
Deferred Amortization	1,925,876.09	1,871,920.84	1,819,965.59
Preliminary Expense	6,240.00	6,240.00	6,240.00
Reserve for PFAS Settlement	235,819.93		
Fund Balance	9,941.12	9,941.12	49,431.58
 Total Capital Fund	 8,941,790.57	 8,023,176.46	 7,837,582.85
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 10,358,059.96</u>	<u>\$ 9,399,688.78</u>	<u>\$ 9,289,997.46</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
WATER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Years Ended December 31,		
	2025	2024	2023
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 302,778.00	\$ 166,668.00	\$ 67,700.00
Rents	766,967.06	754,530.76	742,730.01
Water Utility Capital Fund Balance		40,000.00	
Miscellaneous Revenue	76,829.56	78,272.31	89,076.94
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	22,247.74	32,847.49	37,010.08
Water Rent Overpayments Cancelled			2.08
Total Income	<u>1,168,822.36</u>	<u>1,072,318.56</u>	<u>936,519.11</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	711,421.00	612,105.00	572,137.00
Capital Improvements	15,600.00	15,563.00	15,563.00
Debt Service	125,467.62	106,320.25	98,108.33
Deferred Charges and Statutory Expenditures	97,057.00	122,500.00	55,500.00
Prior Year Revenue Refunds		9,497.89	
Total Expenditures	<u>949,545.62</u>	<u>865,986.14</u>	<u>741,308.33</u>
Excess in Revenue	219,276.74	206,332.42	195,210.78
Adjustments to Excess Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year			25,000.00
Statutory Excess to Fund Balance			<u>220,210.78</u>
<u>Fund Balance</u>			
Balance January 1	<u>1,146,634.69</u>	<u>1,214,470.27</u>	<u>1,236,959.49</u>
	1,365,911.43	1,420,802.69	1,457,170.27
Decreased by:			
Utilized as Anticipated Revenue	302,778.00	166,668.00	67,700.00
Utilized as Anticipated Revenue - Current Fund		107,500.00	175,000.00
Balance December 31	<u>\$ 1,063,133.43</u>	<u>\$ 1,146,634.69</u>	<u>\$ 1,214,470.27</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
WATER UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2025	2024	2023
Balance January 1,	\$ 9,941.12	\$ 49,431.58	\$ 47,182.63
Increased by:			
Premium on Note Sale	9,941.12	509.54 49,941.12	2,248.95 49,431.58
Decreased by:			
Anticipated Revenue in Water Utility Operating Fund Budget		40,000.00	
Balance December 31,	\$ 9,941.12	\$ 9,941.12	\$ 49,431.58

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
WATER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,			
	2025		2024	
	Anticipated	Realized	Anticipated	Realized
Operating Fund Balance Anticipated	\$ 302,778.00	\$ 302,778.00	\$ 166,668.00	\$ 166,668.00
Water Rents	650,000.00	766,967.06	650,000.00	754,530.76
Water Capital Fund Balance	40,000.00	40,000.00	40,000.00	40,000.00
	952,778.00	1,069,745.06	856,668.00	961,198.76
Nonbudget Revenue	76,829.56	78,272.31	78,272.31	78,272.31
	\$ 952,778.00	\$ 1,146,574.62	\$ 856,668.00	\$ 1,039,471.07

	For the Years Ended December 31,	
	2023	
	Anticipated	Realized
Operating Fund Balance Anticipated	\$ 67,700.00	\$ 67,700.00
Water Rents	650,000.00	742,730.01
Water Capital Fund Balance	717,700.00	810,430.01
	810,430.01	89,076.94
Nonbudget Revenue	89,076.94	89,076.94
	\$ 717,700.00	\$ 899,506.95

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
WATER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For The Years Ended December 31,			
	2025			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operating:				
Salaries and Wages	\$ 213,000.00	\$ 212,937.53	\$ 62.47	
Other Expenses	498,421.00	470,059.05	28,361.95	
Capital Improvements:				
Capital Improvement Fund	15,600.00	15,600.00		
Debt Service:				
Payment of Bond Anticipation Notes and Capital Notes	43,000.00	43,000.00		
Interest on Notes	35,700.00	32,897.37		\$ 2,802.63
Principal on Loan	37,000.00	36,955.25		44.75
Interest on Loan	13,000.00	12,615.00		385.00
Deferred Charges and Statutory Expenditures:				
Unfunded Ordinance 2014-07	40,000.00	40,000.00		
Contribution to:				
Public Employees' Retirement System	40,057.00	40,057.00		
Social Security (O.A.S.I.)	16,000.00	15,907.22	92.78	
Unemployment Compensation Insurance	1,000.00		1,000.00	
	<u>\$ 952,778.00</u>	<u>\$ 920,028.42</u>	<u>\$ 29,517.20</u>	<u>\$ 3,232.38</u>

	For The Years Ended December 31,			
	2024			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operating:				
Salaries and Wages	\$ 235,761.30	\$ 235,738.65	\$ 22.65	
Other Expenses	376,343.70	353,127.18	23,216.52	
Capital Improvements:				
Capital Improvement Fund	15,563.00	15,563.00		
Debt Service:				
Payment of Bond Anticipation Notes and Capital Notes	43,000.00	43,000.00		
Interest on Notes	13,000.00	13,000.00		
Principal on Loan	37,000.00	36,955.25		\$ 44.75
Interest on Loan	13,500.00	13,365.00		135.00
Deferred Charges and Statutory Expenditures:				
Emergency Authorization	25,000.00	25,000.00		
Unfunded Ordinance 2014-07	40,000.00	40,000.00		
Contribution to:				
Public Employees' Retirement System	38,000.00	37,512.75	487.25	
Social Security (O.A.S.I.)	16,000.00	15,958.91	41.09	
Unemployment Compensation Insurance	3,500.00	2,500.00	1,000.00	
	<u>\$ 856,668.00</u>	<u>\$ 831,720.74</u>	<u>\$ 24,767.51</u>	<u>\$ 179.75</u>

