

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 3, 2025

NEW ISSUE

Book-Entry-Only

SERIAL BONDS

**Ratings: Moody's "Aaa"
(see "Credit Rating" herein)**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 35 of the Code. In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

\$11,200,000 BONDS

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

**consisting of
\$9,400,000 GENERAL BONDS OF 2025
\$1,800,000 WATER BONDS OF 2025**

Dated: Date of Delivery

Due: September 15, as shown on the inside front cover

The \$9,400,000 General Bonds of 2025 and the \$1,800,000 Water Bonds of 2025 (collectively, the "Bonds") of the Borough of Kinnelon, in the County of Morris, New Jersey (the "Borough") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, Brooklyn, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on March 15 and September 15 in each year until maturity or earlier redemption, if any, commencing March 15, 2026. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall be subject to redemption prior to their stated maturities as described herein (see "Description of the Bonds – Redemption" herein).

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about September 25, 2025.

Dated: September __, 2025

COMBINED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	General Bonds <u>Principal</u>	Water Bonds <u>Principal</u>	Combined <u>Principal</u>	Interest <u>Rate</u>	Price or <u>Yield</u>
2026	\$ 590,000	\$ 180,000	\$ 770,000	%	%
2027	660,000	180,000	840,000		
2028	660,000	180,000	840,000		
2029	660,000	180,000	840,000		
2030	760,000	180,000	940,000		
2031	760,000	180,000	940,000		
2032	810,000	180,000	990,000		
2033	860,000	180,000	1,040,000		
2034	810,000	180,000	990,000		
2035	910,000	180,000	1,090,000		
2036	960,000		960,000		
2037	960,000		960,000		

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

MAYOR

James J. Freda

COUNCIL MEMBERS

J. Eric Harriz, Council President

Anthony Chirido

Cynthia Frank

Robert Lewis

Sean Mabey

Ronald Reckler

**ACTING CHIEF FINANCIAL OFFICER/
TREASURER**

Jennifer Stillman

BOROUGH CLERK

Karen Iuele

BOROUGH ATTORNEY

Brian Giblin, Esq.

Giblin & Gannaio

Oradell, New Jersey

AUDITOR

Lerch, Vinci & Bliss, LLP

Fair Lawn, New Jersey

BOND COUNSEL

Hawkins Delafield & Wood LLP

Newark, New Jersey

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

The information which is set forth herein has been provided by the Borough and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough. References in this Official Statement to the State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Borough during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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**OFFICIAL STATEMENT
RELATING TO

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

**\$11,200,000 BONDS
consisting of**

**\$9,400,000 GENERAL BONDS OF 2025
\$1,800,000 WATER BONDS OF 2025**

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page hereof and the appendices hereto, has been prepared by the Borough of Kinnelon, in the County of Morris (the “Borough”), in the State of New Jersey (the “State”) and provides certain information regarding the financial and economic condition of the Borough in connection with the sale of the Borough’s \$11,200,000 bonds, consisting of \$9,400,000 General Bonds of 2025 (the “General Bonds”) and \$1,800,000 Water Bonds of 2025 (the “Water Bonds” and, together with the General Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and its distribution and use in connection with the sale of the Bonds has been authorized by the Borough.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds will be dated the date of delivery thereof. The Bonds will bear interest at the interest rates per annum stated on the inside front cover page hereof, payable March 15 and September 15 of each year until maturity or earlier redemption, commencing March 15, 2026 (each, an “Interest Payment Date”). The Bonds will mature on September 15 in the years and in the principal amounts set forth on the inside front cover.

Denominations and Place of Payment

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, Brooklyn, New York ("DTC"), and registered in the name of its nominee, Cede & Co. (see the subcaption "Book-Entry System" below). Principal of and interest on the Bonds will be paid by the Borough, or its designee, in its capacity as paying agent (the "Paying Agent") to the registered owners of the Bonds as of each March 1 and September 1 (whether or not a business day) immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See the subcaption "Book-Entry System" below. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or integral multiples of \$1,000 in excess thereof. Purchasers will not receive certificates representing their beneficial ownership interests in Bonds purchased, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance is expected to be confirmed by an initial transaction statement stating the details of the Bonds purchased. So long as Cede & Co. is the registered owners of the Bonds, as nominee of DTC, references herein (except under the captions "Tax Matters" and "Secondary Market Disclosure") to the registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption "Book-Entry System" below.

Redemption

Optional Redemption

The Bonds of each series maturing prior to September 15, 2033, are not subject to redemption prior to maturity at the option of the Borough. The Bonds of each series maturing on or after September 15, 2033, are subject to redemption prior to maturity at the option of the Borough upon notice as described below in whole or in part, in any order of maturity and by lot within a maturity if less than all the bonds of such maturity are to be redeemed, on any date on or after September 15, 2032, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with the interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a Bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure

of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a series prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each year of maturity of the Bonds of each series, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership.

DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption price and interest payments on the Bonds 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, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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.

Discontinuance of Book-Entry System

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions shall apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Borough/Paying Agent for such purposes only upon the surrender thereof to the Borough/Paying Agent together with the duly executed assignment in form satisfactory to the Borough/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Borough/Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date next preceding an Interest Payment Date.

AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (N.J.S.A. §40A:2-1, *et seq.*) (the "Local Bond Law"). The Bonds are authorized by bond ordinances adopted by the governing body of the Borough and by a resolution adopted by the governing body of the Borough on June 19, 2025. Such bond ordinances were published in full, or in summary, after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be barred from questioning the sale, execution or delivery of such obligations.

The proceeds of the Bonds will be used primarily to: (i) refund on a current basis \$10,500,000 of bond anticipation notes of the Borough maturing on September 26, 2025 and (ii) permanently finance the cost of various capital improvements in and by the Borough in the amount of \$700,000, including the costs associated with the issuance of the Bonds.

<u>Ord No.</u>	<u>Description</u>	<u>Amount</u>
<u>General Bonds</u>		
01-13	Various Improvements	\$ 500,000
02-14	Various Improvements	400,000
03-19	Acquisition of Firefighting Vehicle	138,715
07-19	Improvement of Kiel Avenue	185,000
10-21	Acquisition of Firefighting Equipment	566,000
11-21	Various Improvements	1,100,000
03-22	Acquisition of Firefighting Equipment	150,000
10-22	Various Improvements	1,666,000
03-23	Acquisition of Fire Truck	760,000
11-23	Various Improvements	750,000
06-24	Various Improvements	1,650,000
07-24	Various Road Improvements	834,285
01-25	Acquisition of Fire Truck	<u>700,000</u>
		\$ 9,400,000
<u>Water Bonds</u>		
11-22	Improvement of Water Supply System	<u>\$ 1,800,000</u>
		<u><u>\$ 11,200,000</u></u>

SECURITY AND SOURCE OF PAYMENT

The Bonds will be general obligations of the Borough. All taxable real property within the Borough is subject to the levy of *ad valorem* taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount; provided, however, that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "Bondholders' Remedies in the Event of Default" and "Municipal Bankruptcy" herein.

CERTAIN RISK FACTORS

Coronavirus and Other Infectious Disease

The COVID-19 pandemic has affected travel, commerce, and financial markets globally, in the United States and in the State. Efforts to contain the spread of COVID-19 have reduced the spread of the virus and the restrictions put in place following the initial outbreak have been relaxed. The full impact that COVID-19 may have on the finances and operations of the Borough may not be known for some time. Any resurgence of COVID-19 or subsequent outbreak of COVID-19 or another infectious disease such as the Zika virus, the Ebola virus or another similar disease, could have a material adverse effect on the Borough and its financial and operating performance.

Climate

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

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

Cyber Security

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

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

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

Legal Framework

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

Debt Limit

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

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a

State regulatory agency. If all or any part or a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Short-Term Financing

Pursuant to the Local Bond Law, a local unit may sell short-term notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Assessment Bonds

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

Refunding Bonds

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

Tax Anticipation Notes

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

School Debt Subject to Voter Approval

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

The Local Budget Law

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

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

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

Each municipality is required to forward to the County Board of Taxation (the “County Board”) a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or

statutory expenditures required to be raised in the fiscal year. See the subcaption “Tax Assessment and Collection Procedure” below.

Appropriations Not Required for Payments on Debt

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

Appropriation Caps

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

In summary, in determining the CAP for each budget year, the prior year’s total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2.5%) or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the “Cost-of-Living Adjustment”), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage rate up to, but not to exceed, three and one-half percent (3.5%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

Property Tax Levy Cap

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

percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

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

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

Real Estate Taxes

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

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

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

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

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey authorizes any municipality to sell its “total property tax levy” to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein.

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

Emergency Appropriations/Deferral of Current Expenses

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over three (3) years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary Generals, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

Budget Transfers

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year's budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriation or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal Public Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the

utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “Current” or operating budget.

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three (3) or six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

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

State Supervision

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

Tax Assessment and Collection Procedure

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the Borough. The levying

of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

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

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

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on the 15th day of February, May, August and November of each year. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter ($\frac{1}{4}$) or one-half ($\frac{1}{2}$) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

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

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to the first day of February in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before the first day of August of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as

canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

The Local Fiscal Affairs Law

N.J.S.A. §40A:5-1, et seq. (the “Local Fiscal Affairs Law”), regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

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

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

Basis of Accounting

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

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

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

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

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred

charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

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

MUNICIPAL BANKRUPTCY

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

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

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

NO DEFAULT

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

ABSENCE OF MATERIAL LITIGATION

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

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 35 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Bonds, and Bond Counsel has assumed compliance by the Borough with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Borough to be delivered in connection with the issuance of the Bonds.

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

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

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

Information Reporting and Backup Withholding

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Bond Premium

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

Miscellaneous

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will **not** be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

SECONDARY MARKET DISCLOSURE

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Borough has undertaken to provide, on or before the first day of the tenth month after the close of each fiscal year while the Bonds are outstanding, commencing with the fiscal year ended December 31, 2025, for filing with the Municipal Securities Rulemaking Board (the “MSRB”), on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as “Annual Information”, together with the annual financial statements of the Borough prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards and mandated State statutory principles as in effect from time to time for municipalities. In addition, the

Borough has undertaken, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information with respect to the Borough means annual information concerning the Borough which consists of financial and operating data of the Borough of the type included in Appendix B to this Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Borough, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

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

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The undertaking, however, may be amended or modified without consent of the holders of the Bonds under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Borough upon the delivery of the Bonds will be on file at the office of the Borough Clerk.

The Borough has entered into prior undertakings to provide continuing disclosure for several outstanding bond issues. The Borough has appointed Digital Assurance Corporation to serve as dissemination agent.

CREDIT RATING

Moody's Investor Services, Inc. ("Moody's") has assigned a rating of "Aaa" to the Bonds. This rating reflects only the view of Moody's and an explanation thereof may be obtained only from Moody's. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Borough to Moody's. Generally, Moody's bases its ratings on the information and materials so furnished and on its investigations, studies and assumptions.

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

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____ (the "Underwriter") at a price of \$ _____.

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

APPROVAL OF LEGAL PROCEEDINGS

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

FINANCIAL STATEMENTS

The financial statements of the Borough as of December 31, 2024, have been audited by Lerch, Vinci & Bliss, LLP, independent certified public accountants, as stated in their Independent Auditors' Report and Compilation Letter appearing in Appendix B hereto. Certain information extracted from the audited financial statements of the Borough are included in Appendix B hereto.