BOROUGH OF NETCONG  
WATER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For The Years Ended December 31,			
	2023			
	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operating:				
Salaries and Wages	\$ 194,252.00	\$ 193,599.24	\$ 652.76	
Other Expenses	200,141.00	165,035.78	35,105.22	
Employee Group Health	177,744.00	177,688.87	55.13	
Capital Improvements:				
Capital Improvement Fund	15,563.00	15,563.00		
Debt Service:				
Payment of Bond Anticipation Notes and Capital Notes	43,000.00	43,000.00		
Interest on Notes	10,300.00	10,300.00		
Principal on Loan	32,000.00	32,000.00		
Interest on Loan	14,200.00	12,808.33		\$ 1,391.67
Deferred Charges and Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	38,000.00	38,000.00		
Social Security (O.A.S.I.)	14,000.00	13,973.07	26.93	
Unemployment Compensation Insurance	3,500.00		3,500.00	
	\$ 742,700.00	\$ 701,968.29	\$ 39,340.04	\$ 1,391.67

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 475,122.10	\$ 824,942.55	\$ 1,187,577.21
Due from Water Utility Operating Fund	219,383.07	90,442.65	116,016.81
Due from Sewer Utility Capital Fund			3,747.81
Due from Payroll Account		6,077.56	
	<u>694,505.17</u>	<u>921,462.76</u>	<u>1,307,341.83</u>
Receivables and Inventory With Full Reserves:			
Consumer Accounts Receivable	64,276.10	69,989.42	66,341.75
Total Operating Fund	<u>758,781.27</u>	<u>991,452.18</u>	<u>1,373,683.58</u>
Capital Fund:			
Cash and Cash Equivalents	107,392.64	569,905.02	585,931.97
Due from General Capital Fund	500,000.00		
Fixed Capital	2,168,461.48	2,168,461.48	2,168,461.48
Fixed Capital Authorized and Uncompleted	286,500.00	286,500.00	286,500.00
Total Capital Fund	<u>3,062,354.12</u>	<u>3,024,866.50</u>	<u>3,040,893.45</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,821,135.39</u>	<u>\$ 4,016,318.68</u>	<u>\$ 4,414,577.03</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$ 23,199.02	\$ 51,766.71	\$ 130,724.37
Sewer Rent Overpayments		1,250.14	0.13
Prepaid Sewer Rents	161.06	23.61	119.44
Due to Payroll	6,077.56		
	<u>29,437.64</u>	<u>53,040.46</u>	<u>130,843.94</u>
Reserve for Receivables and Inventory	64,276.10	69,989.42	66,341.75
Fund Balance	665,067.53	868,422.30	1,176,497.89
Total Operating Fund	<u>758,781.27</u>	<u>991,452.18</u>	<u>1,373,683.58</u>

BOROUGH OF NETCONG  
SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	December 31,		
	2025	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Fund:			
Improvement Authorizations:			
Funded	4,825.61	4,825.61	4,825.61
Unfunded	36,605.27	49,117.65	144,116.33
Due to Sewer Utility Operating Fund			3,747.81
Capital Improvement Fund	243,438.14	243,438.14	223,438.14
Reserve for:			
Sewer Equipment and Maintenance	351,807.76	351,807.76	339,088.22
Amortization	2,168,461.48	2,168,461.48	2,168,461.48
Deferred Amortization	241,500.00	191,500.00	141,500.00
Fund Balance	15,715.86	15,715.86	15,715.86
Total Capital Fund	3,062,354.12	3,024,866.50	3,040,893.45
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 3,821,135.39</u>	<u>\$ 4,016,318.68</u>	<u>\$ 4,414,577.03</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 344,182.00	\$ 350,808.00	\$ 241,954.00
Sewer Rents	915,738.96	887,739.65	875,597.12
Miscellaneous Revenue Not Anticipated	72,578.47	102,159.82	153,627.41
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	2,509.80	10,332.94	210,900.10
Total Income	<u>1,335,009.23</u>	<u>1,351,040.41</u>	<u>1,482,078.63</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	1,088,125.00	1,075,308.00	976,454.00
Capital Improvements		20,000.00	60,000.00
Deferred Charges and Statutory Expenditures	106,057.00	105,500.00	55,500.00
Total Expenditures	<u>1,194,182.00</u>	<u>1,200,808.00</u>	<u>1,091,954.00</u>
Statutory Excess to Fund Balance	140,827.23	150,232.41	390,124.63
<u>Fund Balance</u>			
Balance January 1	868,422.30	1,176,497.89	1,263,327.26
	<u>1,009,249.53</u>	<u>1,326,730.30</u>	<u>1,653,451.89</u>
Decreased by:			
Utilization as Anticipated Revenue	344,182.00	350,808.00	241,954.00
Prior Year Fund Balance Appropriated as Revenue - Current Fund		107,500.00	235,000.00
Balance December 31	<u>\$ 665,067.53</u>	<u>\$ 868,422.30</u>	<u>\$ 1,176,497.89</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SEWER UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2025	2024	2023
Balance January 1,	\$ 15,715.86	\$ 15,715.86	\$ 15,715.86
Balance December 31,	\$ 15,715.86	\$ 15,715.86	\$ 15,715.86

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

**BOROUGH OF NETCONG**  
**SEWER UTILITY OPERATING FUND**  
**COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS**

	For the Years Ended December 31,			
	2025		2024	
	Budget After Modification	Realized	Budget After Modification	Realized
Operating Fund Balance Anticipated	\$ 344,182.00	\$ 344,182.00	\$ 350,808.00	\$ 350,808.00
Sewer Rents	850,000.00	915,738.96	850,000.00	887,739.65
	1,194,182.00	1,259,920.96	1,200,808.00	1,238,547.65
Nonbudget Revenue		72,578.47		102,159.82
	\$ 1,194,182.00	\$ 1,332,499.43	\$ 1,200,808.00	\$ 1,340,707.47

	For the Years Ended December 31,	
	2023	
	Budget After Modification	Realized
Operating Fund Balance Anticipated	\$ 241,954.00	\$ 241,954.00
Sewer Rents	850,000.00	875,597.12
	1,091,954.00	1,117,551.12
Nonbudget Revenue		153,627.41
	\$ 1,091,954.00	\$ 1,271,178.53

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,		
	2025		
	Budget After Modification	Paid or Charged	Reserved
Operating:			
Salaries and Wages	\$ 194,000.00	\$ 193,967.74	\$ 32.26
Other Expenses	388,425.00	369,936.68	18,488.32
Musconetcong Sewer Authority - Share of Costs	505,700.00	505,654.80	45.20
Deferred Charges:			
Deferred Charge to Future Revenue - Ord 2023-12	50,000.00	50,000.00	
Statutory Expenditures:			
Contribution to:			
Public Employees' Retirement System	40,057.00	40,057.00	
Social Security System (O.A.S.I.)	15,000.00	14,998.83	1.17
Unemployment Compensation Insurance	1,000.00		
	\$ 1,194,182.00	\$ 1,174,615.05	\$ 18,566.95

	For the Years Ended December 31,		
	2024		
	Budget After Modification	Paid or Charged	Reserved
Operating:			
Salaries and Wages	\$ 235,760.55	\$ 235,396.24	\$ 364.31
Other Expenses	349,547.45	344,083.83	5,463.62
Musconetcong Sewer Authority - Share of Costs	490,000.00	488,633.68	1,366.32
Capital Improvements:			
Capital Improvement Fund	20,000.00	20,000.00	
Deferred Charges:			
Deferred Charge to Future Revenue - Ord 2023-12	50,000.00	50,000.00	
Statutory Expenditures:			
Contribution to:			
Public Employees' Retirement System	38,000.00	37,512.75	487.25
Social Security System (O.A.S.I.)	15,000.00	14,999.58	0.42
Unemployment Compensation Insurance	2,500.00	2,500.00	
	\$ 1,200,808.00	\$ 1,193,126.08	\$ 7,681.92

BOROUGH OF NETCONG  
SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,		
	2023		
	Budget After Modification	Paid or Charged	Reserved
Operating:			
Salaries and Wages	\$ 181,783.00	\$ 181,205.27	\$ 577.73
Other Expenses	323,671.00	312,923.67	10,747.33
Musconetcong Sewer Authority - Share of Costs	471,000.00	352,944.43	118,055.57
Capital Improvements:			
Capital Improvement Fund	60,000.00	60,000.00	
Statutory Expenditures:			
Contribution to:			
Public Employees' Retirement System	38,000.00	38,000.00	
Social Security System (O.A.S.I.)	15,000.00	15,000.00	
Unemployment Compensation Insurance	2,500.00	2,500.00	
	\$ 1,091,954.00	\$ 962,573.37	\$ 129,380.63

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SOLID WASTE UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 91,024.93	\$ 38,161.10	\$ 23,557.56
Due from Water Utility Operating Fund	151.62	40.00	296.74
Revenue Accounts Receivable	20,195.02	15,061.47	
	<u>111,371.57</u>	<u>53,262.57</u>	<u>23,854.30</u>
Total Operating Fund			
	<u>111,371.57</u>	<u>53,262.57</u>	<u>23,854.30</u>
<u>TOTAL ASSETS</u>	<u>\$ 111,371.57</u>	<u>\$ 53,262.57</u>	<u>\$ 23,854.30</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 35,905.97	\$ 32,066.82	
Solid Waste Fees Overpayments		1,963.10	
Prepaid Solid Waste Fees	1,196.26	3,101.99	\$ 23,846.74
	<u>37,102.23</u>	<u>37,131.91</u>	<u>23,846.74</u>
Reserve for Receivables and Inventory	20,195.02	15,061.47	
Fund Balance	54,074.32	1,069.19	7.56
	<u>111,371.57</u>	<u>53,262.57</u>	<u>23,854.30</u>
Total Operating Fund			
	<u>111,371.57</u>	<u>53,262.57</u>	<u>23,854.30</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 111,371.57</u>	<u>\$ 53,262.57</u>	<u>\$ 23,854.30</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SOLID WASTE UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS CHANGE IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>Revenue and Other Income Realized</u>			
Solid Waste Fees	\$ 280,876.94	\$ 268,963.53	
Recycling Tonnage Grant	3,736.03		
Miscellaneous Revenue	13,118.95	13,872.06	\$ 7.56
Other Credits to Income:			
Cancellation of Prepaid Solid Waste Fees	3,101.99	226.04	
Overpayments Canceled	1,963.10		
Unexpended Balance of Appropriation Reserves	18,208.12		
Total Income	<u>321,005.13</u>	<u>283,061.63</u>	<u>7.56</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	268,000.00	280,900.00	
Deferred Charges and Statutory Expenditures		1,100.00	
Total Expenditures	<u>268,000.00</u>	<u>282,000.00</u>	
Excess in Revenue	53,005.13	1,061.63	7.56
<u>Fund Balance</u>			
Balance January 1	<u>1,069.19</u>	<u>7.56</u>	
Balance December 31	<u>\$ 54,074.32</u>	<u>\$ 1,069.19</u>	<u>\$ 7.56</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SOLID WASTE UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