PREPARATION OF OFFICIAL STATEMENT

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

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

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

Upon request, the Chief Financial Officer of the Borough will confirm to the purchasers of the Bonds, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer the descriptions and statements relating to the Borough herein, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Jennifer Stillman, Acting Chief Financial Officer/Treasurer, 130 Kinnelon Road, Kinnelon, New Jersey 07405, telephone, 973-838-5401 ext. 203.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as part of any contract with the holders of the Bonds.

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

BOROUGH OF KINNELON

By: /s/

Jennifer Stillman

Acting Chief Financial Officer/Treasurer

APPENDIX A

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

INFORMATION REGARDING THE BOROUGH OF KINNELON

General

The Borough of Kinnelon, incorporated in 1922, comprises an area of approximately 18 square miles and is located some thirty (30) miles northwest of New York City. The Borough is located in the north east part of Morris County, bounded on the north by the Township of West Milford, on the east by the Township of Pequannock, the Borough of Butler and the Borough of Riverdale, on the south by the Township of Boonton and the Township of Montville, on the southeast by the Borough of Lincoln Park and on the west by the Township of Rockaway.

The Borough's proximity to the New York/New Jersey metropolitan areas enhances its desirability for executives of national and regional business corporations to locate in this area of luxury residential homes.

Two shopping centers are located within the northeastern section of the Borough, with a few smaller stores scattered throughout the Borough.

Transportation Access

The Borough is accessible to State Highway Route 23 which traverses the adjacent municipalities and provides quick access to Routes 287, 80 and 280. U.S. Route 80 runs east-west across the State from the George Washington Bridge to Eastern Pennsylvania. Route 280 connects with Route 80 in Parsippany and provides easy access to the Oranges, Newark and Newark Airport. Route 287, a New York City bypass runs south through New Brunswick to Perth Amboy, provides connections with the Garden State Parkway and the New Jersey Turnpike to points south, and with the New York State Thruway to points north.

The Borough is within a forty-minute drive of Newark Liberty International Airport and within 5 miles of the Lincoln Park Airport.

Municipal Government

The form of government, method of election, and authorities of the governing of bodies are defined by State Laws covering boroughs. The central governing body of the Borough is the Mayor and Council. The Mayor is elected for a four (4) year term, with the six (6) members of Council, elected two (2) at a time, for a period of three (3) years. These elections are held simultaneously with the General Election in November of each year. They are conducted on a political basis following the party primary elections in June.

The governing body formulates policy, exercises budgetary controls prescribed by State statutes, enacts legislation by means of ordinances and resolutions, and is generally in charge of conduct of municipal business.

The executive powers are implemented through a professional staff comprised of a Borough Clerk, Chief Financial Officer, Treasurer, Deputy Borough Clerk, Tax Collector, Tax Assessor, Superintendent of Public Works and Chief of Police.

Office of the Borough Clerk

As stated by State statute the duties of the Borough Clerk are as follows: (a) Secretary to the Governing Body; (b) Secretary of the Municipal Corporation; (c) the Election Official for the Borough of Kinnelon; (d) the Administrative Official; and (e) Public Relations for the Borough. Other duties by Borough appointments are Municipal Improvement Search Officer and Subdivision Search Officer.

Other Departments

The Borough Engineer is appointed for a one-year term. He is a licensed professional who provides related consulting, engineering, surveying and planning services that may be required by the Borough.

The Borough Tax Collector/ Utility Collector performs the duties associated with the billing and collection of all taxes, and water and sewer charges and all tax searches.

The Borough Tax Assessor is responsible for assessing all property within the municipality for real property tax purposes.

The Department of Finance consists of a Chief Financial Officer and a Treasurer and is responsible for investments and maintaining the accounting records of the Borough.

The Department of Public Works is comprised of a Superintendent, two Foremen along with sixteen employees. This department is responsible for the maintenance of all Borough roads and their repair.

The Police Department is headed by the Chief of Police and provides a variety of functions. A patrol of Borough roads is done in an attempt to prevent crime by looking for suspicious activities. The officers also respond to all emergency calls whether it is a Police, Fire or First Aid emergency. House checks are provided for residents while they are on vacation, crime prevention lectures to community groups or neighborhood groups, alcohol, drug, safety lectures to our Borough students, to groups, as well as a child fingerprint program.

In 1991 the D.A.R.E. program was started in the Borough. This provides 5th and 8th grade students with another view on drugs and alcohol. The adoption of a Drug-Free School Zone Map has been prepared, approved and adopted as set forth by P .L. 1988, c44.

Planning Board and Board of Adjustment

The objectives and purposes of the Planning Board are those set forth in Chapter 291, Laws of New Jersey 1975 and amendments and supplements thereto and those powers and duties delegated to the Planning Board by the Mayor and Council by Article I, Chapter 47 Land Use Procedures of the Code of the Borough in accordance with the above-mentioned enabling law.

A Zoning Board of Adjustment has been established in the Borough. The membership, organization and powers of the Board are as provided in Article II of Chapter 47 of the Code of the Borough.

Residential

There are currently 3,407 single family dwellings in the Borough. There are no major single-family home developments under consideration at this time, primarily due to restrictions and the lack of public water and sewer within the Borough.

Recreation Facilities

Recreation areas have been provided either through municipally owned and developed areas, a County Park, located within the Borough, and a Green Acres nature trail.

Library Facilities

The Borough has within its boundary a public library which offers many programs to all ages. This Library is not only an establishment serving as a resource center for the acquisition of knowledge and as a cultural center but has kept pace with the fast-changing world and new technology. A computer system has made computer equipment available to introduce children and adults to this increasingly important tool. In addition, the library staff through a computer network, has access to the resources of other libraries thus broadening the range of knowledge available to all of its residents.

Health Services

Hospital services are available at Chilton Memorial Hospital which is located in the Borough of Pequannock, an adjacent town. Within the Borough there are two Medical Centers which offer many services not only to local residents but also by residents from surrounding towns.

The Kinnelon Board of Health also provides the community with the following health services: Blood Pressure; Child Health Conference; Immunization; Audio Visual Program; Male Cancer Clinic; Flu Clinic; Rabies Clinic; along with a Visiting Nurse Program.

Utilities

Utilities are provided by Verizon, AT&T Co., Borough of Butler Electric Utility Department, Borough of Butler Water Utility Department, Pequannock River Basin Regional Sewerage Authority, Fayson Lakes Water Co., Public Service Electric & Gas Co., GPU Energy, and Cablevision Cable TV.

The major portion of single-family dwellings in the Borough is served by their own wells and septic systems. Only a small portion of the Borough has public water and sewer.

Fire Company

The Borough is served by a volunteer fire company. The Kinnelon's Fire Company has maintained up- to-date equipment which is sufficient to handle existing and anticipated demands.

First Aid

Kinnelon Borough belongs to a Tri Boro First Aid Squad. This squad is located in the adjacent Borough of Butler. Not only does this volunteer organization respond to emergencies they also make available to people in need medical equipment, transportation to and from medical facilities.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Population trends for the Borough, County and the State of New Jersey are shown below:

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2024</u>
Borough of Kinnelon	8,223	9,365	10,248	9,966	10,108
County of Morris	421,330	470,212	492,276	509,285	523,053
State of New Jersey	7,730,188	8,414,350	8,791,894	9,288,994	9,500,851

Source: U.S. Census Bureau.

Income as of 2023

	Median Household <u>Income</u>	Median Family <u>Income</u>	Per Capita <u>Income</u>
Borough of Kinnelon	\$170,905	\$184,125	\$75,346
County of Morris	130,808	163,598	67,555
State of New Jersey	97,126	119,240	50,995

Source: U.S. Census Bureau, 2019 - 2023 American Community Survey 5 Year Estimates

Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Kinnelon, the County of Morris and the State of New Jersey:

	Total Labor <u>Force</u>	Employed <u>Labor Force</u>	Total <u>Unemployed</u>	Unemployment <u>Rate</u>
<u>Borough of Kinnelon</u>				
2024	5,234	5,053	181	3.5%
2023	5,217	5,034	183	3.5%
2022	5,101	4,940	161	3.2%
2021	4,941	4,697	244	4.9%
2020	4,901	4,567	334	6.8%
<u>County of Morris</u>				
2024	279,349	269,026	10,323	3.7%
2023	277,601	267,970	9,631	3.5%
2022	270,692	262,237	8,455	3.1%
2021	262,746	248,792	13,954	5.3%
2020	261,458	241,897	19,561	7.5%
<u>State of New Jersey</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

DEBT INFORMATION

Debt Statements

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

Debt Incurring Capacity As of December 31, 2024

Municipal

Equalized Valuation Basis (last 3 years average)	\$ 2,443,543,349
3 1/2% Borrowing Margin	85,524,017
Net Debt Issued, Outstanding and Authorized	14,857,989
Remaining Municipal Borrowing Capacity	70,666,028

Local School

4% Borrowing Margin	97,741,734
Debt Issued, Outstanding and Authorized	10,980,000
Remaining School Borrowing Capacity	86,761,734

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2024	\$ 28,539,866	\$ 14,857,989	0.608%
2023	27,048,966	13,605,100	0.594%
2022	27,817,716	13,331,642	0.610%
2021	26,404,216	12,718,404	0.590%
2020	26,824,216	11,973,404	0.560%

Source: Borough of Kinnelon Annual Audit Reports

**Statement of Indebtedness
As of December 31, 2024**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 4,825,000	
Bond Anticipation Notes	9,583,433	
Bonds and Notes Authorized But Not Issued	<u>1,008,933</u>	
		\$ 15,417,366

WATER UTILITY

Bonds Issued and Outstanding	238,000	
Bond Anticipation Notes	<u>1,904,500</u>	
		2,142,500

LOCAL SCHOOL

Debt Issued, Outstanding and Authorized		<u>10,980,000</u>
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TOTAL GROSS DEBT 28,539,866

STATUTORY DEDUCTIONS

Municipal Purpose	559,377	
Utility Purposes	2,142,500	
School Purposes	<u>10,980,000</u>	
		<u>13,681,877</u>

TOTAL NET DEBT \$ 14,857,989

OVERLAPPING DEBT

County of Morris (Note 1)	<u>8,935,028</u>	
		<u>\$ 8,935,028</u>

GROSS DEBT

Per Capita (2024 Estimate - 10,108)	\$ 2,823
Percent of Net Valuation Taxable (2024 - \$2,119,058,500)	1.35%
Percent of Estimated True Value of Real Property (2024 - \$2,473,873,287)	1.15%

NET MUNICIPAL DEBT

Per Capita (2024 Estimate - 10,108)	\$ 1,470
Percent of Net Valuation Taxable (2024 - \$2,119,058,500)	0.70%
Percent of Estimated True Value of Real Property (2024 - \$2,473,873,287)	0.60%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2024 Estimate - 10,108)	\$ 3,707
Percent of Net Valuation Taxable (2024 - \$2,119,058,500)	1.77%
Percent of Estimated True Value of Real Property (2024 - \$2,473,873,287)	1.51%

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

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Kinnelon.