NOT APPLICABLE

BOROUGH OF NETCONG  
SOLID WASTE UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,			
	2025		2024	
	Anticipated	Realized	Anticipated	Realized
Solid Waste Fees	\$ 261,862.63	\$ 280.00	\$ 282,000.00	\$ 268,963.53
Recycling Tonnage Grant	6,137.37	3,736.03		
			282,000.00	268,963.53
Nonbudget Revenue		13,118.95		13,872.06
	\$ -0-	\$ 13,118.95	\$ 282,000.00	\$ 282,835.59

	For the Years Ended December 31,	
	2023	
	Anticipated	Realized
Solid Waste Fees		
Nonbudget Revenue		
	\$ -0-	\$ -0-

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
SOLID WASTE UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,			
2025			
	Budget After Modification	Paid or Charged	Reserved
Operating:			
Other Expenses	\$ 268,000.00	\$ 236,865.62	\$ 31,134.38
	\$ 268,000.00	\$ 236,865.62	\$ 31,134.38

For the Years Ended December 31,			
2024			
	Budget After Modification	Paid or Charged	Reserved
Operating:			
Salaries and Wages	\$ 14,500.00	\$ 14,500.00	
Other Expenses	266,400.00	234,769.50	\$ 31,630.50
Contribution to:			
Unemployment Compensation Insurance	1,100.00	1,100.00	
	\$ 280,900.00	\$ 249,269.50	\$ 31,630.50

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
PUBLIC ASSISTANCE FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 35,057.76	\$ 33,719.45	\$ 32,124.57
<u>TOTAL ASSETS</u>	\$ 35,057.76	\$ 33,719.45	\$ 32,124.57
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance	35,057.76	33,719.45	32,124.57
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	\$ 35,057.76	\$ 33,719.45	\$ 32,124.57

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2025	2024	2023
<u>ASSETS</u>			
Land	\$ 108,400.00	\$ 108,400.00	\$ 108,400.00
Buildings	380,943.30	380,943.30	380,943.30
Machinery and Equipment	1,533,223.57	1,533,223.57	1,533,223.57
<u>TOTAL ASSETS</u>	<u>\$ 2,022,566.87</u>	<u>\$ 2,022,566.87</u>	<u>\$ 2,022,566.87</u>
 <u>RESERVE</u>			
Reserve for Fixed Assets	\$ 2,022,566.87	\$ 2,022,566.87	\$ 2,022,566.87
<u>TOTAL RESERVE</u>	<u>\$ 2,022,566.87</u>	<u>\$ 2,022,566.87</u>	<u>\$ 2,022,566.87</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Netcong include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Netcong, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Netcong do not include the operations of the municipal library, or volunteer fire and first aid squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Netcong conform to the accounting principles applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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 of Netcong accounts for its financial transactions through the following separate funds:

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

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

Water Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned water utility.

Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

Solid Waste Utility Operating and Capital Funds - Account for the operations municipal solid waste utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes. The operations of the State funded welfare program were transferred to the County in a prior year.

General Fixed Assets Account Group (Unaudited) - These accounts were established with estimated values of land, building and certain fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Grant revenue is realized in the Operating and Trust Funds on the cash basis, and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality which are susceptible of accrual are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at 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 during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; and federal and state grants and assistance would be recognized when earned, not when awarded or budgeted; inventories would not be reflected as expenditures at the time of purchase; investments would generally be stated at fair value and fixed assets purchased by the Water and Sewer Capital Utility Funds would be depreciated and the Borough's net OPEB liability and net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by financed purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awarded less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amounts awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include (Cont'd):

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

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

General Fixed Assets (Unaudited) – In accordance with the New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Borough has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by an "Investment in General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current, General Capital and Utility Capital Funds. The values recorded in the General Fixed Assets Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Water Utility and Sewer Utility Funds, are recorded in the capital accounts at cost and are not adjusted for dispositions and abandonments. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the cost of acquisition of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

F. Budget/Budgetary Controls

Annual appropriated budgets are prepared in the 1<sup>st</sup> quarter for the Current and Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2025	2024	2023
<u>Issued</u>			
General - Bonds, Notes and Loans	\$ 3,576,400.00	\$ 1,052,539.00	\$ 1,634,685.00
Water Utility - Bonds, Notes and Loans	1,777,996.91	1,084,197.16	1,164,152.41
Total Issued	<u>5,354,396.91</u>	<u>2,136,736.16</u>	<u>2,798,837.41</u>
<u>Authorized but not Issued:</u>			
General - Bonds, Notes and Loans	756,853.00	2,628,653.00	1,812,500.00
Water Utility - Bonds, Notes and Loans	347,196.40	1,005,951.40	710,951.40
Sewer Utility - Bonds, Notes and Loans	45,000.00	95,000.00	145,000.00
Total Authorized but not Issued	<u>1,149,049.40</u>	<u>3,729,604.40</u>	<u>2,668,451.40</u>
Less:			
Funds Temporarily Held to Pay Bonds & Notes			
Reserve to Pay Debt Service - General			86,421.50
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 6,503,446.31</u>	<u>\$ 5,866,340.56</u>	<u>\$ 5,380,867.31</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.089%.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 4,333,253.00		\$ 4,333,253.00
Local School	738,000.00	\$ 738,000.00	
Water Utility Debt	2,125,193.31	2,125,193.31	
Sewer Utility Debt	45,000.00	45,000.00	
	<u>\$ 7,241,446.31</u>	<u>\$ 2,908,193.31</u>	<u>\$ 4,333,253.00</u>

Net Debt \$4,333,253.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$397,828,257.00 = 1.089%.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 2: Long-Term Debt (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property	\$ 13,923,989.00
Net Debt	4,333,253.00
Remaining Borrowing Power	\$ 9,590,736.00

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,146,574.62
Deductions:	
Operating and Maintenance Costs	\$ 808,478.00
Debt Service	125,467.62
Total Deductions	933,945.62
Excess in Revenue	\$ 212,629.00

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,332,499.43
Deductions:	
Operating and Maintenance Costs	1,194,182.00
Excess in Revenue	\$ 138,317.43

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/23	Additions	Retirements	Balance 12/31/24
Bond Anticipation Notes:				
General Capital	\$ 1,634,685.00	\$ 1,052,539.00	\$ 1,634,685.00	\$ 1,052,539.00
Water Utility Capital Fund	478,500.00	435,500.00	478,500.00	435,500.00
Loans Payable:				
Water Utility Capital Fund:				
NJEIT Loan	685,652.41		36,955.25	648,697.16
	\$ 2,798,837.41	\$ 1,488,039.00	\$ 2,150,140.25	\$ 2,136,736.16

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/25</u>
<u>Bond Anticipation Notes:</u>				
General Capital	\$ 1,052,539.00	\$ 3,576,400.00	\$ 1,052,539.00	\$ 3,576,400.00
Water Utility Capital Fund	435,500.00	1,166,255.00	435,500.00	1,166,255.00
<u>Loans Payable:</u>				
<u>Water Utility Capital Fund:</u>				
NJEIT Loan	648,697.16		36,955.25	611,741.91
	<u>\$ 2,136,736.16</u>	<u>\$ 4,742,655.00</u>	<u>\$ 1,524,994.25</u>	<u>\$ 5,354,396.91</u>

The Borough's debt issued and outstanding on December 31, 2025, is described as follows:

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Capital Improvements	07/02/26	4.10%	<u>\$ 3,576,400.00</u>

Water Utility Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Water Improvements	07/02/26	4.10%	<u>\$ 1,166,255.00</u>

Water Utility Capital NJEIT Loan Payable

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Water System Improvements	08/01/39	2.125 - 5.00%	<u>\$ 611,741.91</u>

Total Debt Issued and Outstanding \$ 5,354,396.91

Water Utility Capital NJEIT Loan Payable

In 2020, the Borough of Netcong entered into three loan agreements in the amount of \$796,155 with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection Fund (the "Fund") and the NJ Environmental Infrastructure Trust (the "Trust") which are recorded in the Water Utility Capital Fund. The loan agreements were obtained to finance a portion of the costs for water system improvements, water storage rehabilitation & demolition and water meter upgrades. The Borough of Netcong is responsible for the repayment of the loans.

Principal payments on the Loan commenced on August 1, 2020 and will continue on an annual basis over 20 years at 2.125% - 5.00% interest.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Loans Issued and Outstanding

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 36,955.25	\$ 12,115.00	\$ 49,070.25
2027	41,955.25	11,365.00	53,320.25
2028	46,955.25	10,365.00	57,320.25
2029	46,955.25	9,115.00	56,070.25
2030	46,955.25	7,865.00	54,820.25
2031-2035	226,650.04	25,762.52	252,412.56
2036-2039	165,315.62	10,653.76	175,969.38
	<u>\$ 611,741.91</u>	<u>\$ 87,241.28</u>	<u>\$ 698,983.19</u>

Note 3: Fund Balances Appropriated

As of the date of this report the budget for 2026 has not been introduced. Thus, the amount of fund at December 31, 2025, which will be included in the budgets of the Current Fund, Water Utility Operating Fund, Sewer Utility Operating Fund and Solid Waste Utility Operating Fund is not known at this time.

Note 4: Local School District Taxes and Regional High School Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the respective school district.

The Borough of Netcong has not elected to defer school taxes.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans

Borough employees participate in one of two contributory, defined benefit public employee retirement systems: The State of New Jersey Public Employee’s Retirement System (PERS) or the State of New Jersey Police and Firemen’s Retirement System (PFRS).

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

Benefits Provided

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 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 a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employers portion of the normal cost and an amortization of the unfunded liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was more than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were not credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of assets.

Borough contributions to PERS amounted to \$120,172 for 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$3,869.00 to the PERS for normal pension benefits on behalf of the Borough.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must recognize the portion of the nonemployer contributing entities total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers as well as revenue in an amount equal to the nonemployer contributing entities total proportionate share of the collective pension expense associated with the local participating employer.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense

At June 30, 2024, the Borough's liability was \$1,200,018.00 for its proportionate share of the net pension liability, which 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 which was rolled forward to June 30, 2024. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Borough's proportion was .0088% for PERS, which was an increase of 0.0003% as of June 30, 2023. The Borough has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

There is no state proportionate share of net pension liability attributable to the Borough as of June 30, 2024.