BUDGET INFORMATION**Current Fund
(As Adopted)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Anticipated Revenues					
Fund Balance	\$ 2,490,000	\$ 2,300,000	\$ 1,750,000	\$ 1,505,000	\$ 1,485,000
Miscellaneous Revenues	1,804,605	2,362,429	1,425,415	1,395,951	1,414,703
Receipts from Delinquent Taxes	330,000	330,000	330,000	310,000	310,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>13,321,467</u>	<u>13,060,581</u>	<u>12,722,944</u>	<u>11,969,241</u>	<u>11,626,665</u>
	<u>\$ 17,946,072</u>	<u>\$ 18,053,010</u>	<u>\$ 16,228,359</u>	<u>\$ 15,180,192</u>	<u>\$ 14,836,368</u>
Appropriations					
Salaries and Wages	\$ 5,241,720	\$ 4,796,871	\$ 4,561,370	\$ 4,395,590	\$ 4,338,375
Other Expenses	7,294,707	7,757,030	6,796,325	5,946,053	5,770,040
Deferred Charges and Statutory Expenditures	1,457,582	1,418,146	1,379,652	1,348,654	1,259,383
Capital Improvement Fund	537,000	500,000	100,000	220,000	215,000
Municipal Debt Service	1,615,063	1,860,963	1,715,007	1,593,890	1,577,565
Reserve for Uncollected Taxes	<u>1,800,000</u>	<u>1,720,000</u>	<u>1,676,005</u>	<u>1,676,005</u>	<u>1,676,005</u>
	<u>\$ 17,946,072</u>	<u>\$ 18,053,010</u>	<u>\$ 16,228,359</u>	<u>\$ 15,180,192</u>	<u>\$ 14,836,368</u>

Source: Borough of Kinnelon.

FINANCIAL INFORMATION**Current Fund Balance and Amounts Utilized in Succeeding Year's Budget**

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$ 5,681,459	\$ 2,490,000
2023	4,809,394	2,300,000
2022	3,526,824	1,750,000
2021	2,893,898	1,505,000
2020	2,384,965	1,485,000

Source: Borough of Kinnelon Annual Audit Reports.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2024	\$ 61,639,210	\$ 61,152,696	99.21%
2023	60,330,922	59,735,406	99.01%
2022	58,053,846	57,573,872	99.17%
2021	56,882,579	56,396,769	99.15%
2020	55,863,000	55,170,700	98.76%

Source: Borough of Kinnelon Annual Audit Reports.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2024	\$ 1,178,543	\$ 363,947	\$ 1,542,490	2.50%
2023	1,107,812	484,885	1,592,697	2.64%
2022	1,103,811	349,314	1,453,125	2.50%
2021	1,019,465	316,914	1,336,379	2.35%
2020	941,118	463,316	1,404,434	2.51%

Source: Borough of Kinnelon Annual Audit Reports.

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2024	\$ 1,210,750
2023	1,210,750
2022	1,210,750
2021	1,210,750
2020	1,210,750

Source: Borough of Kinnelon Annual Audit Reports.

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2025 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Kinnelon Ridge Developers, LLC	\$ 29,300,000
UB Kinnelon I, LLC	15,750,000
Kin-Mall Properties LLC	11,000,000
829 Shore Drive LLC	4,865,700
Inland Werstern Butler Kinnelon	3,950,000
Kinnelon Route 23, LLC	3,900,000
1167 Rt 23 Automall LLC	3,175,000
Joy Ho Family Trust	2,731,000
WTW Properties, LLC	2,650,000
Resident	<u>2,500,000</u>
	<u>\$ 79,821,700</u>

Source: Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Total</u>
2025	\$ 23,452,000	\$1,978,750,900	\$ 15,157,100	\$ 76,533,900	\$30,125,000	\$ 2,124,018,900
2024	23,364,700	1,971,522,300	17,512,600	76,533,900	30,125,000	2,119,058,500
2023	24,348,500	1,968,320,600	10,260,100	79,851,200	30,125,000	2,112,905,400
2022	24,194,400	1,962,410,300	9,809,100	79,926,100	30,125,000	2,106,464,900
2021	23,928,000	1,959,343,500	9,782,900	79,926,100	30,125,000	2,103,105,500

Source: Tax Duplicate.

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2025	\$ 2,124,018,900	81.06%	\$ 2,621,615,871
2024	2,119,058,500	85.70%	2,473,873,287
2023	2,112,905,400	93.58%	2,259,077,532
2022	2,106,464,900	97.34%	2,165,240,607
2021	2,103,105,500	99.55%	2,113,859,624

Source: Morris County Abstract of Ratables

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

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>County</u>
2025	\$	2.985	\$	0.632	\$	2.058	\$	0.295
2024		2.897		0.620		1.989		0.288
2023		2.837		0.607		1.957		0.273
2022		2.747		0.572		1.910		0.265
2021		2.697		0.557		1.878		0.262

Source: Tax Collector.

Apportionment of Tax Levy
(Including School and County Purposes)

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>County</u>
2025	\$	63,399,501	\$	13,427,668	\$	43,716,543	\$	6,255,290
2024		61,639,210		13,397,914		42,129,496		6,111,800
2023		60,330,622		13,195,492		41,342,516		5,792,614
2022		58,053,847		12,249,168		40,224,299		5,580,380
2021		56,882,579		11,892,990		39,494,238		5,495,351

Source: Borough of Kinnelon.

APPENDIX B

FINANCIAL STATEMENTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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ROBERT LERCH, CPA, PSA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Kinnelon
Kinnelon, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Borough of Kinnelon which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024 and 2023, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, the accompanying financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Kinnelon as of December 31, 2024, and the results of operations and changes in fund balance – regulatory basis of such funds for the year then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2024 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit the financial activities of the General Fixed Assets Account Group for the year ended December 31, 2024 because sufficient documentation was not available to support amounts reported in the financial statements – regulatory basis referred to above. We were unable to satisfy ourselves about the amounts reported by means of other auditing procedures.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Whatever on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Prior Year Financial Statements

The financial statements of the Borough of Kinnelon as of and for the year ended December 31, 2023 were audited by other auditors whose report dated March 8, 2024 expressed an unmodified opinion on the financial statements-regulatory basis prepared in accordance with the regulatory basis of accounting. Their report also expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of their report.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Kinnelon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

By/s/

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

Fair Lawn, New Jersey
July 31, 2025

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

ASSETS	<u>2024</u>	<u>2023</u>
Regular Fund:		
Cash and Cash Equivalent	\$ 11,872,090	\$ 10,465,124
Cash - Petty Cash	200	-
Cash - Change Fund	780	680
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>-</u>	<u>188</u>
	<u>11,873,070</u>	<u>10,465,992</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	363,947	484,885
Tax Title Liens Receivable	1,178,543	1,107,812
Property Acquired for Taxes - Assessed Value	1,210,750	1,210,750
Revenue Accounts Receivable	2,860	1,572
Due from Animal Control Trust Fund	<u>52,809</u>	<u>32,674</u>
	<u>2,808,909</u>	<u>2,837,693</u>
Total Regular Fund	<u>14,681,979</u>	<u>13,303,685</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	406,248	334,248
Due from Current Fund	<u>1,084,019</u>	<u>1,530,186</u>
Total Federal and State Grant Fund	<u>1,490,267</u>	<u>1,864,434</u>
Total	<u><u>\$ 16,172,246</u></u>	<u><u>\$ 15,168,119</u></u>

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Regular Fund:		
Appropriation Reserves	\$ 1,509,109	\$ 1,190,060
Encumbrances Payable	760,318	528,835
Tax Overpayments	10,087	7,674
Prepaid Taxes	282,995	342,317
Due to Borough of Butler - Electric Payments	257	257
Due to State of New Jersey:		
Senior Citizen and Veterans Deductions	297	-
Building Surcharge Fees	12,516	12,144
Marriage License/Domestic Partnership	2,247	2,222
Due to Federal and State Grant Fund	1,084,019	1,530,186
Due to Other Trust Fund	160,000	199,052
Due to Open Space Trust Fund	270,206	163,809
Due to General Capital Fund	681,852	557,337
Due to Water Utility Operating Fund	-	72
Local School District Tax Payable	754,419	360,931
Reserve for Pending Tax Appeals	599,186	599,186
Reserve for Sale of Municipal Assets	58,881	58,881
Reserve for Municipal Relief Fund	-	58,214
Reserve for Garden State Trust Fund	-	40,199
Reserve for Third-Party Lien	<u>5,222</u>	<u>5,222</u>
	<u>6,191,611</u>	<u>5,656,598</u>
Reserve for Receivables and Other Assets	2,808,909	2,837,693
Fund Balance	<u>5,681,459</u>	<u>4,809,394</u>
 Total Regular Fund	 <u>14,681,979</u>	 <u>13,303,685</u>
Federal and State Grant Fund:		
Appropriated Reserves	935,245	1,090,692
Unappropriated Reserves	48,727	761,598
Encumbrances Payable	494,151	-
Due Water Utility Operating Fund	9,464	9,464
Due Sewer Utility Operating Fund	<u>2,680</u>	<u>2,680</u>
 Total Federal and State Grant Fund	 <u>1,490,267</u>	 <u>1,864,434</u>
 Total	 <u>\$ 16,172,246</u>	 <u>\$ 15,168,119</u>

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilities	\$ 2,300,000	\$ 1,750,000
Miscellaneous Revenues Anticipated	2,921,021	1,825,891
Receipts from Delinquent Taxes	469,181	475,387
Receipts from Current Taxes	61,152,696	59,731,549
Non-Budget Revenues	66,965	146,918
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	812,572	844,724
Prior Year Veteran and Senior Citizen Deductions Allowed	128	-
Statutory Excess - Animal Control Trust Fund	20,135	-
Cancellation of Tax Overpayments	12,955	3,356
Cancellation of Prior Year Checks	<u>6,579</u>	<u>64,710</u>
 Total Revenues	 <u>67,762,232</u>	 <u>64,842,535</u>
 EXPENDITURES		
Municipal Budget	16,212,237	14,552,354
Local School District Taxes	42,129,496	41,342,516
County Taxes	6,111,800	5,792,914
Municipal Open Space Taxes	106,397	106,410
Refund of Anticipated Revenue	2,146	743
Refund of Outside Lien Redemption	6,978	-
Refund of Exempt Veteran	978	-
Interfunds Advanced - Net	<u>20,135</u>	<u>15,028</u>
 Total Expenditures	 <u>64,590,167</u>	 <u>61,809,965</u>
 Excess in Revenues	 3,172,065	 3,032,570
 Fund Balance, January 1	 <u>4,809,394</u>	 <u>3,526,824</u>
	7,981,459	6,559,394
Decreased by:		
Utilization as Anticipated Revenue	<u>2,300,000</u>	<u>1,750,000</u>
 Fund Balance, December 31	 <u>\$ 5,681,459</u>	 <u>\$ 4,809,394</u>