For the year ended December 31, 2025, the Borough recognized actual pension expense in the amount of \$120,172.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was 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:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

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 NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025

(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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 a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2024 are summarized in the following table:

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2024 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2024		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the Net Pension Liability	\$ 1,594,529	\$ 1,200,018	\$ 864,291

Pension Plan Fiduciary Net Position

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

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

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 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

Contributions

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year 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.

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

The employers in the Local Group contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for employers in the Local Group of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of the assets.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in the amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Borough contributions to PFRS amounted to \$455,526.00 for the year ended December 31, 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$77,130.00 to the PFRS for normal pension benefits on behalf of the Borough, which is same as the contractually required contribution of \$77,130.00.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2024, the Borough's liability for its proportionate share of the net pension liability was \$3,400,738. 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 which was rolled forward to June 30, 2024. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Borough's proportion was .0329%, which was an increase of 0.0005% from its proportion measured as of June 30, 2023. The Borough has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$670,448 as of June 30, 2024. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the State's proportion was .0329%, which was an increase of 0.0005% from its proportion measured as of June 30, 2023, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 3,400,738
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>670,448</u>
Total Net Pension Liability	<u>\$ 4,071,186</u>

For the year ended December 31, 2025, the Borough recognized total pension expense of \$455,526.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was 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:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 – 16.25% based on years of service
Investment Rate of Return	7.00%

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 table (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 Retiree 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 NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the PFRS Board of Trustees, the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2024 are summarized in the following table:

Long Term Expected Rate of Return (Cont'd)

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the employers in the State Group and 100% of actuarially determined contributions for the employers in the Local Group. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2024 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate (Cont'd)

	June 30, 2024		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 5,816,820	\$ 4,071,186	\$ 2,617,457

Pension Plan Fiduciary Net Position - PFRS

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 6: Accrued Vacation and Compensatory Time Benefits

The Borough of Netcong has permitted employees to accrue unused vacation and compensatory time, which is paid to municipal employees in the beginning of the following year with the exception of the Police Department. The amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid benefits will be charged to the prior year's appropriation reserves. If sufficient funds are not available in the appropriation reserves, any additional funds necessary could be provided for in the current year's budget. Additionally, there is an amount which is partially reserved in the Reserve for Compensated Absences of \$128,335.02 on the Trust Fund balance sheet as of December 31, 2025.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. The tax sale was held on November 19, 2025.

Comparative Schedule of Tax Rate Information

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Tax Rate</u>	\$ 3.447	\$ 3.417	\$ 3.447
<u>Apportionment of Tax Rate</u>			
Municipal	0.988	0.967	0.982
County	0.291	0.275	0.273
Local School	1.452	1.450	1.418
Regional High School	0.716	0.725	0.774

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 7: Selected Tax Information (Cont'd)

The Borough also has a Special Improvement District of which businesses are assessed an additional levy based on their proximity to the downtown area. The rates are as follows:

	2025	2024	2023
<u>Special Improvement District</u>			
Zone 1	\$ 0.110	\$ 0.110	\$ 0.110
Zone 2	0.080	0.080	0.080
Zone 3	0.014	0.014	0.014
<u>Assessed Valuations</u>			
2025	\$ 387,889,985.00		
2024		\$ 319,744,500.00	
2023			\$ 319,963,800.00

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2025	\$ 11,051,920.84	\$10,877,111.27	98.42%
2024	10,958,170.64	10,840,520.99	98.93%
2023	11,077,968.75	10,911,409.34	98.50%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding creases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in the Investment section of this footnote.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensure that Borough funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments:

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (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;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

As of December 31, 2025, cash and cash equivalents of the Borough of Netcong consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 200.00	\$ 2,370,152.90	\$ 2,370,352.90
Animal Control		5,084.50	5,084.50
Other Trust		848,353.31	848,353.31
General Capital		1,702,611.09	1,702,611.09
Water Utility Operating		1,350,273.13	1,350,273.13
Water Utility Capital		823,033.64	823,033.64
Sewer Utility Operating		475,122.10	475,122.10
Sewer Utility Capital		107,392.64	107,392.64
Solid Waste Utility Operating		91,024.93	91,024.93
Public Assistance		35,057.76	35,057.76
	<u>\$ 200.00</u>	<u>\$ 7,808,106.00</u>	<u>\$ 7,808,306.00</u>

During the period ended December 31, 2025, the Borough did not hold any investments during the year. The carrying amount of the Borough's cash and cash equivalents at December 31, 2025 was \$7,808,306.00, and the bank balance was \$7,876,113.44.

Note 9: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan. Dental benefits are provided to employees through the North Jersey Municipal Employee Benefits Fund's dental benefits plan.

The Borough of Netcong is a member of the Morris County Municipal Joint Insurance Fund. This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

As a member of this Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 9: Risk Management (Cont'd)

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The December 31, 2025 audit report for the fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2024 is as follows:

	Morris County Municipal Joint Insurance Fund
Total Assets	\$ 41,731,805
Net Position	\$ 14,656,747
Total Revenue	\$ 27,339,632
Total Expenses	\$ 26,449,607
Member Dividends	\$ 266,542
Change in Net Position	\$ 623,483

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

PERMA Risk Management Services  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054  
(201) 881-7632

Dental Benefits

The Borough of Netcong is also a member of the North Jersey Municipal Employee Benefits Fund, (the "NJMEBF"). The NJMEBF is both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

The following health benefit coverages are offered by the NJMEBF to its members:

- a.) Medical
- b.) Prescription
- c.) Dental

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 9: Risk Management (Cont'd)

Dental Benefits (Cont'd)

As a member of the NJMEBF, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJMEBF were to be exhausted, members would become responsible for their respective shares of the NJMEBF's liabilities.