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF REVENUES
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Utilized	\$ 2,300,000	\$ 2,300,000	\$ 1,750,000	\$ 1,750,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	4,000	10,000	4,000	7926
Other	11,000	7,390	11,000	12,420
Fees and Permits	46,000	152,322	46,000	128,992
Fines and Costs - Municipal Court	24,000	64,632	28,000	25,845
Interest on Costs on Taxes	80,000	113,365	72,000	91,524
Interest on Investments and Deposits	200,000	522,468	115,000	446,671
Cable Television Franchise Fees	41,000	44,360	41,000	44,263
Energy Receipts Tax	564,648	564,648	561,851	561,851
Watershed Moratorium Offset Aid	45,261	45,261	45,261	45,261
Garden State Preservation Trust Fund	254,094	254,094	173,696	173,696
Municipal Relief Fund	58,214	58,214	29,107	29,107
Uniform Construction Code Official	100,614	150,669	141,500	101,335
Clean Communities	25,270	25,270		
Recycling Tonnage	13,047	13,047		
Historical Preservation Grant	360	360		
Bulletproof Vest Program	2,836	2,836		
Body Armor Replacement Program	8,758	8,758		
NJDOT - Fayson Road 2023	150,000	150,000		
Stormwater Management Grant	15,000	15,000		
American Rescue Plan Act	517,900	517,900		
American Rescue Plan - Firefighter Grant 2023	27,989	27,989		
American Rescue Plan - Firefighter Grant 2024	72,000	72,000		
American Rescue Plan - Low Income Water Assistance	438	438		
Reserve for Sale of Municipal Assets			57,000	57,000
Reserve to Pay Debt Service	100,000	100,000	100,000	100,000
Total Miscellaneous Revenues	2,362,429	2,921,021	1,425,415	1,825,891
Receipts from Delinquent Taxes	330,000	469,181	330,000	475,387
Amount to be Raised by Taxes for Support of Municipal Budget				
Minimum Library Tax	821,821	821,821	750,325	755,111
Local Tax for Municipal Purposes	12,238,760	13,703,182	11,972,619	13,410,603
Total Amount to be Raised by				
Taxes for Support of Municipal Budget	13,060,581	14,525,003	12,722,944	14,165,714
Total General Revenues	\$ 18,053,010	\$ 20,215,205	\$ 16,228,359	\$ 18,216,992

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2024 STATEMENT OF EXPENDITURES
CURRENT FUND

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Department of Administration					
Salaries and Wages	\$ 100,000	\$ 107,000	\$ 106,690	\$ 310	
Other Expenses	76,250	102,250	95,281	6,969	
Mayor and Council					
Salaries and Wages	19,500	19,500	19,500	-	
Other Expenses	1,750	2,750	2,387	363	
Municipal Clerk's Office					
Salaries and Wages	168,202	168,202	162,829	5,373	
Other Expenses	78,100	78,100	73,616	4,484	
Financial Administration					
Salaries and Wages	235,200	235,200	196,133	39,067	
Other Expenses	33,233	51,233	48,540	2,693	
Webmaster - Other Expenses	6,110	6,110	3,550	2,560	
Audit Services					
Other Expenses	41,000	61,000	30,047	30,953	
Revenue Administration (Tax Collection)					
Salaries and Wages	85,000	85,000	75,805	9,195	
Other Expenses	14,675	14,675	7,447	7,228	
Tax Assessment Administration					
Salaries and Wages	39,505	39,505	38,723	782	
Other Expenses	20,280	20,280	6,736	13,544	
Legal Services and Costs					
Other Expenses	165,000	165,000	123,576	41,424	
Engineering Services					
Other Expenses	25,500	26,500	25,420	1,080	
Historical Preservation Commission					
Salaries and Wages	8,385	8,385	5,969	2,416	
Other Expenses	19,585	19,585	9,082	10,503	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	13,050	13,050	13,050	-	
Other Expenses	29,000	29,000	6,587	22,413	
Zoning Board of Adjustment					
Salaries and Wages	1,400	1,400	1,326	74	
Other Expenses	15,100	15,100	9,405	5,695	
Insurance					
General Liability	281,400	304,400	303,243	1,157	
Workers Compensation Insurance	164,732	164,732	164,732	-	
Employee Group Health	985,837	985,837	610,290	375,547	
Health Benefit Waiver	42,000	49,000	45,821	3,179	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,576,072	2,516,072	2,505,769	10,303	
Other Expenses	225,000	300,000	280,336	19,664	
Police Dispatch/911					
Salaries and Wages	124,718	134,718	124,639	10,079	
Office of Emergency Management					
Salaries and Wages	3,250	3,250	3,017	233	
Other Expenses	200	200	30	170	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 130,500	\$ 130,500	\$ 122,767	\$ 7,733	
Aid to Tri-Borough Ambulance Squad					
Other Expenses	37,000	37,000	30,000	7,000	
Fire Hydrant Services	80,000	80,000	77,674	2,326	
Fire Vehicle Maintenance	29,500	29,500	28,633	867	
Fire Prevention Bureau					
Other Expenses	5,000	5,000	3,326	1,674	
Municipal Prosecutor					
Other Expenses	19,500	19,500	18,500	1,000	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,072,267	948,267	878,682	69,585	
Other Expenses	249,600	219,600	210,736	8,864	
Solid Waste Collection					
Salaries and Wages	18,485	18,485	16,697	1,788	
Other Expenses	1,379,327	1,379,327	1,258,523	120,804	
Public Building and Grounds					
Salaries and Wages	46,387	47,887	47,634	253	
Other Expenses	65,500	77,500	75,760	1,740	
Vehicles and Maintenance					
Other Expenses	67,000	67,000	65,183	1,817	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	4,000	4,000	2,500	1,500	
Other Expenses	1,550	4,550	4,136	414	
Animal Control					
Other Expenses	1,000	1,000	-	1,000	
Senior Citizen Programs					
Other Expenses	2,400	2,400	2,400	-	
Environmental Commission					
Salaries and Wages	7,450	7,450	5,673	1,777	
Other Expenses	1,850	1,850	665	1,185	
Recreation Services and Programs					
Salaries and Wages	113,561	117,061	114,762	2,299	
Other Expenses	77,625	77,625	67,324	10,301	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	55,000	55,000	54,198	802	
MUNICIPAL COURT					
Salaries and Wages	112,719	112,719	111,398	1,321	
Other Expenses	16,250	16,250	15,065	1,185	
Smoke Rise - Condo Costs	162,000	162,000	77,749	84,251	

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	\$ 20,000	\$ 20,000	\$ 17,589	\$ 2,411	
Other Expenses	15,000	15,000	13,634	1,366	
UNCLASSIFIED					
Utilities					
Electricity	63,500	63,500	30,598	32,902	
Street Lighting	13,500	13,500	8,389	5,111	
Telephone	95,000	95,000	92,347	2,653	
Water and Sewer	48,000	48,000	9,299	38,701	
Gasoline	131,000	131,000	67,045	63,955	
Natural Gas	30,000	30,000	25,632	4,368	
Accumulated Leave Compensation	5,000	5,000	-	5,000	
Landfill/Solid Waste Disposal Costs	442,000	442,000	441,133	867	-
Total Operations Within "CAPS"	10,217,505	10,211,505	9,095,227	1,116,278	-
Detail:					
Salaries and Wages	4,656,432	4,494,432	4,336,987	157,445	-
Other Expenses	5,561,073	5,717,073	4,758,240	958,833	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
Social Security System	344,300	349,300	346,312	2,988	
Police and Firemen's Retirement Fund of NJ	715,957	715,957	715,957	-	
Public Employees' Retirement System	330,589	330,589	330,589	-	
Unemployment Insurance	18,500	18,500	16,768	1,732	
Defined Contribution Retirement Plan	8,800	8,800	7,676	1,124	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	1,418,146	1,423,146	1,417,302	5,844	-
Total General Appropriations for Municipal Purposes within "CAPS"	11,635,651	11,634,651	10,512,529	1,122,122	-

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

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Aid to Library					
Other Expenses	\$ 821,822	\$ 821,822	\$ 703,631	\$ 118,191	
Storm Water Management (N.J.S.A. 40A:4-45.3)					
Salaries and Wages	27,720	28,720	28,270	450	
Other Expenses	14,500	14,500	4,200	10,300	
Reserve for Tax Appeals				-	
LOSAP	17,000	17,000	14,484	2,516	-
Total Other Operations - Excluded from "CAPS"	881,042	882,042	750,585	131,457	-
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Interlocal Health Services Agreement - Pequannock	143,925	143,925	143,925	-	
Construction Code - Bloomingdale	263,000	263,000	233,327	29,673	
Dial-A-Ride - Pequannock	104,870	104,870	104,870	-	
Interlocal ACO Services - Bloomingdale	30,061	30,061	29,414	647	
Interlocal Dispatch - Butler	34,400	34,400	32,946	1,454	
Interlocal Mechanic Services - Bloomingdale	29,000	29,000	20,061	8,939	
Interlocal Fire Official - Bloomingdale	16,500	16,500	16,500	-	-
Total Interlocal Municipal Service Agreements	621,756	621,756	581,043	40,713	-
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Clean Communities Grant	25,270	25,270	25,270	-	
Recycling Tonnage Grant	13,047	13,047	13,047	-	
Stormwater Management	15,000	15,000	15,000	-	
Bullet Proof Vest Program	2,836	2,836	2,836	-	
Body Armor Replacement Fund	8,758	8,758	8,758	-	
New Jersey DOT Grant - 2023 Fayson Road	150,000	150,000	150,000	-	
Historic Preservation Grant	360	360	360	-	
ARP - Firefighter - 2024	72,000	72,000	72,000	-	
ARP - Firefighter - 2023	27,989	27,989	27,989	-	
ARP Low Income Water Assistance	438	438	438	-	
ARP - 2022 (\$517,900)					
Public Safety/OEM/Court Roof Reconstruction	267,000	267,000	267,000	-	
Public Safety Fire Equipment	250,900	250,900	250,900	-	-
Total Public and Private Programs Offset by Revenues	833,598	833,598	833,598	-	-
Total Operations Excluded from "CAPS"	2,336,396	2,337,396	2,165,226	172,170	-
Detail:					
Other Expenses	2,336,396	2,337,396	2,165,226	172,170	-

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Acq. Of Police Video Surv. And General Camera Equip.	275,000	275,000	60,183	\$ 214,817	-
Acquisition of Heavy Duty Police Vehicle	75,000	75,000	75,000	-	-
	<u>500,000</u>	<u>500,000</u>	<u>285,183</u>	<u>214,817</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"					
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,045,000	1,045,000	1,045,000	-	-
Payment of Bond Anticipation Notes	315,000	315,000	204,100	-	\$ 110,900
Interest on Bonds	145,963	145,963	145,963	-	-
Interest on Notes	355,000	355,000	345,127	-	9,873
	<u>1,860,963</u>	<u>1,860,963</u>	<u>1,740,190</u>	<u>-</u>	<u>120,773</u>
Total Municipal Debt Service - Excluded from "CAPS"					
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,697,359</u>	<u>4,698,359</u>	<u>4,190,599</u>	<u>386,987</u>	<u>120,773</u>
Subtotal General Appropriations	16,333,010	16,333,010	14,703,128	1,509,109	120,773
RESERVE FOR UNCOLLECTED TAXES	<u>1,720,000</u>	<u>1,720,000</u>	<u>1,720,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 18,053,010</u>	<u>\$ 18,053,010</u>	<u>\$ 16,423,128</u>	<u>\$ 1,509,109</u>	<u>\$ 120,773</u>

2023 STATEMENT OF EXPENDITURES
CURRENT FUND

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Department of Administration					
Salaries and Wages	\$ 3,435	\$ 3,435	\$ 3,435	\$ -	
Other Expenses	76,250	76,250	60,495	15,755	
Mayor and Council					
Salaries and Wages	19,500	19,500	19,500	-	
Other Expenses	1,750	1,750	1,324	426	
Municipal Clerk's Office					
Salaries and Wages	136,390	143,190	143,190	-	
Other Expenses	78,100	78,100	60,299	17,801	
Financial Administration					
Salaries and Wages	334,790	293,290	265,097	28,193	
Other Expenses	24,233	24,233	20,186	4,047	
Webmaster - Other Expenses	4,110	4,110	3,416	694	
Audit Services					
Other Expenses	37,079	37,079	37,079	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	70,795	73,695	73,628	67	
Other Expenses	14,675	14,675	7,707	6,968	
Tax Assessment Administration					
Salaries and Wages	37,505	37,505	37,504	1	
Other Expenses	20,280	20,280	11,892	8,388	
Legal Services and Costs					
Other Expenses	151,500	171,500	161,853	9,647	
Engineering Services					
Other Expenses	15,500	25,500	21,985	3,515	
Historical Preservation Commission					
Salaries and Wages	8,385	8,385	6,224	2,161	
Other Expenses	19,585	19,585	16,319	3,266	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	12,550	12,550	12,550	-	
Other Expenses	29,000	29,000	13,802	15,198	
Zoning Board of Adjustment					
Salaries and Wages	1,275	1,275	1,275	-	
Other Expenses	15,100	15,100	11,311	3,789	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,442,275	2,430,397	2,430,397	-	
Other Expenses	214,950	258,829	256,858	1,971	
Police Dispatch/911					
Salaries and Wages	121,085	121,085	110,605	10,480	
Office of Emergency Management					
Salaries and Wages	2,895	2,895	2,895	-	
Other Expenses	200	200	75	125	

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 130,500	\$ 130,500	\$ 119,864	\$ 10,636	
Aid to Tri-Borough Ambulance Squad					
Other Expenses	37,000	37,000	30,000	7,000	
Fire Hydrant Services	67,000	67,000	64,139	2,861	
Fire Prevention Bureau					
Other Expenses	5,000	5,000	2,733	2,267	
Municipal Prosecutor					
Other Expenses	19,500	19,500	17,125	2,375	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,041,035	958,135	842,255	115,880	
Other Expenses	244,600	244,600	228,399	16,201	
Solid Waste Collection					
Salaries and Wages	17,985	17,985	17,536	449	
Other Expenses	866,327	866,326	712,357	153,969	
Public Building and Grounds					
Salaries and Wages	45,035	45,035	42,049	2,986	
Other Expenses	65,500	65,500	64,418	1,082	
Vehicles and Maintenance					
Other Expenses	67,000	67,000	61,351	5,649	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	2,500	2,500	2,500	-	
Other Expenses	23,050	23,050	3,386	19,664	
Animal Control					
Other Expenses	1,000	1,000		1,000	
Senior Citizen Programs					
Other Expenses	2,400	2,400	2,400	-	
Environmental Commission					
Salaries and Wages	7,450	7,450	5,494	1,956	
Other Expenses	1,850	1,850	655	1,195	
Recreation Services and Programs					
Salaries and Wages	104,720	109,720	109,118	602	
Other Expenses	77,625	77,625	70,738	6,887	
Smoke Rise - Condo Costs:					
Other Expenses	162,000	162,000	78,733	83,267	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	32,000	51,700	41,072	10,628	
MUNICIPAL COURT					
Salaries and Wages					
Other Expenses	106,435	109,435	108,001	1,434	
Smoke Rise - Condo Costs	13,750	16,250	15,699	551	

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	\$ 18,610	\$ 18,610	\$ 16,954	\$ 1,656	
Other Expenses	14,720	14,720	14,720	-	
INSURANCE					
General Liability	260,200	260,200	256,891	3,309	
Workers Compensation	159,400	159,400	158,978	422	
Employee Group Health	985,837	985,837	643,639	342,198	
Employee Group Health Waiver	42,000	42,000	38,664	3,336	
UNCLASSIFIED					
Utilities					
Electricity	63,500	63,500	35,856	27,644	
Street Lighting	13,500	13,500	8,280	5,220	
Telephone	75,000	87,500	87,212	288	
Water and Sewer	48,000	48,000	15,387	32,613	
Gasoline	131,000	131,000	92,158	38,842	
Natural Gas	27,000	27,000	24,548	2,452	
Accumulated Leave Compensation	5,000	5,000	5,000	-	
Landfill/Solid Waste Disposal Costs	422,000	422,000	359,047	62,953	-
Total Operations Within "CAPS"	9,300,221	9,290,221	8,188,257	1,101,964	-
Detail:					
Salaries and Wages	4,534,650	4,424,737	4,260,612	164,124	-
Other Expenses	4,765,571	4,865,484	3,927,645	937,840	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
Social Security System	340,000	340,000	331,057	8,943	
Police and Firemen's Retirement Fund of NJ	673,798	673,798	671,798	2,000	
Public Employees' Retirement System	341,554	341,554	336,554	5,000	
Unemployment Insurance	16,500	16,500	15,265	1,235	
Defined Contribution Retirement Plan	7,800	7,800	7,327	473	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	1,379,652	1,379,652	1,362,001	17,651	-
Total General Appropriations for Municipal Purposes within "CAPS"	10,679,873	10,669,873	9,550,258	1,119,615	-

**BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Aid to Library					
Other Expenses	\$ 750,325	\$ 750,325	\$ 719,266	\$ 31,059	
Storm Water Management (N.J.S.A. 40A:4-45.3)					
Salaries and Wages	26,720	26,720	26,720	-	
Other Expenses	4,500	14,500	8,445	6,055	
Reserve for Tax Appeals	5,000	5,000		5,000	
LOSAP	17,000	17,000	13,286	3,714	-
Solid Waste:					
Other Expense	638,473	638,473	638,473	-	-
	<u>1,442,018</u>	<u>1,452,018</u>	<u>1,406,190</u>	<u>45,828</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"					
	<u>1,442,018</u>	<u>1,452,018</u>	<u>1,406,190</u>	<u>45,828</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Interlocal Health Services Agreement - Pequannock	146,867	146,867	136,885	9,982	
Construction Code - Bloomingdale	260,100	260,100	252,109	7,991	
Dial-A-Ride - Pequannock	101,640	101,640	101,640	-	
Interlocal ACO Services - Bloomingdale	30,061	30,061	30,038	23	
Interlocal Dispatch - Butler	34,400	34,400	32,300	2,100	
Interlocal Mechanic Services - Bloomingdale	27,000	27,000	22,479	4,521	
Interlocal Fire Official - Bloomingdale	15,388	15,388	15,388	-	-
	<u>615,456</u>	<u>615,456</u>	<u>590,839</u>	<u>24,617</u>	<u>-</u>
Total Interlocal Municipal Service Agreements					
	<u>615,456</u>	<u>615,456</u>	<u>590,839</u>	<u>24,617</u>	<u>-</u>
Total Operations Excluded from "CAPS"					
	<u>2,057,474</u>	<u>2,067,474</u>	<u>1,997,029</u>	<u>70,445</u>	<u>-</u>
Detail:					
Salaries and Wages	26,720	26,720	26,720		
Other Expenses	2,030,754	2,040,754	1,970,309	70,445	-

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -
Total Capital Improvements - Excluded from "CAPS"	100,000	100,000	100,000	-	-
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,015,000	1,015,000	1,015,000	-	-
Payment of Bond Anticipation Notes	268,000	268,000	268,000	-	\$ -
Interest on Bonds	176,413	176,413	176,413	-	-
Interest on Notes	255,594	255,594	255,594	-	-
Total Municipal Debt Service - Excluded from "CAPS"	1,715,007	1,715,007	1,715,007	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,872,481	3,882,481	3,812,036	70,445	-
Subtotal General Appropriations	14,552,354	14,552,354	13,362,294	1,190,060	-
RESERVE FOR UNCOLLECTED TAXES	1,676,005	1,676,005	1,676,005	-	-
Total General Appropriations	\$ 16,228,359	\$ 16,228,359	\$ 15,038,299	\$ 1,190,060	\$ -

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
ANIMAL CONTROL TRUST FUND		
Cash and Cash Equivalents	\$ 85,741	\$ 67,588
	<u>85,741</u>	<u>67,588</u>
OTHER TRUST FUND		
Cash and Cash Equivalents	2,398,109	2,345,914
Due From Current Fund	<u>160,000</u>	<u>199,052</u>
	<u>2,558,109</u>	<u>2,544,966</u>
MUNICIPAL OPEN SPACE TRUST FUND		
Cash and Cash Equivalents	120,744	116,600
Due From Current Fund	<u>270,206</u>	<u>163,809</u>
	<u>390,950</u>	<u>280,409</u>
Total Assets	<u><u>\$ 3,034,800</u></u>	<u><u>\$ 2,892,963</u></u>
LIABILITIES AND RESERVES		
ANIMAL CONTROL TRUST FUND		
Due to Current Fund	\$ 52,809	\$ 32,674
Due to State of New Jersey	1,497	1,495
Reserve for Animal Control Expenditures	<u>31,435</u>	<u>33,419</u>
	<u>85,741</u>	<u>67,588</u>
OTHER TRUST FUND		
Reserve for Miscellaneous Deposits	<u>2,558,109</u>	<u>2,544,966</u>
MUNICIPAL OPEN SPACE TRUST FUND		
Reserve for Municipal Open Space Trust	<u>390,950</u>	<u>280,409</u>
Total Liabilities and Reserves	<u><u>\$ 3,034,800</u></u>	<u><u>\$ 2,892,963</u></u>

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
MUNICIPAL OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
	(Memo)		(Memo)	
Amount to be Raised by Taxation	\$ 105,953	\$ 106,397	\$ 105,645	\$ 106,410

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
MUNICIPAL OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>		
	<u>Appropriated</u>	<u>Paid or</u>	<u>Excess or</u>
	<u>Budget</u>	<u>Charged</u>	<u>(Deficit)</u>
	(Memo)		
Reserve for Future Use	\$ 106,397	\$ -	\$ 106,397

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
MUNICIPAL OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2023</u>		
	<u>Appropriated</u>	<u>Paid or</u>	<u>Excess or</u>
	<u>Budget</u>	<u>Charged</u>	<u>(Deficit)</u>
	(Memo)		
Reserve for Future Use	\$ 106,410	\$ -	\$ 106,410

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,974,796	\$ 1,608,071
Grants Receivable:		
New Jersey Department of Transportation	438,379	306,094
Morris County Open Space	1,700,000	1,700,000
Morris County Municipal Utility Authority	150,000	150,000
Morris County Park Commission	300,000	300,000
New Jersey Highlands Council	300,000	300,000
Other Sources	100,000	100,000
Due from Current Fund	681,852	557,337
Due from Water Utility Capital Fund	-	640,702
Deferred Charges to Future Taxation		
Funded	4,825,000	5,870,000
Unfunded	<u>10,191,651</u>	<u>7,911,466</u>
 Total Assets	 <u>\$ 22,661,678</u>	 <u>\$ 19,443,670</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Serial Bonds	\$ 4,825,000	\$ 5,870,000
Bond Anticipation Notes Payable	9,583,433	6,902,533
Due to Water Utility Capital Fund	62,001	-
Improvement Authorizations		
Funded	2,924,833	2,921,446
Unfunded	3,265,707	2,328,413
Encumbrances Payable	1,218,185	848,050
Reserve for Payment of Bonds	158,662	176,366
Reserve for Cost of Issuance	2,701	2,701
Reserve for Housing Rehabilitation	15,550	15,550
Reserve for Grants Receivable	132,285	-
Capital Improvement Fund	347,894	362,894
Fund Balance	<u>125,427</u>	<u>15,717</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 22,661,678</u>	 <u>\$ 19,443,670</u>

There were bonds and notes authorized but not issued of \$1,008,933 and \$1,008,933 at December 31, 2024 and 2023, respectively.