The NJMEBF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2025 audit report for the fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2024 is as follows:

	<u>North Jersey Municipal Employee Benefits Fund</u>
Total Assets	\$ 13,597,835
Net Position	\$ 5,816,409
Total Revenue	\$ 65,064,161
Total Expenses	\$ 71,163,285
Member Dividends	\$ -0-
Change in Net Position	\$ (6,099,124)

Financial statements for the NJMEBF are available at the Office of the Executive Director:

PERMA Risk Management Services  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 07054  
(201) 881-7632

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough’s expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Employee and Employer Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025		\$ 3,639.41	\$ 142.05	\$ 95,258.33
2024	\$ 5,000.00	4,165.69	270.50	91,760.97
2023	2,500.00	3,950.51	178.22	82,865.78

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2025:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 56.50	\$ 205,150.32
Federal and State Grant Funds	122,965.12	
Animal Control Fund		56.50
Other Trust Funds	15,400.00	
General Capital Fund	75,000.00	500,000.00
Water Utility Operating Fund	1,785.20	219,534.69
Water Utility Capital Fund		10,000.00
Sewer Utility Operating Fund	219,383.07	
Sewer Utility Capital Fund	500,000.00	
Solid Waste Operating Fund	151.62	
	<u>\$ 934,741.51</u>	<u>\$ 934,741.51</u>

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 10: Interfund Receivables and Payables (Cont'd)

The interfund receivable in the Current Fund is for the statutory excess due from the Animal Control Trust Fund. The interfund payable in the Current Fund is the combination of tax sale premiums due to Other Trust Funds, a General Capital grant receipt not turned over by year end, a reclassified receipt due to Water Utility Operating and the net of grant funds received and expended on behalf of the Federal and State Grant Funds. The interfund payable in the Water Utility Operating Fund is for rents collected on behalf of the Sewer Utility Operating Fund. The interfund payable in Water Operating Capital is for a grant receipt due to the Federal and State Grant Funds. The interfund receivable in Sewer Utility Capital Fund is for expenses not liquidated at year end.

Note 11: Economic Dependency

The Borough of Netcong receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

Note 12: Contingent Liabilities

The Borough is occasionally involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position.

The Borough has been advised that a number of tax appeals have been filed. Potential refunds on tax appeals could be as much as \$100,000.00. A reserve for pending tax appeals, which it feels is sufficient, for this contingency in the amount of \$100,000.00 has been recorded as a liability as of December 31, 2025.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Note 13: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 13: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

Contributions

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 13: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2023 through June 30, 2024. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The Borough has rolled forward the net OPEB liability as of June 30, 2024 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2024 OPEB information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024.

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 13: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense (Cont'd)

At June 30, 2024, the Borough had a liability of \$3,580,194 for its proportionate share of the net OPEB liability. At June 30, 2024, the Borough's proportion was .0012% which was an increase of .0003% from its proportion measured as of June 30, 2023. Additionally, the State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2024 was \$3,796,176. At June 30, 2024, the State's proportion related to the Borough was .078%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2024 the Borough's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was \$41,249. Additionally, during the year ended June 30, 2024, the State of New Jersey's OPEB benefit related to the Borough was \$367,785.

Actuarial Assumptions and Other Inputs

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

Salary Increases\*:

Public Employees' Retirement System (PERS)

Rate for all future years 2.75% to 6.55% based on years of service

Police and Firemen's Retirement System (PFRS)

Rate for all future years 3.25% to 16.25% based on years of service

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

Pre-Retirement Healthy Mortality

Pre-retirement mortality rates for PERS 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. Preretirement mortality rates for PFRS were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Post-Retirement Healthy Mortality

Post-retirement mortality rates for Chapter 330 retirees were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates for other retirees is 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 NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 13: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Disabled Retiree Mortality

Disabled retiree mortality rates for PERS future disabled retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for PFRS future disabled retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disabled retiree mortality rates for Chapter 330 current retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for other current retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long term rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

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

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
 (Continued)

Note 13: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Sensitivity of the Net OPEB Liability Attributable to the Borough to Changes in the Discount Rate

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

	June 30, 2024		
	At 1% Decrease (2.93%)	Current Discount Rate (3.93%)	At 1% Increase (4.93%)
Net OPEB Liability Attributable to the Borough	\$ 4,170,540	\$ 3,580,194	\$ 3,107,379

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

The following presents the net OPEB Liability of the Borough as of June 30, 2024, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2024		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Net OPEB Liability Attributable to the Borough	\$ 3,028,113	\$ 3,580,194	\$ 4,290,014

BOROUGH OF NETCONG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025

(Continued)

Note 14: Tax Abatements

GASB requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

On March 22, 2019, Landmark Company (the "Company") entered into a financial agreement for a thirty (30) year long-term tax exemption with the Borough of Netcong. Pursuant to the financial agreement, the Company is required to make a payment in lieu of real estate taxes (PILOT). The agreement commenced on November 24, 2020 for building 4, February 26, 2021 for building 1, April 29, 2021 for building 3 and June 18, 2021 for building 2, the date of substantial completion of the buildings in the Property. In addition to the annual service charge the PILOT includes an administrative fee equal to 2% of the annual service charge, in the four preceding quarterly installments. The Company is obligated to make timely land tax payments in order to be entitled to such credit. Per the financial agreement, the Company is exempt from land taxes, however if for any reason the Company is not exempt from land taxation, it would be entitled to a credit.