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ 15,717	\$ 15,717
Increased by:		
Premium on Bond Anticipation Notes	<u>109,710</u>	<u>-</u>
Balance, December 31	<u>\$ 125,427</u>	<u>\$ 15,717</u>

**BOROUGH OF KINNELON
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>2024</u>	<u>2023</u>
Operating Fund:		
Cash and Cash Equivalents	\$ 647,032	\$ 662,525
Change Fund	100	100
Other Receivables	92	92
Due from Current Fund		72
Due from Federal and State Grant Fund	9,464	9,464
Due from Sewer Utility Operating Fund	<u>-</u>	<u>48,046</u>
	656,688	720,299
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	<u>8,585</u>	<u>16,995</u>
 Total Operating Fund	 <u>665,273</u>	 <u>737,294</u>
 Capital Fund:		
Cash and Cash Equivalents	110,331	1,261,042
Due from Water Utility Operating Fund	65,000	65,000
Due from General Capital Fund	62,001	-
Fixed Capital	628,317	529,360
Fixed Capital Authorized and Uncompleted	<u>2,855,000</u>	<u>2,855,000</u>
 Total Capital Fund	 <u>3,720,649</u>	 <u>4,710,402</u>
 Total Assets	 <u>\$ 4,385,922</u>	 <u>\$ 5,447,696</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2024</u>	<u>2023</u>
Operating Fund:		
Appropriation Reserves:		
Unencumbered	194,584	107,293
Encumbered	12,501	5,204
Due to Water Utility Capital Fund	65,000	65,000
Accrued Interest on Bonds and Notes	26,469	21,957
Water Rent Overpayments	<u>13,363</u>	<u>9,293</u>
	<u>311,917</u>	<u>208,747</u>
Reserve for Receivables	8,585	16,995
Fund Balance	<u>344,771</u>	<u>511,552</u>
Total Operating Fund	<u>665,273</u>	<u>737,294</u>
Capital Fund:		
Serial Bonds Payable	238,000	268,000
Bond Anticipation Notes Payable	1,904,500	1,904,500
Improvement Authorizations:		
Funded	85,775	85,775
Unfunded	79,051	527,059
Due to General Capital Fund	-	640,702
Deferred Reserve for Amortization	145,500	145,500
Reserve for Amortization	1,195,317	1,066,360
Reserve to Pay Debt Service	13,639	13,639
Capital Improvement Fund	35,368	35,368
Fund Balance	<u>23,499</u>	<u>23,499</u>
Total Capital Fund	<u>3,720,649</u>	<u>4,710,402</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 4,385,922</u>	<u>\$ 5,447,696</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2024 and 2023 of \$-0- and \$-0-, respectively.

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

	<u>2024</u>	<u>2023</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 448,496	\$ 112,560
Water Rents	584,774	595,268
Nonbudget Revenue	31,230	24,750
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	<u>58,724</u>	<u>1,784</u>
Total Income	<u>1,123,224</u>	<u>734,362</u>
<u>Expenditures</u>		
Budget Expenditures		
Operating	543,606	543,606
Capital Improvements	150,000	35,000
Debt Service	135,203	112,970
Deferred Charges and Statutory Expenditures	<u>12,700</u>	<u>12,700</u>
Total Expenditures	<u>841,509</u>	<u>704,276</u>
Excess Revenue	281,715	30,086
Balance, January 1	511,552	594,026
Decreased by:		
Utilized by Water Utility Operating Budget	<u>448,496</u>	<u>112,560</u>
Balance, December 31	<u>\$ 344,771</u>	<u>\$ 511,552</u>

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

	<u>2024</u>	<u>2023</u>
Balance, December 31,	\$ 23,499	\$ 2,035
Increased by:		
Premium on Bond Anticipation Notes	<u>-</u>	<u>21,464</u>
Balance, December 31,	<u>\$ 23,499</u>	<u>\$ 23,499</u>

**BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	<u>2024</u>		<u>2023</u>	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
Surplus Anticipated	\$ 448,496	\$ 448,496	\$ 112,560	\$ 112,560
Rents	<u>595,000</u>	<u>584,774</u>	<u>591,966</u>	<u>595,268</u>
	<u>\$ 1,043,496</u>	<u>\$ 1,033,270</u>	<u>\$ 704,526</u>	<u>\$ 707,828</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operating:					
Salaries and Wages	\$ 150,875	\$ 150,875	\$ 130,179	\$ 20,696	
Other Expenses	392,731	392,731	272,665	120,066	
Capital Improvements					
Completion of Denise Drive Water Tank	350,000	350,000	98,957	51,043	\$ 200,000
Debt Service					
Payment of Bond Principal	30,000	30,000	30,000	-	
Interest on Bonds	7,190	7,190	7,190	-	
Interest on Notes	100,000	100,000	98,013	-	1,987
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	700	700	462	238	
Social Security System (O.A.S.I.)	12,000	12,000	9,459	2,541	-
	<u>\$ 1,043,496</u>	<u>\$ 1,043,496</u>	<u>\$ 646,925</u>	<u>\$ 194,584</u>	<u>\$ 201,987</u>

**BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operating:					
Salaries and Wages	\$ 150,875	\$ 150,875	\$ 131,286	\$ 19,589	
Other Expenses	392,731	392,731	307,505	85,226	
Capital Improvements					
Capital Improvement Fund	35,000	35,000	35,000	-	
Debt Service					
Payment of Bond Principal	30,000	30,000	30,000	-	
Interest on Bonds	7,040	7,040	7,040	-	
Interest on Notes	76,180	76,180	75,930	-	250
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	700	700	452	248	
Social Security System (O.A.S.I.)	12,000	12,000	9,770	2,230	-
	<u>\$ 704,526</u>	<u>\$ 704,526</u>	<u>\$ 596,983</u>	<u>\$ 107,293</u>	<u>\$ 250</u>

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**BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS**

	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME		
Surplus Anticipated	\$ 95,815	\$ 95,815
Miscellaneous Revenues Not Anticipated	42,774	17,642
Sewer Service Charges - Fees	500,730	505,980
Other Credits to Income		
Cancellation of Prior Year Accounts Payable		1,634
Unexpended Balance of Appropriation Reserves	<u>48,760</u>	<u>42,463</u>
	<u>688,079</u>	<u>663,534</u>
EXPENDITURES		
Budget Appropriations		
Operating	500,000	474,989
Deferred Charges and Statutory Expenditures	<u>1,700</u>	<u>1,700</u>
	<u>501,700</u>	<u>476,689</u>
Excess in Revenue	<u>186,379</u>	<u>186,845</u>
Balance, January 1	<u>615,029</u>	<u>523,999</u>
Decreased by:		
Utilized by Sewer Utility Operating Budget	<u>95,815</u>	<u>95,815</u>
Balance, December 31	<u>\$ 705,593</u>	<u>\$ 615,029</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENTS OF REVENUE - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
Surplus Anticipated	\$ 95,815	\$ 95,815	\$ 95,815	\$ 95,815
Sewer Service Charges	<u>405,885</u>	<u>500,730</u>	<u>380,874</u>	<u>505,980</u>
	<u>\$ 501,700</u>	<u>\$ 596,545</u>	<u>\$ 476,689</u>	<u>\$ 601,795</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operating:					
Salaries and Wages	\$ 22,000	\$ 22,000	\$ 16,092	\$ 5,908	
Other Expenses	478,000	478,000	391,716	86,284	
Deferred Charges and Statutory Expenditures					
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	100	100	58	42	
Social Security System (O.A.S.I.)	<u>1,600</u>	<u>1,600</u>	<u>1,172</u>	<u>428</u>	<u>-</u>
Total Sewer Utility Appropriations	<u>\$ 501,700</u>	<u>\$ 501,700</u>	<u>\$ 409,038</u>	<u>\$ 92,662</u>	<u>-</u>

EXHIBIT E-3b

**BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023**

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operating:					
Salaries and Wages	\$ 20,125	\$ 20,125	\$ 17,081	\$ 3,044	
Other Expenses	454,864	454,864	392,819	62,045	
Deferred Charges and Statutory Expenditures					
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	100	100	61	39	
Social Security System (O.A.S.I.)	<u>1,600</u>	<u>1,600</u>	<u>1,273</u>	<u>327</u>	<u>-</u>
Total Sewer Utility Appropriations	<u>\$ 476,689</u>	<u>\$ 476,689</u>	<u>\$ 411,234</u>	<u>\$ 65,455</u>	<u>-</u>

**BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 59,730	\$ 57,680
Total Assets	<u>\$ 59,730</u>	<u>\$ 57,680</u>
 LIABILITIES AND RESERVES		
Reserve for Public Assistance Expenditures	\$ 59,730	\$ 57,680
Total Liabilities and Reserves	<u>\$ 59,730</u>	<u>\$ 57,680</u>

**BOROUGH OF KINNELON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u> <u>(Unaudited)</u>	<u>2023</u> <u>(Unaudited)</u>
ASSETS		
Land and Land Improvements	\$ 10,236,364	\$ 10,236,364
Buildings and Building Improvements	2,978,541	2,978,541
Vehicles and Equipment	<u>8,497,884</u>	<u>8,497,884</u>
	<u>\$ 21,712,789</u>	<u>\$ 21,712,789</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 21,712,789</u>	<u>\$ 21,712,789</u>

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NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Kinnelon have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

Municipal Open Space Preservation Trust Fund - This fund is used to account for open space tax levied against properties for the purpose of preserving open space in the Borough.

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

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the sewer utility fund. The Borough's infrastructure is not reported in the account group.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2023 balances to conform to the December 31, 2024 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levies less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

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

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

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the proprietary funds and government-wide financial statements.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the proprietary funds and government-wide financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Kinnelon has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$3,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized. General fixed assets acquired under capital financing agreements are capitalized at their acquisition cost. Intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs) are not capitalized.

General Fixed Assets purchased after December 31, 2014 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2014 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Historical Cost

No depreciation has been provided for in the financial statements.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water utility fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Fund (Except for Open Space Trust Fund)
General Capital Fund
Water Utility Capital Fund
Public Assistance Fund

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

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2024 and 2023 the Current Fund, Water Utility Operating Fund, and Sewer Utility Operating Fund budgets were not increased. However, the governing body approved several budget transfers during 2024 and 2023.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2024 and 2023, the book value of the Borough's deposits were \$20,082,049 and \$17,320,935 and bank and brokerage firm balances of the Borough's deposits amounted to \$20,211,417 and \$21,265,983, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Insured	\$ 19,427,680	\$ 20,466,897
Uninsured and Collateralized	<u>783,737</u>	<u>799,086</u>
	<u>\$ 20,211,417</u>	<u>\$ 21,265,983</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2024 and 2023, the Borough’s bank balances of \$783,737 and \$799,086 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>783,737</u>	\$ <u>799,086</u>

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2024 and 2023 the Borough had no outstanding investments.

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

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

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2024 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Sewer Utility Operating Fund</u>	<u>Total</u>
<u>2024</u>				
Property Taxes	\$ 363,947			\$ 363,947
Tax Title Liens	1,178,543			1,178,543
Water Utility Charges and Fees	-	\$ 8,585		8,585
Sewer Utility Charges and Fees	-	-	\$ 11,176	11,176
	<u>\$ 1,542,490</u>	<u>\$ 8,585</u>	<u>\$ 11,176</u>	<u>\$ 1,562,251</u>

In 2024, the Borough collected \$469,181 and \$27,260 from delinquent taxes and utility charges and fees, which represented 97% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2023.

Receivables at December 31, 2023 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Sewer Utility Operating Fund</u>	<u>Total</u>
<u>2023</u>				
Property Taxes	\$ 484,885			\$ 484,885
Tax Title Liens	1,107,812			1,107,812
Water Utility Charges and Fees	-	\$ 16,995		16,995
Sewer Utility Charges and Fees	-	-	\$ 10,265	10,265
	<u>\$ 1,592,697</u>	<u>\$ 16,995</u>	<u>\$ 10,265</u>	<u>\$ 1,619,957</u>

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2024</u>		<u>2023</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 52,809	\$ 2,196,077	\$ 32,674	\$ 2,450,455
Federal and State Grant Fund	1,084,019	12,144	1,530,186	12,144
Trust Fund:				
Animal Control Fund		52,809		32,674
Other Trust Funds	430,206		362,861	
General Capital Fund	681,852	62,001	1,198,038	
Water Utility Operating Fund	9,464	65,000	57,582	65,000
Water Utility Capital Fund	127,001	-	65,000	640,702
Sewer Utility Operating Fund	<u>2,680</u>	<u>-</u>	<u>2,680</u>	<u>48,046</u>
 Total	 <u>\$ 2,388,031</u>	 <u>\$ 2,388,031</u>	 <u>\$ 3,249,021</u>	 <u>\$ 3,249,021</u>

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

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

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

NOTE 6 FUND BALANCES APPROPRIATED

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

	2024		2023	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 5,681,459	\$ 2,490,000	\$ 4,809,206	\$ 2,300,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>188</u>	<u>-</u>
	<u>\$ 5,681,459</u>	<u>\$ 2,490,000</u>	<u>\$ 4,809,394</u>	<u>\$ 2,300,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 335,215	\$ 225,300	\$ 453,878	\$ 448,496
Non-Cash Surplus	<u>9,556</u>	<u>-</u>	<u>57,674</u>	<u>-</u>
	<u>\$ 344,771</u>	<u>\$ 225,300</u>	<u>\$ 511,552</u>	<u>\$ 448,496</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 702,913	\$ 58,700	\$ 612,349	\$ 95,815
Non-Cash Surplus	<u>2,680</u>	<u>-</u>	<u>2,680</u>	<u>-</u>
	<u>\$ 705,593</u>	<u>\$ 58,700</u>	<u>\$ 615,029</u>	<u>\$ 95,815</u>

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

NOTE 7 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2024 and 2023.

	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2024</u> (Unaudited)
<u>2024</u>				
Land	\$ 10,236,364	-		\$ 10,236,364
Buildings and Building Improvements	2,978,541	-		2,978,541
Machinery and Equipment	8,497,884	-	-	8,497,884
	<u>\$ 21,712,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,712,789</u>
	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Land	\$ 10,236,364			\$ 10,236,364
Buildings and Building Improvements	2,978,541			2,978,541
Machinery and Equipment	6,662,129	\$ 1,835,755	-	8,497,884
	<u>\$ 19,877,034</u>	<u>\$ 1,835,755</u>	<u>\$ -</u>	<u>\$ 21,712,789</u>

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

NOTE 7 FIXED ASSETS (Continued)

B. Water Utility Fund Fixed Assets

The following is a summary of changes in the Water Utility Fund fixed assets for the years ended December 31, 2024 and 2023.

	Balance January 1, <u>2024</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2024</u>
<u>2024</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 529,360	\$ 98,957	\$ -	\$ 628,317
	<u>\$ 529,360</u>	<u>\$ 98,957</u>	<u>\$ -</u>	<u>\$ 628,317</u>
	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
<u>2023</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 529,360	\$ -	\$ -	\$ 529,360
	<u>\$ 529,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,360</u>

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

NOTE 8 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects and acquisitions or other purposes permitted by the Local Bond Law, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2024</u>	<u>2023</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,408,433	\$ 12,772,533
Water Utility		
Bonds, Notes and Loans	<u>2,142,500</u>	<u>2,172,500</u>
	16,550,933	14,945,033
Less Funds Temporarily Held to Pay Bonds and Notes	<u>573,016</u>	<u>190,005</u>
Net Debt Issued	<u>15,977,917</u>	<u>14,755,028</u>
Authorized But Not Issued		
General		
Bonds and Notes	1,008,933	1,008,933
Water Utility		
Bonds and Notes	<u>-</u>	<u>-</u>
	<u>1,008,933</u>	<u>1,008,933</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 16,986,850</u>	<u>\$ 15,763,961</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is in the format of the Borough's Annual Debt Statement and indicates a statutory net debt of 0.631% and 0.594% at December 31, 2024 and 2023, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 15,417,366	\$ 559,377	\$ 14,857,989
Utility Debt	<u>2,142,500</u>	<u>2,142,500</u>	<u>-</u>
Total	<u>\$ 17,559,866</u>	<u>\$ 2,701,877</u>	<u>\$ 14,857,989</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2023</u>			
General Debt	\$ 13,781,466	\$ 176,366	\$ 13,605,100
Utility Debt	<u>2,172,500</u>	<u>2,172,500</u>	<u>-</u>
Total	<u>\$ 15,953,966</u>	<u>\$ 2,348,866</u>	<u>\$ 13,605,100</u>

Statutory Borrowing Power

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

	<u>2024</u>	<u>2023</u>
3.5% of Equalized Valuation Basis (Municipal)	\$ 85,524,017	\$ 80,231,920
Less: Net Debt	<u>14,857,989</u>	<u>13,605,100</u>
Remaining Borrowing Power	<u>\$ 70,666,028</u>	<u>\$ 66,626,820</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2024</u>	<u>2023</u>
\$6,070,000, 2009 Refunding Bonds, due in annual installments of \$30,000 to \$495,000 through March 1, 2024, interest at 2.00% to 4.00%	\$ -	\$ 495,000
\$9,100,000, 2015 General Improvement Bonds, due in annual installments of \$425,000 to \$650,000 through February 1, 2032 interest at 1.00% to 3.00%	<u>4,825,000</u>	<u>5,375,000</u>
	<u>\$ 4,825,000</u>	<u>\$ 5,870,000</u>

Water Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

	<u>2024</u>	<u>2023</u>
\$458,000, 2015 Bonds, due in an annual installment of \$15,000 to \$30,000 through February 1, 2032, interest at 1.00% through 3.00%	<u>\$ 238,000</u>	<u>\$ 268,000</u>
	<u>\$ 238,000</u>	<u>\$ 268,000</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2024 is as follows:

Calendar Year	<u>General</u>		<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2025	\$ 550,000	\$ 125,062	\$ 30,000	\$ 6,090	\$ 711,152
2026	575,000	113,093	30,000	5,453	723,546
2027	575,000	99,437	30,000	4,740	709,177
2028	600,000	84,000	30,000	3,953	717,953
2029	625,000	66,375	30,000	3,090	724,465
2030-2032	<u>1,900,000</u>	<u>86,250</u>	<u>88,000</u>	<u>3,900</u>	<u>2,078,150</u>
	<u>\$ 4,825,000</u>	<u>\$ 574,217</u>	<u>\$ 238,000</u>	<u>\$ 27,225</u>	<u>\$ 5,664,442</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2024 and 2023 were as follows:

	Balance, January 1, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
Bonds Payable	<u>\$ 5,870,000</u>	<u>\$ -</u>	<u>\$ 1,045,000</u>	<u>\$ 4,825,000</u>	<u>\$ 550,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,870,000</u>	<u>\$ -</u>	<u>\$ 1,045,000</u>	<u>\$ 4,825,000</u>	<u>\$ 550,000</u>
Water Utility Capital Fund Bonds Payable	<u>\$ 268,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 238,000</u>	<u>\$ 30,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 268,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 238,000</u>	<u>\$ 30,000</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	Due Within <u>One Year</u>
<u>2023</u>					
Bonds Payable	\$ 6,885,000	\$ -	\$ 1,015,000	\$ 5,870,000	\$ 1,045,000
General Capital Fund Long-Term Liabilities	<u>\$ 6,885,000</u>	<u>\$ -</u>	<u>\$ 1,015,000</u>	<u>\$ 5,870,000</u>	<u>\$ 1,045,000</u>
Water Utility Capital Fund Bonds Payable	\$ 298,000	\$ -	\$ 30,000	\$ 268,000	\$ 30,000
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 298,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 268,000</u>	<u>\$ 30,000</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, January 1, <u>2024</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2024</u>
<u>2024</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
02-14 Various Improvements	5.00%	09/27/2024	\$ 601,373		\$ 601,373	
	4.00%	09/26/2025		\$ 528,873		\$ 528,873
01-13 Various Improvements	5.00%	09/27/2024	683,002		683,002	
	4.00%	09/26/2025		623,002		623,002
03-19 Acquisition of a New Firefighting Vehicle	5.00%	09/27/2024	163,934		163,934	-
	4.00%	09/26/2025		138,934		138,934
07-19 Improvement of Kiel Avenue	5.00%	09/27/2024	207,974		207,974	-
	4.00%	09/26/2025		189,274		189,274
10-21 Firefighter Equipment	5.00%	09/27/2024	566,000		566,000	-
	4.00%	09/26/2025		566,000		566,000
11-21 Various Improvements	5.00%	09/27/2024	1,304,000		1,304,000	-
	4.00%	09/26/2025		1,276,100		1,276,100
03-22 Firefighter Equipment	5.00%	09/27/2024	176,000		176,000	-
	4.00%	09/26/2025		176,000		176,000
10-22 Various Improvements	5.00%	09/27/2024	1,666,000		1,666,000	-
	4.00%	09/26/2025		1,666,000		1,666,000
03-23 Fire Truck	5.00%	09/27/2024	760,000		760,000	-
	4.00%	09/26/2025		760,000		760,000
11-23 Various Improvements	5.00%	09/27/2024	774,250		774,250	-
	4.00%	09/26/2025		774,250		774,250
06-24 Various Improvements	4.00%	09/26/2025		1,650,000		1,650,000
07-24 Various Road Improvements	4.00%	09/26/2025	-	1,235,000	-	1,235,000
General Capital Bond Anticipation Notes Payable			<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>	<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2024</u>	Rate (%)	Maturity Date	January 1, 2024	Renewed/ Issued	Retired/ Redeemed	December 31, 2024
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
11-22 Improvement of Water Supply System	5.00%	9/27/2024	\$ 1,904,500		\$ 1,904,500	
	4.00%	9/26/2025	-	\$ 1,904,500	-	\$ 1,904,500
Water Utility Capital Bond Anticipation Notes Payable			\$ 1,904,500	\$ 1,904,500	\$ 1,904,500	\$ 1,904,500
Total Bond Anticipation Notes Payable			\$ 8,807,033	\$ 11,487,933	\$ 8,807,033	\$ 11,487,933

<u>2023</u>	Rate (%)	Maturity Date	Balance, January 1, 2023	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2023
<u>General Capital Fund</u>						
<u>Purpose</u>						
02-14 Various Improvements	4.00%	9/29/2023	\$ 1,132,500		\$ 1,132,500	
	5.00%	9/27/2024		\$ 601,373		\$ 601,373
01-13 Various Improvements	4.00%	9/29/2023	890,350		890,350	
	5.00%	9/27/2024		683,002		683,002
03-19 Acquisition of a New Firefighting Vehicle	4.00%	9/29/2023	245,000		245,000	
	5.00%	9/27/2024		163,934		163,934
07-19 Improvement of Kiel Avenue	4.00%	9/29/2023	410,000		410,000	
	5.00%	9/27/2024		207,974		207,974
10-21 Firefighter Equipment	4.00%	9/29/2023	566,000		566,000	
	5.00%	9/27/2024		566,000		566,000
11-21 Various Improvements	4.00%	9/29/2023	1,304,000		1,304,000	
	5.00%	9/27/2024		1,304,000		1,304,000
03-22 Firefighter Equipment	4.00%	9/29/2023	176,000		176,000	
	5.00%	9/27/2024		176,000		176,000
10-22 Various Improvements	4.00%	9/29/2023	1,666,000		1,666,000	
	5.00%	9/27/2024		1,666,000		1,666,000
03-23 Fire Truck	5.00%	9/27/2024		760,000		760,000
11-23 Various Improvements	5.00%	9/27/2024	-	774,250	-	774,250
General Capital Bond Anticipation Notes Payable			\$ 6,389,850	\$ 6,902,533	\$ 6,389,850	\$ 6,902,533

<u>2023</u>	Rate (%)	Maturity Date	Balance, January 1, 2023	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2023
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
11-22 Improvement of Water Supply System	4.00%	9/29/2023	\$ 1,904,500		\$ 1,904,500	
	5.00%	9/27/2024	-	\$ 1,904,500	-	\$ 1,904,500
Water Utility Capital Bond Anticipation Notes Payable			\$ 1,904,500	\$ 1,904,500	\$ 1,904,500	\$ 1,904,500
Total Bond Anticipation Notes Payable			\$ 8,294,350	\$ 8,807,033	\$ 8,294,350	\$ 8,807,033

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

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the Local Bond Law NJSA 40A:2 et. seq. The amounts issued for general governmental activities are accounted for in the General Capital Fund. The amounts issued for the water utility activities are accounted for in the Water Utility Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2024</u>		
Rehab to Boonton Ave. Park Tennis Court	\$ 338,400	2025
Fuel Pump and Fuel Management System	74,996	2026
Replace Roofs at Borough Hall and Library	75,919	2027

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,235,454 and \$1,288,538 at December 31, 2024 and 2023, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2024 and 2023, the Borough has reserved in the Other Trust Fund \$831,559 and \$860,559, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

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

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

NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

The Borough's changes in other long-term liabilities for the years ended December 31, 2024 and 2023 were as follows:

	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
Compensated Absences	\$ 1,288,538		\$ 53,084	\$ 1,235,454	
Net Pension Liability - PERS (1)	3,582,688			3,582,688	
Net Pension Liability - PFRS (1)	5,942,343			5,942,343	
Net OPEB Liability (1)	<u>5,493,787</u>	<u>-</u>	<u>-</u>	<u>5,493,787</u>	<u>-</u>
Other Long Term Liabilities	<u>\$ 16,307,356</u>	<u>\$ -</u>	<u>\$ 53,084</u>	<u>\$ 16,254,272</u>	<u>\$ -</u>

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

	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2023</u>	Due Within <u>One Year</u>
<u>2023</u>					
Compensated Absences	\$ 1,277,579	\$ 10,959		\$ 1,288,538	
Net Pension Liability - PERS	4,027,652		\$ 444,964	3,582,688	
Net Pension Liability - PFRS	5,910,590	703,551	671,798	5,942,343	
Net OPEB Liability	<u>6,361,790</u>	<u>-</u>	<u>868,003</u>	<u>5,493,787</u>	<u>-</u>
Other Long Term Liabilities	<u>\$ 17,577,611</u>	<u>\$ 714,510</u>	<u>\$ 1,984,765</u>	<u>\$ 16,307,356</u>	<u>\$ -</u>

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

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

Consolidated Police and Firemen's Pension Fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. Additionally, based on recent actuarial valuation there was no normal cost or accrued liability contributions required for the fiscal year ended June 30, 2017. CPFPPF is a cost-sharing multi-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The following represents the membership tiers for PFRS:

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was not available and for June 30, 2023 is \$14.6 billion, and the plan fiduciary net position as a percentage of the total pension liability is 65.22% at June 30, 2023. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was not available and for June 30, 2023 is \$13.1 billion and the plan fiduciary net position as a percentage of total pension liability is 70.16% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2024 and 2023 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2024 and 2023 for CPFPPF, which is a single-employer defined benefit plan, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2024, 2023 and 2022 were equal to the required contributions.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

During the years ended December 31, 2024, 2023 and 2022, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2024	\$ 715,957	\$ 330,589	\$ 7,676
2023	671,798	336,554	7,327
2022	653,592	328,294	

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

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

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 68 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2024 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2023, the Borough reported a liability of \$3,582,688, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough's proportionate share was 0.02473 percent, which was a decrease of 0.00196 percent from its proportionate share measured as of June 30, 2022 of 0.02669 percent.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2023, the pension system has determined the Borough's pension expense (benefit) to be \$(225,252) for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$336,554. At December 31, 2023, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 34,255	\$ 14,645
Changes of Assumptions	7,870	217,126
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,499	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,072</u>	<u>598,625</u>
Total	<u>\$ 59,696</u>	<u>\$ 830,396</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (411,459)
2025	(411,458)
2026	113,000
2027	(59,257)
2028	(1,526)
Thereafter	<u>-</u>
	<u>\$ (770,700)</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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

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

Mortality Rates

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PERS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
<u>2023</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,663,897</u>	\$ <u>3,582,688</u>	\$ <u>2,662,436</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2023, the Borough reported a liability of \$5,942,343 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough’s proportionate share was 0.05378 percent, which was an increase of 0.00213 percent from its proportionate share measured as of June 30, 2022 of 0.05165 percent.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2023, the pension system has determined the Borough pension expense (benefit) to be \$347,800, for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$671,798. At December 31, 2023, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 254,439	\$ 283,397
Changes of Assumptions	12,826	401,251
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	302,632	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>493,372</u>	<u>507,726</u>
Total	<u>\$ 1,063,269</u>	<u>\$ 1,192,374</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	(209,587)
2025	(209,587)
2026	227,089
2027	(22,641)
2028	73,821
Thereafter	<u>11,800</u>
	<u>\$ (129,105)</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	
Rate for All Future Years	3.25%-16.25%
	Based on Years of Service
Investment Rate of Return	7.00%

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

Mortality Rates

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	2023	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
<u>2023</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,279,614</u>	\$ <u>5,942,343</u>	\$ <u>3,995,954</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Special Funding Situation – PFRS

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

At December 31, 2023, the State’s proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,094,946 For the year ended December 31, 2023, the pension system has determined the State’s proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$124,548 which is less than the actual contribution the State made on behalf of the Borough of \$125,220. At December 31, 2023 (measurement date June 30, 2023) the State’s share of the PFRS net pension liability attributable to the Borough was 0.05378 percent, which was an increase of 0.00213 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of 0.05165 percent. The State’s proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported in the Borough’s financial statements.

Pension Plan Fiduciary Net Position

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

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

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

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Membership and Contributing Employers

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2023:

Active Plan Members	65,613
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>34,771</u>
Total	<u>100,384</u>
Contributing Employers	574
Contributing Nonemployers	1

Measurement Focus and Basis of Accounting

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

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2024 was not available and for June 30, 2023 is \$15.0 billion, and the plan fiduciary net (deficit) as a percentage of the total OPEB liability is (0.79)% at June 30, 2023.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2022 which was rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation

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

The non-employer special funding allocation percentages presented as the State's proportion share was based on eligible plan members subject to the special fund situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

At December 31, 2023, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$5,493,787. For the year ended December 31, 2023 the plan has determined the State's proportionate share of the OPEB expense (benefit) attributable to the Borough for the OPEB special funding situation is \$(996,131). At December 31, 2023, (measurement date June 30, 2023), the State's share of the OPEB liability attributable to the Borough was 0.1574 percent, which was a decrease of 0.0312 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of 0.1886 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits. These on-behalf contributions have not been reported in the Borough's financial statements.

OPEB Plan Fiduciary Net Position

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

NOTE 14 RISK MANAGEMENT

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

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

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

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

NOTE 14 RISK MANAGEMENT (Continued)

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

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All the Borough’s claims are paid by the State.

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2024 and 2023. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2024 and 2023, the Borough reserved \$599,186 in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2024 and 2023, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2024 and 2023, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 SUBSEQUENT EVENTS

In January 2025, the Borough entered into a loan agreement as a co-borrower with Lake Reality Homeowners Association, Inc. to finance the cost of the Lake Reality dam restoration. The loan was issued by the State of New Jersey in the total principal amount of \$750,000, of which the Borough is jointly liable. As a co-borrower, the Borough has a legal obligation to fulfill repayment terms in the event of default by the primary borrower. The Borough will continue to monitor the performance of the co-borrower and will evaluate its contingent liability exposure annually.

On April 23, 2025 the Borough adopted a bond ordinance authorizing the issuance \$735,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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September 25, 2025

Borough Council of the
Borough of Kinnelon, in the
County of Morris, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$11,200,000 bonds, consisting of \$9,400,000 General Bonds of 2025 and \$1,800,000 Water Bonds of 2025 (collectively, the “Bonds”) of the Borough of Kinnelon, a municipal corporation of the State of New Jersey, situate in the County of Morris (the “Borough”). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by (i) with respect to the General Bonds, a resolution of the Borough Council of the Borough, entitled: “Resolution providing for the combination of certain issues of bonds of the Borough of Kinnelon, in the County of Morris, New Jersey, into a single issue of General Bonds aggregating \$9,400,000 in principal amount”, adopted June 19, 2025 and the bond ordinances referred to therein, and (ii) with respect to the Water Bonds, an ordinance of the Borough Council of the Borough, entitled: “Bond ordinance appropriating \$2,000,000, and authorizing the issuance of \$1,904,500 bonds or notes of the Borough, for various improvements or purposes authorized to be undertaken by the Borough of Kinnelon, in the County of Morris, New Jersey for the water supply and distribution system of the Borough”, adopted August 8, 2022.

The Bonds are dated September 25, 2025, and bear interest from their dated date at the rates per annum (payable semi-annually on each March 15 and September 15 until maturity or earlier redemption, commencing March 15, 2026) and mature on September 15 in the years and in the respective principal amounts set forth below:

Borough Council of the
Borough of Kinnelon, in the
County of Morris, New Jersey

General Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2026	\$590,000	%	2032	\$810,000	%
2027	660,000		2033	860,000	
2028	660,000		2034	810,000	
2029	660,000		2035	910,000	
2030	760,000		2036	960,000	
2031	760,000		2037	960,000	

Water Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2026	\$180,000	%	2031	\$180,000	%
2027	180,000		2032	180,000	
2028	180,000		2033	180,000	
2029	180,000		2034	180,000	
2030	180,000		2035	180,000	

The Bonds maturing prior to September 15, 2033 are not subject to redemption prior to maturity at the option of the Borough. The Bonds of each series maturing on and after September 15, 2033 are subject to redemption prior to maturity at the option of the Borough in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after September 15, 2032, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

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

Borough Council of the
Borough of Kinnelon, in the
County of Morris, New Jersey

In our opinion, the Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in our opinion, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

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

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

We have examined an executed bond of each of said series, and, in our opinion, the forms of said bonds and their execution are regular and proper.

Very truly yours,