The financial agreement requires that thirteen (13) units be low and moderate income apartment rental units. The annual service charge is comprised of terms for the low and moderate income apartment rental units and all other annual gross revenue of the project. The annual service charge is the greater of \$66,603 or as follows:

- For years one (1) through year fifteen (15) from the completion date for the applicable phase, 2% of the annual gross revenue generated by the thirteen (13) low and moderate income apartment rental units plus 10% of all other annual gross revenue of the project.
- For years sixteen (16) through twenty (20) from the completion date or the applicable phase, 2% of the annual gross revenue generated by the thirteen (13) low and moderate income apartment rental units plus 11 % of all other annual gross revenue of the project or 20% of the amount of taxes otherwise due on the value of the land and improvements.
- For years twenty-one (21) through twenty four (24) from the completion date or the applicable phase, 2% of the annual gross revenue generated by the thirteen (13) low and moderate income apartment rental units plus 12% of all other annual gross revenue of the project or 40% of the amount of taxes otherwise due on the value of the land and improvements.
- For years twenty-five (25) through twenty eight (28) from the completion date or the applicable phase, 2% of the annual gross revenue generated by the thirteen (13) low and moderate income apartment rental units plus 12% of all other annual gross revenue of the project or 60% of the amount of taxes otherwise due on the value of the land and improvements.
- For each of years twenty nine (29) from the completion date through the expiration of the term of agreement or the applicable phase, 2% of the annual gross revenue generated by the thirteen (13) low and moderate income apartment rental units plus 12% of all other annual gross revenue of the project or 80% of the amount of taxes otherwise due on the value of the land and improvements.

The Borough recognized revenue in the amount of \$375,000.00 from this annual service charge or payment in lieu of taxes which is recorded as a miscellaneous revenue anticipated in the Current Fund. The taxes which would have been paid on this property for 2025 without the abatement would have been \$149,717 of which \$42,912.79 would have been for the local municipal tax.

**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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THOMAS J. BACE †  
JOSHUA A. CUCUZZELLA

DANIEL J. McCARTHY, Of Counsel  
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## APPENDIX C

[Proposed Form of Bond Counsel Opinion]

July \_\_, 2026

Borough Council  
Borough of Netcong  
County of Morris  
State of New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$5,506,655 Bond Anticipation Notes, consisting of a \$4,228,400 General Bond Anticipation Note and a \$1,278,255 Water Utility Bond Anticipation Note (collectively, the "Notes"), by the Borough of Netcong, a municipal corporation of the State of New Jersey, located in the County of Morris (the "Borough"). The Notes are dated July 1, 2026, are payable July 1, 2027, bear interest from their date at the rate of \_\_\_\_% per annum, payable at maturity, and are numbered and in denomination as follows:

<u>Number</u>	<u>Denomination</u>
26-1R	\$4,228,400
26-1RWU	1,278,255

The Notes have been issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended). The \$4,228,400 General Bond Anticipation Note is also issued pursuant to and in anticipation of the issuance of bonds authorized by twelve bond ordinances adopted by the Borough Council of the Borough on May 9, 2019 (Ord. No. 2019-12), May 14, 2020 (Ord. No. 2020-10), June 10, 2021 (Ord. No. 2021-14), May 12, 2022 (Ord. No. 2022-9), October 13, 2022 (Ord. No. 2022-14), March 9, 2023 (Ord. No. 2023-4, as amended by Ord. No. 2024-10 adopted on April 11, 2024), July 13, 2023 (Ord. No.

2023-10), October 12, 2023 (Ord. No. 2023-19), May 9, 2024 (Ord. No. 2024-16, as amended by Ord. No. 2025-12 adopted on December 11, 2025), May 9, 2024 (Ord. No. 2024-18) and May 8, 2025 (two ordinances: Ord. Nos. 2025-4 and 2025-6) (the "General Bond Ordinances") to finance the making of various public improvements in, by and for the Borough. The \$1,278,255 Water Utility Bond Anticipation Note is also issued pursuant to and in anticipation of the issuance of bonds authorized by seven bond ordinances adopted by the Borough Council of the Borough on April 14, 2016 (Ord. No. 2016-6), May 11, 2017 (Ord. No. 2017-4), June 10, 2021 (Ord. No. 2021-15), May 12, 2022 (Ord. No. 2022-8), July 13, 2023 (Ord. No. 2023-11), May 9, 2024 (Ord. No. 2024-17) and May 8, 2025 (Ord. No. 2025-5) (the "Water Utility Bond Ordinances", and together with the General Bond Ordinances, the "Bond Ordinances") to finance the making of various public improvements in, by and for the Water Utility of the Borough.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain 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 of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Notes and other amounts and the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Notes to be included in gross income of the owners thereof retroactive to the date of issuance of the Notes, regardless of when such noncompliance occurs.

The Borough will covenant, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Notes be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the Bond Ordinances and copies of the forms of Notes. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and any exhibits thereto. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Borough.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the issuance and sale of the Notes, or (ii) other documents of the Borough delivered to the purchaser of the Notes, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Notes have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Notes, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Notes and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Borough with its Tax Certificate, under existing law, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Notes that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Notes and any gain from the sale of the Notes are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC