

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 23, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

NOT RATED

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Note (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF HILLSBOROUGH, IN THE
COUNTY OF SOMERSET, NEW JERSEY**

\$13,055,443 BOND ANTICIPATION NOTE, SERIES 2025B

DATED DATE: NOVEMBER 12, 2025

MATURITY DATE: NOVEMBER 11, 2026

INTEREST RATE: ____%

RE-OFFER YIELD: ____%

CUSIP NO. _____

(NON-CALLABLE)

The \$13,055,443 Bond Anticipation Note, Series 2025B (the "Note") of the Township of Hillsborough, in the County of Somerset, New Jersey (the "Township"), is being issued to: (i) currently refund the Township's \$13,225,443 Bond Anticipation Note, Series 2024B, dated and issued on December 5, 2024 and maturing on November 13, 2025, together with \$170,000 being paid down pursuant to a current budget appropriation; and (ii) pay the costs associated with the authorization, sale and issuance of the Note. See "AUTHORIZATION AND PURPOSE OF THE NOTE" herein.

The Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township without limitation as to rate or amount.

The Note is not subject to redemption prior to its stated maturity date. See "DESCRIPTION OF THE NOTE – Redemption" herein.

The Note will be issued in the form of one certificate for the aggregate principal amount of the Note and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York ("DTC"), which will act as securities depository. The principal of and interest due on the Note shall be paid on the maturity date thereof to DTC by the Township or its designated paying agent. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of the close of business one business day prior to the maturity date (the "Record Date"). See "DESCRIPTION OF THE NOTE – Book-Entry-Only System" herein.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Note is offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. NW Financial Group, LLC, Bloomfield, New Jersey, has served as Municipal Advisor to the Township in connection with the Note. Delivery is anticipated to be through the facilities of DTC in Brooklyn, New York, on or about November 12, 2025.

**ELECTRONIC SUBMISSIONS FOR THE NOTE WILL BE RECEIVED VIA PARITY OR
E-MAIL UNTIL 11:00 A.M. ON OCTOBER 30, 2025. FOR MORE DETAILS ON HOW TO BID
ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

**TOWNSHIP OF HILLSBOROUGH, IN THE
COUNTY OF SOMERSET, NEW JERSEY**

MAYOR

John Ciccarelli

TOWNSHIP COMMITTEE

Catherine Payne, Deputy Mayor

Robert Britting, Jr.

Samantha Hand

Shawn Lipani

TOWNSHIP ADMINISTRATOR

Anthony Ferrera

TOWNSHIP CLERK

Sarah Brake

CHIEF FINANCIAL OFFICER

Christiaan T. Bushell

TOWNSHIP ATTORNEY

DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C.

Warren, New Jersey

INDEPENDENT AUDITOR

Suplee, Clooney & Company LLC

Westfield, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC

Roseland, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC

Bloomfield, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Note other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Township. The information and the 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 any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Note described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

This Official Statement is submitted in connection with the sale of the Note referred to herein and may not be used, in whole or in part, for any other purpose. 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 Note in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE NOTE IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy or completeness thereof and, accordingly, expresses no opinion with respect thereto.

"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number listed on the cover page hereof is being provided solely for the convenience of Noteholders only at the time of issuance of the Note, and the Township does not make any representations with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for the Note is subject to being changed after the issuance of the Note as a result of various subsequent actions, including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Note.

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OFFICIAL STATEMENT
RELATING TO
\$13,055,443 BOND ANTICIPATION NOTE, SERIES 2025B
OF THE
TOWNSHIP OF HILLSBOROUGH, IN THE
COUNTY OF SOMERSET, NEW JERSEY

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of Hillsborough (the "Township"), in the County of Somerset (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$13,055,443 Bond Anticipation Note, Series 2025B (the "Note"). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Note described herein.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

DESCRIPTION OF THE NOTE

General Description

The Note is dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year.

The principal of and interest due on the Note will be paid to the registered owners by the Township or its designated paying agent (the "Paying Agent"). Principal of and interest due on the Note will be credited to the registered owner as of the business day immediately preceding the maturity date of the Note (the "Record Date" for the payment of principal of and interest on the Note).

The Note is issuable as a fully registered book-entry obligation in the form of one certificate in the aggregate principal amount of the Note. The Note may be purchased in book-entry-only form in the amount of \$5,000 and any integral multiple of \$1,000 in excess thereof (except for any necessary odd denomination) through book-entries made on the books and records of The Depository Trust Company, Brooklyn, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Note, payments of the principal of and interest on the Note will be made by the Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC.

Redemption

The Note is not subject to redemption prior to its stated maturity date.

Book-Entry-Only System

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Note, payment of principal and interest and other payments on the Note to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Note and other related transactions by and between DTC, Direct Participants and Beneficial Owners is based on certain information furnished by DTC to the Township.

DTC will act as securities depository for the Note. The Note will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the aggregate principal amount of the Note 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"; and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, the Note deposited by Direct Participants with DTC is registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Note with DTC and its registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership.

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

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

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

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

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

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

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

THE TOWNSHIP WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTE, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTE (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET

DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTE.

Discontinuation of Book-Entry-Only System

If the Township, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Note at any time, the Township will attempt to locate another qualified securities depository. If the Township fails to find such a securities depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry-only system.

SECURITY AND SOURCE OF PAYMENT

The Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township for the payment of the principal of and interest on the Note without limitation as to rate or amount.

AUTHORIZATION AND PURPOSE OF NOTE

The Note has been authorized by and is being issued pursuant to: (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 *et seq.*, and (ii) Bond Ordinance #2021-15 of the Township, finally adopted on August 10, 2021.

The proceeds from the sale and issuance of the Note will be used by the Township to: (i) currently refund the Township's \$13,225,443 Bond Anticipation Note, Series 2024B, dated and issued on December 5, 2024 and maturing on November 13, 2025, together with \$170,000 being paid down pursuant to a current budget appropriation; and (ii) pay the costs associated with the authorization, sale and issuance of the Note.

CERTAIN RISK FACTORS

Recent Healthcare Developments

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to, among other things, provide relief to state and local governments, including the American Rescue Plan Act of 2021 (the "Plan"). The pandemic and certain mitigation measures, which altered the behavior of businesses and people, have had and may continue to have negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level.

To date, the overall finances and operations of the Township have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, there can be no assurance regarding the extent to which the COVID-19 pandemic, or any other national health crisis or pandemic, may impact the national, State or local economies in the future, nor how any such event may materially adversely impact municipalities, including the Township. The Township cannot quantify any such impacts at this time.

The Plan, signed into law on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Township has received \$4,181,508.76 from the Plan. The deadline to obligate the funds was December 31, 2024, and such funds can only be spent on certain allowable uses as set forth in the Plan.

Cybersecurity

The Township relies upon a large and complex technology environment to conduct its various operations. As a result, the Township faces certain cybersecurity 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 Township has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Township maintains certain insurance coverage for cyberattacks and related events. However, there can be no assurance that any existing safety or security measures will provide adequate protection in safeguarding against cybersecurity threats and attacks. Cybersecurity breaches of the Township could cause material disruption of the Township's finances and operations.

Climate Change

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods 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 Township as well as resulting in economic impacts such as loss of *ad valorem* tax revenue, interruption of municipal services and escalated recovery costs. The Township has an Office of Emergency Management and also engages with the County Office of Emergency Management to plan for and respond to emergencies, including weather-related emergencies. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Township.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation, is \$8,755,962,834.67.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township has not exceeded its statutory debt limit. As of December 31, 2024, the statutory net debt as a percentage of average equalized valuation was 0.362%. As noted above, the statutory limit is 3½%.

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

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue emergency notes and special emergency notes pursuant to the Local Budget Law. Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Under legislation enacted to address the COVID-19 emergency, P.L. 2020, c. 60 (A4175), a local unit may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three months of the year to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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

Additionally, legislation constituting P.L. 2010, c. 44, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the Township to pay debt service on its bonds or notes, including the Note.

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

Tax Assessment and Collection Procedure

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. A re-evaluation of all property in the Township was last completed in 2010. The Township has since gone to an annual rolling reassessment, in which 20% of the properties are reviewed and revalued annually.

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

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time State aid is certified, by the Township's Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500, and if a delinquency (including interest) is in excess of \$10,000 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. These interest rates and penalties are the highest permitted under New Jersey statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes. A table detailing delinquent taxes and tax title liens is included in Appendix A.

Tax Appeals

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

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2024 for the Township is on file with the Township Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Note From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Note in order to assure that interest on the Note will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Note to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Note. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Note, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Note and has covenanted not to take any action or fail to take any action that would cause interest on the Note to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Note from gross income for federal income tax purposes and with respect to the treatment of interest on the Note for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Township ("Bond Counsel"), is of the opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Note from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Note ends with the issuance of the Note, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Note regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Note, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Note will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Note for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Note.

Payments of interest on tax-exempt obligations, including the Note, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Note is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Premium

The Note may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Note to a purchaser (other than a purchaser who holds the Note as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable note premium, which is not deductible from gross income for federal income tax purposes. Amortizable note premium, as it amortizes, will reduce the owner's tax cost of the Note used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Note. Accordingly, an owner of the Note may have taxable gain from the disposition of the Note, even though the Note is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Note. Note premium amortizes over the term of the Note under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Note should consult their own tax advisors with respect to the calculation of the amount of premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Note.

Bank-Qualification

The Note **will not** be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

Additional Federal Income Tax Consequences of Holding the Note

Prospective purchasers of the Note should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Note, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Note from gross income pursuant to Section 103 of the Code and interest on the Note not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Note should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Note.

Changes in Federal Tax Law Regarding the Note

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Note. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Note

will not have an adverse effect on the tax status of interest on the Note or the market value or marketability of the Note. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Note from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE NOTE ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTE, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE NOTE SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of William J. Willard, Esq. of DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey (the "Township Attorney"), there is no litigation of any nature, now pending or threatened, restraining or enjoining the issuance or delivery of the Note, or the levy or collection of any taxes to pay the principal of or interest on the Note, or in any manner questioning the authority or the proceedings for the issuance of the Note or for the levy or collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

The Township has covenanted for the benefit of the holders and beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Specifically, for so long as the Note remains outstanding (unless the Note has been wholly defeased), the Township will provide electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Note:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-

- TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Note;
- (7) Modifications to the rights of holders of the Note, if material;
 - (8) Note calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution or sale of property securing repayment of the Note, if material;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the Township;
 - (13) The consummation of a merger, consolidation or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Township, any of which affect holders of the Note, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

The term "Financial Obligation" as used in subparagraphs (15) and (16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

In the event that the Township fails to comply with the above-described undertaking and covenants, the Township shall not be liable for any monetary damages, remedy of the beneficial owners of the Note being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Township from time to time, without the consent of the holders or beneficial owners of the Note, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Township has entered into prior undertakings to provide continuing disclosure for certain outstanding bond and note issues. The Township failed to timely file notices of the issuance of bond anticipation notes in 2019, 2020 and 2021, but has since filed such notices. The Township has engaged NW Financial Group, LLC in connection with its continuing disclosure obligations.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. §901 *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of

P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality thereof that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the "Municipal Finance Commission" has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Note are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Note substantially in the form set forth as Appendix C. Certain legal matters will be passed upon for the Township by its Township Attorney, William J. Willard, Esq. of DiFrancesco, Bateman, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey.

UNDERWRITING

The Note has been purchased from the Township at a public sale by _____ (the "Underwriter"), which has agreed, subject to certain customary conditions precedent to closing, to purchase the Note at a purchase price of \$_____. The purchase price reflects the principal amount of the Note, *plus* original issue premium in the amount of \$_____, *less* Underwriter's discount in the amount of \$_____. The Underwriter intends to offer the Note to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Note to the public. The Underwriter may offer and sell the Note to certain dealers (including dealers depositing the Note into investments trusts) at a yield higher than the public offering yield set forth on the cover page of this Official Statement, and such yield may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Bloomfield, New Jersey, has served as Municipal Advisor to the Township with respect to the issuance of the Note (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm to the Underwriter by a certificate signed by the Mayor and the Chief Financial Officer of the Township that, to their knowledge, such descriptions and statements, 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 the statements herein, in light of the circumstances under which they were made, not misleading.

Suplee, Clooney & Company LLC has not participated in the preparation of information contained in this Official Statement; however, it takes responsibility for the audited financial statements to the extent specified in its Independent Auditor's Report attached hereto as Appendix B.

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Christiaan T. Bushell, the Township's Chief Financial Officer, at 379 South Branch Road, Hillsborough, New Jersey 08844, telephone (908) 369-4313 ext. 7110, or by email at cbushell@hillsboroughnj.gov.

MISCELLANEOUS

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

TOWNSHIP OF HILLSBOROUGH

By: _____
Christiaan T. Bushell
Chief Financial Officer

Dated: October __, 2025

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE TOWNSHIP OF HILLSBOROUGH, IN THE COUNTY OF SOMERSET, NEW JERSEY

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SELECTED DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION

Historical and Geographical Data

The Township of Hillsborough (the “Township” or “Hillsborough”) received its charter in 1771. The Township is located in the southwestern portion of Somerset County (the “County”) between the Millstone River on the east and the Sourland Mountain Range on the west. The Township is bounded on the north by the Township of Bridgewater and the Boroughs of Raritan and Somerville, on the east by the Township of Franklin and the Borough of Manville, on the south by the Township of Montgomery and on the west by the County of Hunterdon.

The Township is located just outside the urban network around New York City in the more diversified open space area of the state of New Jersey (the “State”). The Township is within an hour drive to the Borough of Manhattan in New York City and the City of Philadelphia, Pennsylvania. The Newark International Airport is approximately 30 miles from the Township and shuttle service is available from Hillsborough’s privately owned Central Jersey Airport.

The Township spans 54.7 square miles. The land use at present consists of:

Residential
Commercial
Industrial
Vacant/Public
Farm

The Township’s population, in comparison with those of the County and state, as Determined by the U.S. Bureau of Census was as follows:

Year	Township	County	State
1980	19,061	203,129	7,364,158
1990	28,808	240,279	7,747,750
2000	36,634	297,490	8,414,350
2010	38,303	323,444	8,791,894
2020	43,276	345,361	9,288,994

Municipal Government

The Township is governed by the Township Committee form of government. The Committee is composed of five members elected to three-year terms by the citizens of the Township. The committee is a collective executive and legislative body. A mayor and deputy mayor are elected annually by the members of the Committee.

The Township Administrator, appointed by the Township Committee, serves as Chief Administrative Officer and is responsible for the day-to-day operations of the Township.

Zoning and Planning

The Township Planning Department is the administrative arm of the Township's Planning Board and the Zoning Board of Adjustments. The Planning Board is responsible for creating and maintaining the Township's Master Plan and approving development in the Township. The Zoning Board of Adjustments reviews all applications for development and grant variances if necessary.

Utilities

Water supply is provided by the NJ American Water. Electric and gas are supplied by Public Service Electric and Gas Company, JCP&L, Hudson Energy and Siemens.

Sewer services are provided by Hillsborough Township Municipal Utilities Authority. The Authority operates eight pumping stations located throughout the Township which deliver sewage to the Somerset-Raritan Valley Sewerage Authority for treatment.

Fire

Fire protection is provided by three volunteer fire companies located within the Township and one volunteer fire company located in an adjoining community. A tax supported Fire District owns and maintains the firefighting equipment used by the volunteer fire companies.

First Aid and Rescue Squad

The Township entered into a contract with Robert Wood Johnson for Emergency Medical Services. This entity provides 24-hour first aid and rescue squad services to the Township.

Police

The department, under the supervision of the Chief of Police, consists of one Captain, three Lieutenants, eight Sergeants, six Corporals, four Detectives and 30 patrol officers.

Municipal Court

The Court meets two days and is served by one Judge, one Court Administrator, one Deputy Court Administrators and two Court Clerks.

Public Works

The Township has a Public Works Department to operate and maintain the Township's streets and roads, the parks and municipal grounds and snow plowing. The Township also maintains a full-time engineering department.

Solid Waste Disposal

Garbage collection is provided by private haulers who contract with individual and commercial owners. Bridgewater Resources Incorporated has entered into disposal contracts with virtually all of the municipalities located within the County, thereby guaranteeing a flow of waste to support debt service and operating costs of its transfer station. Township solid waste that is to be recycled is the responsibility of the County under the Somerset County Recycling Program.

Library

The Hillsborough Public Library (the “Library”) is operated as a branch of the Somerset County Library System.

The Library is administered by a branch director who oversees the daily operations of the Library. Funding for the operations of the Library is provided by the Somerset County Library System. The Library also provides free programs for adults and youths, free-library internet access and free word processing facilities to the residents of the Township.

Education

The geographic boundaries of the Township and the School District are coterminous. The School District is a Type II school district, an independent legal entity under title 18A of the State statutes, as amended and supplemented, whose budget is submitted to the voters for approval. The School District is authorized by law to issue debt for school purposes upon vote of the electorate.

The Board of Education that governs the School District consists of nine members elected by the voters for three-year terms. The School System consists of nine schools as follows:

<u>Type of School</u>	<u>Number</u>	<u>Enrollment as of</u> <u>June 30, 2024</u>
Elementary	6	2,651
Intermediate	1	1,097
Middle	1	1,153
Senior High School	1	2,228

The voters of the Township have defeated four school bond referendums for improvements to the schools over the last several years. The Board of Education passed a school bond referendum in December 2019.

The percentage of High School seniors that go on to higher education is 95.3, of which over 79.5% attend a four –year college.

Assessment and Collection of Taxes

The equalized ratio for Township property is 86.79% as determined by the State Director of Taxation, as of January 30, 2025. The Township is currently on the Assessment Maintenance Program approved by the State.

Tax Appeals

There are a number of tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2024. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The audited balance in reserve at December 31, 2024 is \$19,947.53.

Net Valuation (By Property Classification)

<u>Property</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Vacant Land	\$56,017,200	\$66,564,600	\$75,121,400	\$74,371,100	\$71,551,400
Residential	7,231,105,100	6,547,135,600	6,120,261,400	5,585,252,100	5,388,809,700
Farm (Regular)	91,394,300	87,457,200	80,037,900	76,003,000	75,309,400
Farm (Qualified)	3,547,500	3,399,700	3,432,300	3,486,500	3,628,300
Commercial	507,410,500	492,061,800	475,683,900	469,093,400	437,773,500
Industrial	226,858,800	221,557,800	217,496,700	211,585,600	199,607,400
Apartment	256,760,200	208,771,800	163,647,300	163,647,300	163,647,300
Total Real Property	\$8,373,093,600	\$7,626,948,500	\$7,135,697,400	\$6,583,439,000	\$6,340,327,000
Business Personal Property	3,613,400	3,637,300	3,488,595	3,366,855	3,225,519
Total	<u>\$8,376,707,000</u>	<u>\$7,630,585,800</u>	<u>\$7,139,185,995</u>	<u>\$6,586,805,855</u>	<u>\$6,343,582,519</u>

Source: Hillsborough Township Office of the Tax Assessor

Principal Taxpayers

<u>Taxpayer</u>	<u>2024 Assessment</u>	<u>% of Total Assessed Valuation</u>
Brookhaven Lofts, LLC	\$67,145,400	0.88%
Texas Eastern Transmission	46,919,900	0.62%
Sunnymeade Run	41,020,000	0.54%
KD Hillsborough 44A Inc	36,954,800	0.48%
Beekman Garden Associates	28,305,000	0.37%
Hillsborough Village Center LLC	27,398,500	0.36%
Amwell Terrace LLC	22,367,200	0.29%
Hillsborough Gardens Assoc	20,883,300	0.27%
Nelson's Corner Assoc	20,853,500	0.27%
Duke Farms Foundation	<u>20,060,000</u>	<u>0.26%</u>
Total	<u>\$331,907,600</u>	<u>4.35%</u>

Source: Township of Hillsborough

Delinquent Taxes and Tax Title Liens

<u>Dec. 31</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>
2024	\$398,868.73	\$997,476.29	\$1,396,345.02
2023	453,889.66	859,383.76	1,313,273.42
2022	439,886.88	854,377.33	1,294,264.61
2021	395,373.43	1,051,376.40	1,446,749.83
2020	422,762.64	1,169,604.32	1,592,366.96

Source: Township of Hillsborough

Analysis of Tax Rates per \$100 Assessed Valuation

<u>Apportionment of tax rate:</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Municipal	.335	.320	.320	.338	.344
County	.368	.382	.390	.406	.408
Fire District	.057	.060	.062	.045	.044
Local School	1.383	1.391	1.461	1.559	1.588
Total Tax Rate	\$2.143	\$2.153	\$2.233	\$2.348	\$2.384

Source: Township of Hillsborough

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collection</u>	<u>Percentage of Collection</u>
2024	\$179,978,753.15	\$178,868,363.55	99.38%
2023	164,861,925.90	162,668,744.12	99.44
2022	160,215,892.75	159,337,484.91	99.45
2021	155,169,062.06	151,438,405.73	99.26
2020	152,486,412.35	151,284,544.09	99.21

Source: Township of Hillsborough

Value of Construction for Which Building Permits Were Issued

<u>Year</u>	<u>Single Family</u>	<u>Multi-Family Units</u>	<u>Foundations Additions</u>	<u>Commercial</u>	<u>Quasi-Public</u>
2024	\$3,107,546	\$8,017,000	\$3,551,018	\$1,566,616	\$0
2023	24,617,422	974,791	2,516,235	13,421,890	0
2022	3,443,600	4,303,570	1,970,344	9,646,004	0
2021	21,006,232	25,849,477	2,155,196	19,478,505	0
2020	30,152,091	13,635,590	2,251,718	17,672,589	0

Source: Township of Hillsborough

Debt Statement as of December 31, 2024

Type II SCHOOL DEBT	\$30,870,000.00
SEWER UTILITY DEBT	-
GENERAL PURPOSE AND ASSESSMENT DEBT:	
Bonds & Notes	\$21,102,179.00
Loans	667,629.93
Assessments-Bonds & Notes	140,500.00
Assessment Loans	1,758,807.55
Bonds and Notes Authorized but not Issued	9,191,345.87
<u>Total General Purpose Debt</u>	<u>\$32,860,462.35</u>

TOTAL GROSS DEBT \$63,730,462.35

STATUTORY DEDUCTION (Note 1)	
School Debt	\$30,870,000.00
Municipal/County General Obligations	1,178,808.05
<u>Total Statutory Deduction</u>	<u>\$32,048,808.05</u>
STATUTORY NET DEBT	\$31,681,654.30

Equalized Valuation Basis (Average for
2022, 2023, 2024 \$8,755,962,834.67

Statutory Net Debt Percentage 0.362%

Note 1: Statutory deductions are utilized to determine the extent to which certain authorized debt is included in calculating the allowable borrowing capacity of the Township.

Source: Township of Hillsborough

Borrowing Capacity as of December 31, 2024

Township of Hillsborough

Statutory Borrowing Power-	
3 ½% of average equalized valuation of \$8,755,962,834.67	\$306,458,699.19
Less Net Debt as December 31, 2024	<u>31,681,654.30</u>
Remaining Borrowing Power	<u>\$274,777,044.91</u>

Board of Education

Statutory Borrowing Power	
4% of average equalized valuation of \$8,755,962,834.67	\$350,238,513.39
Less Net Debt at December 31, 2024	<u>30,870,000.00</u>
Remaining Borrowing Power	<u>\$319,368,513.39</u>

Overlapping Debt as of December 31, 2024

	<u>Total Debt of Other Entities</u>	<u>Township Share</u>
County of Somerset, New Jersey (based on percentage of Township's share of County equalized valuation, or 11.58%)	\$295,206,531	\$34,184,916
Board of Education Township of Hillsborough	\$30,870,000	\$30,870,000
Utility Authority Township of Hillsborough	\$0	\$0

Annual Principal and Interest of Bonded Debt and Loan Payable Outstanding as of December 31, 2024

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Loan Payable</u>
2025	34,423	428,208
2026	33,018	428,658
2027	31,613	428,908
2028	30,208	428,108
2029	28,803	423,148
2030		63,525
2031		62,925
3032		67,325
2033		66,525
2034		65,725
2035		64,925
2036		16,952

Source: Township of Hillsborough

Comparative Schedule of Fund Balances

<u>December 31</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$3,062,947.08	\$1,880,000.00
2023	4,589,054.26	3,500,000.00
2022	5,693,433.94	4,500,000.00
2021	6,089,679.20	3,025,000.00
2020	5,927,281.81	2,500,000.00

Source: Township of Hillsborough

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APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF HILLSBOROUGH,
IN THE COUNTY OF SOMERSET, NEW JERSEY**

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Committee
Township of Hillsborough
County of Somerset
Hillsborough, New Jersey 08844

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division, the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards and provisions are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

SUPLEE, CLOONEY & COMPANY LLC

In performing an audit in accordance with GAAS, *Government Auditing Standards*, New Jersey OMB 15-08 and audit requirements prescribed by the Division, we:

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

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

Other Reporting Required by Government Auditing Standards

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

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

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

June 26, 2025

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Current Fund:		
Cash	\$ 11,261,160.12	\$ 13,658,346.85
Change Funds	775.00	650.00
Due State of New Jersey-Senior Citizens and Veterans Deductions	4,661.65	711.64
	<u>\$ 11,266,596.77</u>	<u>\$ 13,659,708.49</u>
Receivables with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 997,476.29	\$ 859,383.76
Tax Title Liens Receivable	398,868.73	453,889.66
Property Acquired for Taxes - Assessed Valuation	1,843,400.00	1,642,200.00
Revenue Accounts Receivable	28,490.00	19,858.47
Refunds Receivable	251,402.79	282,470.77
Interfunds Receivable	<u>3,519,637.81</u>	<u>139,535.23</u>
	<u>\$ 3,519,637.81</u>	<u>\$ 3,397,337.89</u>
Deferred Charges:		
Special Emergency Authorization 40A:4-53	\$ 120,000.00	\$ 180,000.00
Overexpenditure of Appropriation	4,343.10	
	<u>\$ 124,343.10</u>	<u>\$ 180,000.00</u>
	<u>\$ 14,910,577.68</u>	<u>\$ 17,237,046.38</u>
Grant Fund:		
Cash	\$ 794,699.52	\$ 1,098,773.97
Grants Receivable	4,819,948.57	1,766,198.71
Interfunds Receivable		497,973.15
Amount to be Raised - Overexpenditure of Grants	<u></u>	<u>139,713.33</u>
	<u>\$ 5,614,648.09</u>	<u>\$ 3,502,659.16</u>
	<u>\$ 20,525,225.77</u>	<u>\$ 20,739,705.54</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Current Fund:		
Liabilities:		
Appropriation Reserves	\$ 812,896.61	\$ 383,871.15
Encumbrances Payable	824,506.29	953,792.82
Accounts Payable	15,107.85	276,276.34
Interfunds Payable	5,141,861.44	5,036,991.48
Prepaid Taxes	1,258,245.13	1,393,432.89
Fire District Tax Payable	20,000.00	20,000.00
Reserve for Grants-Unappropriated		339,211.08
Reserve for Sale of Assets		626,010.00
Reserve for Miscellaneous Deposits	184,708.94	184,708.94
Reserve for Tax Appeals	19,947.53	19,947.53
Due State of New Jersey-Construction Code Official	50,719.00	15,037.00
Due State of New Jersey-Registrar Licenses		1,375.00
	<u>\$ 8,327,992.79</u>	<u>\$ 9,250,654.23</u>
Reserve for Receivables	3,519,637.81	3,397,337.89
Fund Balance	<u>3,062,947.08</u>	<u>4,589,054.26</u>
	<u>\$ 14,910,577.68</u>	<u>\$ 17,237,046.38</u>
Grant Fund:		
Reserve for Grants-Appropriated	\$ 2,877,682.28	\$ 1,666,518.97
Reserve for Grants-Unappropriated	49,639.33	30,270.09
Interfunds Payable	1,029,119.76	
Encumbrances Payable	<u>1,658,206.72</u>	<u>1,805,870.10</u>
	<u>\$ 5,614,648.09</u>	<u>\$ 3,502,659.16</u>
	<u>\$ 20,525,225.77</u>	<u>\$ 20,739,705.54</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
<u>REVENUE AND OTHER INCOME</u>		
Fund Balance Utilized	\$ 3,500,000.00	\$ 4,500,000.00
Miscellaneous Revenues Anticipated	14,571,369.36	10,156,042.40
Receipts from Delinquent Taxes	888,319.98	884,338.27
Receipts from Current Taxes	178,868,363.55	163,952,620.87
Non-Budget Revenues	302,198.03	1,247,342.10
Other Credits to Income:		
Unexpended Balance of Appropriation Reserve	341,297.98	743,162.35
Interfunds Returned		709,709.87
Accounts Payable Canceled	90,766.63	
Prepaid School Taxes		0.02
Refunds Receivable Collected	1,664,846.90	989,089.76
<u>Total Income</u>	<u>\$ 200,227,162.43</u>	<u>\$ 183,182,305.64</u>
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations: within "CAPS":		
Operations including Contingent	\$ 27,619,439.45	\$ 26,018,241.00
Deferred Charges and Statutory		
Expenditures - Municipal	5,128,128.43	4,545,548.77
Excluded from "CAPS"		
Operations	4,856,387.94	2,433,019.88
Capital Improvement Fund	1,631,221.00	480,000.00
Municipal Debt Service	3,393,752.73	2,921,096.68
Deferred Charges and Judgments	190,147.66	240,161.02
County Tax	30,750,618.91	29,124,792.83
County Tax for Added and Omitted Taxes	80,436.09	97,729.46
District School Tax	115,877,655.00	106,121,367.00
Fire District Tax	4,760,216.00	4,552,009.00
Municipal Open Space Tax	2,351,591.62	2,143,702.91
Interfund Advances	111,867.56	
Refund Receivable	1,382,376.13	1,041,478.93
Refund of Prior Years Revenues	123,774.19	67,537.84
<u>Total Expenditures</u>	<u>\$ 198,257,612.71</u>	<u>\$ 179,786,685.32</u>
Excess in Revenue	\$ 1,969,549.72	\$ 3,395,620.32
Adjustments to Income Before Fund Balance:		
Expenditures Included above which are by Statute		
Deferred Charges to Budget of Succeeding Year	4,343.10	
Regulatory Excess to Fund Balance	\$ 1,973,892.82	\$ 3,395,620.32
<u>Fund Balance</u>		
Balance, January 1	4,589,054.26	5,693,433.94
	<u>\$ 6,562,947.08</u>	<u>\$ 9,089,054.26</u>
Decreased by:		
Utilization as Anticipated Revenue	3,500,000.00	4,500,000.00
Balance, December 31	<u>\$ 3,062,947.08</u>	<u>\$ 4,589,054.26</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	REF.	ANTICIPATED		SPECIAL N.J.S. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Fund Balance Anticipated	A-1	\$ 3,500,000.00			\$ 3,500,000.00	
Miscellaneous Revenues:						
Alcoholic Beverage Licenses	A-12	\$ 37,950.00	\$		\$ 42,688.00	\$ 4,738.00
Other Licenses	A-2	44,580.00			37,587.00	(6,993.00)
Construction Code Official - Fees and Permits	A-2	1,264,887.00			1,272,872.68	7,985.68
Other Fees and Permits	A-2	269,196.00			249,687.25	(19,508.75)
Fines and Costs - Municipal Court	A-12	281,264.00			331,758.52	50,494.52
Interest and Costs on Taxes	A-12	229,588.00			252,405.58	22,817.58
Interest on Investments and Deposits	A-12	827,344.00			822,652.69	(4,691.31)
Energy Receipts Tax	A-12	3,290,868.00			3,290,867.62	(0.38)
Garden State Preservation Trust Fund	A-12	16,718.00			16,718.00	
Municipal Relief Fund	A-33	339,211.08			339,211.08	
Health Officer - Borough of Millstone	A-12	20,556.00			20,556.00	
Shared Service - Municipal Court - Montgomery	A-12	178,835.00			222,667.01	43,832.01
Shared Service - Municipal Court - Manville	A-12	151,093.00			112,578.99	(38,514.01)
Shared Service - Municipal Court - Branchburg	A-12	204,000.00			204,000.00	
Cable TV Franchise Fees	A-12	62,961.00			63,104.34	143.34
Cell Tower Lease	A-12	141,251.00			191,278.51	50,027.51
Contribution from Somerville Business Park	A-12	800,000.00			901,439.12	101,439.12
Operating Contribution - Hillsborough Promenade	A-12	42,356.00			42,303.90	(52.10)
Somerset County Library System	A-12	42,722.00			41,670.00	(1,052.00)
Municipal Alliance Grant	A-7	10,754.12			10,754.12	
Recreational Opportunities for Individuals with Disabil	A-7	2,500.00			2,500.00	
Recycling Tonnage Grant	A-7	25,748.88			25,748.88	
Safe and Secure Communities	A-7	45,150.00			45,150.00	
Youth Services Grant	A-7	6,000.00			6,000.00	
Body Armor Replacement	A-7	4,595.24			4,595.24	
DCA Fire District Communications	A-7	250,000.00			250,000.00	
NJ DOT Auton Road Phase 1	A-7	438,435.00			438,435.00	
Enhancing Local Public Health	A-7	213,665.00			213,665.00	
NJDEP Fox Chase Green Infrastructure	A-7	246,000.00			246,000.00	
Alcohol Education and Rehabilitation -2024	A-7			5,025.93	5,025.93	
Somerset Summer Youth Work Experience Program	A-7			19,200.00	19,200.00	
Clean Communities	A-7			126,198.60	126,198.60	
Alcohol Education and Rehabilitation - 2023	A-7			6,749.32	6,749.32	
Drunk Driving Enforcement Fund	A-7			28,112.20	28,112.20	
Local Recreation Improvement Grant	A-7			63,000.00	63,000.00	
Strengthening Local Public Health	A-7			74,664.00	74,664.00	
Sustaining Local Public Health Infrastructure	A-7			168,049.00	168,049.00	
Brown Avenue	A-7			403,087.00	403,087.00	
Brown Avenue Extension Grant	A-7			1,500,000.00	1,500,000.00	
NJDOT - Amsterdam	A-7			368,400.00	368,400.00	
Municipal Planning Incentive Grant	A-7			20,000.00	20,000.00	
Private Well Outreach Program	A-7			6,000.00	6,000.00	
Municipal Aid Program	A-7			356,411.00	356,411.00	
2024 Bulletproof Vest Partnership	A-7			6,540.12	6,540.12	
EECBG	A-7			76,380.00	76,380.00	
Alcohol and Liquor Licenses	A-12	483,257.93			828,500.00	345,242.07
Capital Surplus	A-12	190,147.66			190,147.66	
Sale of Municipal Assets	A-34	626,010.00			626,010.00	
	A-1	\$ 10,787,643.91	\$	3,227,817.17	\$ 14,571,369.36	\$ 555,908.28

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	<u>ANTICIPATED</u>			<u>EXCESS OR (DEFICIT)</u>
	<u>BUDGET</u>	<u>SPECIAL N.J.S. 40A:4-87</u>	<u>REALIZED</u>	
Receipts From Delinquent Taxes	\$ <u>700,000.00</u>	\$ <u> </u>	\$ <u>888,319.98</u>	\$ <u>188,319.98</u>
Amount to be Raised by Taxes for Support of Municipal Budget	\$ <u>25,701,320.30</u>	\$ <u> </u>	\$ <u>26,147,845.93</u>	\$ <u>446,525.63</u>
<u>Budget Totals</u>	\$ <u>40,688,964.21</u>	\$ <u>3,227,817.17</u>	\$ <u>45,107,535.27</u>	\$ <u>1,190,753.89</u>
Non-Budget Revenues	<u> </u>	<u> </u>	<u>302,198.03</u>	<u>302,198.03</u>
	\$ <u><u>40,688,964.21</u></u>	\$ <u><u>3,227,817.17</u></u>	\$ <u><u>45,409,733.30</u></u>	\$ <u><u>1,492,951.92</u></u>
	A-3	A-3		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

Allocations of Current Tax Collections:		
Revenues from Collections		\$ 178,868,363.55
Allocated to:		
School and County Taxes	\$ 146,708,710.00	
Fire District Tax	4,760,216.00	
Township Open Space Tax	<u>2,351,591.62</u>	
		<u>153,820,517.62</u>
Balance for Support of Municipal Appropriations		\$ 25,047,845.93
Add: Appropriation "Reserve for Uncollected Taxes"		<u>1,100,000.00</u>
Amount for Support of Municipal Budget Appropriations		<u>\$ 26,147,845.93</u>

ANALYSIS OF REALIZED REVENUES

Receipts from Delinquent Taxes:		
Delinquent Tax Collections		\$ 859,357.06
Tax Title Lien Collections		<u>28,962.92</u>
		<u>\$ 888,319.98</u>
Licenses - Other:		
Clerk		\$ 12,615.00
Registrar of Vital Statistics		24,597.00
Health Officer		<u>375.00</u>
		<u>\$ 37,587.00</u>
Other Fees and Permits:		
Engineering Department		\$ 47,967.62
Planning Board/Board of Adjustment		65,812.50
Police Department		51,303.73
Health Officer		30,171.00
Registrar of Vital Statistics		38,880.00
Township Clerk		6,552.40
Miscellaneous Fees		800.00
Zoning Board		<u>11,192.00</u>
		<u>\$ 252,679.25</u>
Less: Refunds		<u>2,992.00</u>
		<u>\$ 249,687.25</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenue Not Anticipated:

Administrative Charges - Senior Citizens and Veterans	\$	2,599.07
Prior Years' Checks Voided		18,875.61
Special Police		93,303.00
Interest on Delinquent Assessments		32,639.70
Refunds		1,875.01
Health Clinics/NJDHHS		8,388.00
Polling/Rental Income		3,860.00
Trust Accounts Canceled		74,505.66
Restitution		2,640.75
Miscellaneous		<u>5,375.24</u>

	\$	244,062.04
Tax Collector		<u>58,135.99</u>
	\$	<u><u>302,198.03</u></u>

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELLED	OVEREXPENDED
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive:						
Salaries and Wages	\$ 254,103.00	\$ 255,603.00	\$ 255,602.96	\$ 0.04	\$	
Other Expenses:						
Miscellaneous	9,160.00	10,310.90	9,529.09	781.81		
Postage	5,000.00	6,000.00	5,504.53	495.47		
Mayor and Committee:						
Salaries and Wages	38,500.00	38,500.00	38,499.96	0.04		
Other Expenses	11,850.00	11,850.00	9,146.40	2,703.60		
Township Clerk:						
Salaries and Wages	287,195.00	288,695.00	287,294.97	1,400.03		
Other Expenses	146,883.00	146,883.00	144,889.55	1,793.45		
Public Meeting Recording	35,000.00	35,000.00	24,931.25	10,068.75		
Elections:						
Other Expenses	19,000.00	42,500.00	21,330.59	21,169.41		
Central Purchasing:						
Other Expenses	5,500.00	6,500.00	5,451.25	1,048.75		
Financial Administration:						
Salaries and Wages	231,444.00	222,444.00	221,296.00	1,148.00		
Other Expenses	60,725.00	66,725.00	66,198.96	526.04		
Audit Services	81,750.00	81,750.00	81,750.00			
Assessment of Taxes:						
Salaries and Wages	355,954.00	340,954.00	340,700.19	253.81		
Other Expenses	99,182.00	90,182.00	62,736.75	27,445.25		
Revenue Administration (Collection of Taxes):						
Salaries and Wages	142,288.00	147,788.00	147,335.16	452.84		
Other Expenses	50,715.00	50,715.00	48,490.50	2,224.50		
Human Services:						
Other Expenses	136,650.00	142,650.00	140,003.65	2,646.35		
Information Technology:						
Salaries and Wages	195,477.00	196,977.00	196,367.79	609.21		
Other Expenses	191,378.00	191,378.00	170,398.48	20,979.52		
Human Resources:						
Salaries and Wages	83,844.00	81,844.00	80,961.08	882.92		
Other Expenses	30,050.00	30,050.00	14,902.99	15,147.01		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELLED	OVEREXPENDED
<u>OPERATIONS WITHIN "CAPS"</u>						
Legal Services and Costs:						
Other Expenses:						
Miscellaneous	\$ 250,000.00	\$ 250,000.00	\$ 244,360.77	\$ 5,639.23	\$	
Outside Services	90,000.00	83,278.88	48,959.23	34,319.65		
Engineering Services and Costs:						
Salaries and Wages	444,042.00	436,042.00	432,451.26	3,590.74		
Other Expenses	89,189.00	89,189.00	76,452.71	12,736.29		
Economic Development Committee:						
Salaries and Wages	158,928.00	139,928.00	137,758.86	2,169.14		
Other Expenses	18,302.00	18,302.00	7,422.86	10,879.14		
Municipal Land Use Law (N.J.S. 40:55D-1):						
Planning Board:						
Salaries and Wages	387,804.00	377,804.00	373,067.65	4,736.35		
Other Expenses	134,691.00	152,191.00	119,754.96	32,436.04		
Zoning Commission:						
Other Expenses	6,000.00	5,050.00	5,026.32	23.68		
Insurance:						
Unemployment Compensation	55,000.00	55,000.00	47,172.02	7,827.98		
General Liability	827,107.00	827,107.00	826,701.95	405.05		
Employee Group Health	2,657,368.00	2,757,368.00	2,697,180.16	60,187.84		
Employee Healthcare Waivers	204,000.00	204,000.00	208,343.10			4,343.10
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	8,292,534.00	8,147,534.00	8,070,751.85	76,782.15		
Other Expenses	691,070.00	796,070.00	761,535.72	34,534.28		
Municipal Prosecutor:						
Salaries and Wages	140,000.00	140,000.04	140,000.04			
Emergency Management:						
Salaries and Wages	77,548.00	78,548.08	78,548.08			
Other Expenses	28,250.00	28,250.00	23,715.74	4,534.26		
Contribution to Fire District	14,102.00	14,102.00		14,102.00		
Fire Hydrant Service	925,000.00	925,000.00	771,123.37	153,876.63		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELLED	OVEREXPENDED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	\$ 1,955,097.00	\$ 2,007,597.00	\$ 1,992,326.06	\$ 15,270.94	\$	
Other Expenses	678,325.00	678,325.00	655,139.10	23,185.90		
Snow Removal:						
Salaries and Wages	162,000.00	162,000.00	95,773.34	66,226.66		
Other Expenses	200,000.00	200,000.00	198,619.60	1,380.40		
Public Buildings and Grounds:						
Other Expenses	337,000.00	347,000.00	346,786.27	213.73		
Solid Waste Flow (Recycling):						
Other Expenses	425,868.00	425,589.00	425,589.00			
Solid Waste Collection (Annual Clean-Up):						
Salaries and Wages	30,000.00	30,000.00	30,000.00			
Other Expenses	90,000.00	90,000.00	88,741.20	1,258.80		
Sanitary Landfill:						
Other Expenses	7,560.00	7,560.00		7,560.00		
Municipal Condo Service Act	2,561.45	2,561.45	2,561.45			
<u>HEALTH AND WELFARE</u>						
Health and Welfare:						
Salaries and Wages	531,927.00	501,927.00	496,292.86	5,634.14		
Other Expenses	70,413.00	70,413.00	58,133.05	12,279.95		
Animal Control Regulation:						
Other Expenses	62,500.00	64,500.00	64,419.00	81.00		
Social Services:						
Salaries and Wages	308,586.00	312,586.00	312,586.00			
Other Expenses	30,135.00	30,135.00	29,628.20	506.80		
Contribution to Senior Citizens' Organization	31,000.00	31,000.00	31,000.00			
Wildlife Management:						
Other Expenses	6,000.00	6,000.00	1,600.00	4,400.00		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	<u>APPROPRIATIONS</u>		<u>PAID OR</u>	<u>RESERVED</u>	<u>UNEXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>CHARGED</u>		<u>BALANCE</u>	<u>OVEREXPENDED</u>
<u>RECREATION AND EDUCATION</u>						
Parks and Playgrounds						
Salaries and Wages	\$ 819,523.00	\$ 819,523.00	\$ 811,978.58	\$ 7,544.42	\$	
Other Expenses	254,425.00	254,425.00	246,856.33	7,568.67		
Board of Recreation Commissioners (R.S.40:12-1):						
Salaries and Wages	108,032.00	108,032.00	108,032.00			
Other Expenses	11,290.00	11,290.00	10,373.44	916.56		
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	476,763.00	470,763.00	470,580.24	182.76		
Other Expenses	74,250.00	74,250.00	58,846.22	15,403.78		
Court Security	20,000.00	35,000.00	34,856.34	143.66		
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Official:						
Salaries and Wages	1,431,941.00	1,271,333.00	1,255,713.01	15,619.99		
Other Expenses	46,924.00	51,924.00	49,975.59	1,948.41		
<u>UNCLASSIFIED</u>						
Celebration of Public Events	50,500.00	50,500.00	42,076.90	8,423.10		
Utilities:						
Gasoline	315,000.00	315,000.00	282,379.70	32,620.30		
Electricity	905,000.00	905,000.00	904,933.95	66.05		
Natural Gas	10,000.00	8,000.00	7,141.49	858.51		
Telephones	170,000.00	176,000.00	174,135.83	1,864.17		
Sewer	4,200.00	4,500.00	4,500.00			
Water	80,000.00	80,000.00	75,069.11	4,930.89		
Sick and Vacation Reserve	2,500.00	2,500.00		2,500.00		
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	\$ 27,671,703.45	\$ 27,615,096.35	\$ 26,810,292.61	\$ 809,146.84	\$	4,343.10

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELED	OVEREXPENDED
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Contribution to:						
Police and Firemen's Retirement System of NJ	\$ 2,322,930.00	\$ 2,322,930.00	\$ 2,322,930.00	\$	\$	\$
Public Employees' Retirement System	1,378,738.00	1,378,845.10	1,378,845.10			
Social Security System	1,213,240.00	1,263,240.00	1,263,240.00			
Defined Contribution Retirement Program	16,900.00	23,400.00	22,967.95	432.05		
Grant Overexpenditures	139,713.33	139,713.33	139,713.33			
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"	\$ 5,071,521.33	\$ 5,128,128.43	\$ 5,127,696.38	\$ 432.05	\$	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 32,743,224.78	\$ 32,743,224.78	\$ 31,937,988.99	\$ 809,578.89	\$	\$ 4,343.10
MANDATED EXPENDITURES PER N.J.S. 40A:4-45.3g EXCLUDED FROM "CAPS"						
Public Works (Stormwater):						
Salaries and Wages	\$ 94,831.00	\$ 94,831.00	\$ 94,742.83	\$ 88.17	\$	\$
Other Expenses	44,000.00	44,000.00	43,770.45	229.55		
Stormwater Engineering:						
Other Expenses	12,000.00	12,000.00	9,000.00	3,000.00		
Solid Waste Flow (Recycling):						
Other Expenses	15,132.00	15,132.00	15,132.00			
General Liability	99,405.00	99,405.00	99,405.00			
Employee Group Health	85,793.00	85,793.00	85,793.00			
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	\$ 351,161.00	\$ 351,161.00	\$ 347,843.28	\$ 3,317.72	\$	\$
SHARED SERVICES						
Health Officer - Borough of Millstone	\$ 20,556.00	\$ 20,556.00	\$ 20,556.00	\$	\$	\$
TOTAL SHARED SERVICES AGREEMENTS	\$ 20,556.00	\$ 20,556.00	\$ 20,556.00	\$	\$	\$

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELED	OVEREXPENDED
STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES						
Clean Communities Program (N.J.S.A. 40A:4-87 + \$126,198.60)	\$	\$	126,198.60	\$	\$	\$
Municipal Alliance Fund:						
County	10,754.12	10,754.12	10,754.12			
Local Match	2,688.53	2,688.53	2,688.53			
Alcohol Education and Rehabilitation Fund (N.J.S.A. 40A:4-87 + \$11,775.25)		11,775.25	11,775.25			
County Summer Youth Work Experience Program (N.J.S.A. 40A:4-87 + \$19,200.00)		19,200.00	19,200.00			
DCA Fire District Communications	250,000.00	250,000.00	250,000.00			
Municipal Planning Incentive Grant (N.J.S.A. 40A:4-87 + \$20,000.00)		20,000.00	20,000.00			
Somerset County Youth Services	6,000.00	6,000.00	6,000.00			
Drunk Driving Enforcement Fund (N.J.S.A. 40A:4-87 + \$28,112.20)		28,112.20	28,112.20			
Safe and Secure Communities	45,150.00	45,150.00	45,150.00			
SFSP Fire District Payment	11,317.00	11,317.00	11,317.00			
2024 Local Recreation Improvement Grant (N.J.S.A. 40A:4-87 + \$63,000.00)		63,000.00	63,000.00			
Private Well Outreach Program (N.J.S.A. 40A:4-87 + \$6,000.00)		6,000.00	6,000.00			
Recycling Tonnage Grant	25,748.88	25,748.88	25,748.88			
NJ DOT Amsterdam Drive Phase I	438,435.00	438,435.00	438,435.00			
NJ DOT Brown Avenue (N.J.S.A. 40A:4-87 + \$403,087.00)		403,087.00	403,087.00			
NJ DOT Brown Avenue Extension Grant (N.J.S.A. 40A:4-87 + \$1,500,000.00)		1,500,000.00	1,500,000.00			
NJ DOT Amsterdam Drive Phase III (N.J.S.A. 40A:4-87 + \$368,400.00)		368,400.00	368,400.00			
NJ DOT FY 2025 Municipal Aid Program (N.J.S.A. 40A:4-87 + \$356,411.00)		356,411.00	356,411.00			
Enhancing Local Public Health	213,665.00	213,665.00	213,665.00			
Energy Efficiency and Conservation Block Grant (N.J.S.A. 40A:4-87 + \$76,380.00)		76,380.00	76,380.00			
Bulletproof Vest Partnership (N.J.S.A. 40A:4-87 + \$6,540.12)		6,540.12	6,540.12			
NJACCHO Sustaining Local Public Health Infrastructure (N.J.S.A. 40A:4-87 + \$168,049.00)		168,049.00	168,049.00			
Strengthening Local Public Health Capacity Program (N.J.S.A. 40A:4-87 + \$74,664.00)		74,664.00	74,664.00			
Body Armor Replacement Fund	4,595.24	4,595.24	4,595.24			
Recreational Opportunities for Individuals with Disabilities	2,500.00	2,500.00	2,500.00			
NJDEP Fox Chase Pond Green Infrastructure	246,000.00	246,000.00	246,000.00			
TOTAL STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES	\$ 1,256,853.77	\$ 4,484,670.94	\$ 4,484,670.94	\$	\$	\$
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	\$ 1,628,570.77	\$ 4,856,387.94	\$ 4,853,070.22	\$ 3,317.72	\$	\$

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE	
	BUDGET	BUDGET AFTER MODIFICATION			CANCELED	OVEREXPENDED
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	\$ 941,221.00	\$ 941,221.00	\$ 941,221.00	\$	\$	\$
Municipal Entrance Door Repair	200,000.00	200,000.00	200,000.00			
Sidewalk Improvements	75,000.00	75,000.00	75,000.00			
Public Works Roof Repair	25,000.00	25,000.00	25,000.00			
Public Works Equipment	90,000.00	90,000.00	90,000.00			
Police Vehicles	300,000.00	300,000.00	300,000.00			
<u>TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>	<u>\$ 1,631,221.00</u>	<u>\$ 1,631,221.00</u>	<u>\$ 1,631,221.00</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>						
Payment of Bond Anticipation Notes and Capital Notes	\$ 628,321.00	\$ 628,321.00	\$ 628,321.00	\$	\$	\$
Interest on Bonds	7,728.00	7,728.00	7,728.00			
Interest on Notes	1,156,782.00	1,156,782.00	1,154,734.77		2,047.23	
NJ Environmental Infrastructure Loan	138,391.00	138,391.00	138,390.96		0.04	
Somerset County Improvement Authority Lease Payments	1,464,578.00	1,464,578.00	1,464,578.00			
<u>TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>	<u>\$ 3,395,800.00</u>	<u>\$ 3,395,800.00</u>	<u>\$ 3,393,752.73</u>	<u>\$</u>	<u>2,047.27</u>	<u>\$</u>
<u>DEFERRED CHARGES-EXCLUDED FROM "CAPS"</u>						
Special Emergency Authorizations -						
5 Years (N.J.S.A. 40A: 4-55)	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$	\$	\$
Deferred Charges Unfunded:						
Ordinance 1998-30	95,775.38	95,775.38	95,775.38			
Ordinance 2007-43	34,372.28	34,372.28	34,372.28			
<u>TOTAL DEFERRED CHARGES-EXCLUDED FROM "CAPS"</u>	<u>\$ 190,147.66</u>	<u>\$ 190,147.66</u>	<u>\$ 190,147.66</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 6,845,739.43</u>	<u>\$ 10,073,556.60</u>	<u>\$ 10,068,191.61</u>	<u>\$ 3,317.72</u>	<u>\$ 2,047.27</u>	<u>\$</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	<u>\$ 39,588,964.21</u>	<u>\$ 42,816,781.38</u>	<u>\$ 42,006,180.60</u>	<u>\$ 812,896.61</u>	<u>\$ 2,047.27</u>	<u>\$ 4,343.10</u>
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 40,688,964.21</u>	<u>\$ 43,916,781.38</u>	<u>\$ 43,106,180.60</u>	<u>\$ 812,896.61</u>	<u>\$ 2,047.27</u>	<u>\$ 4,343.10</u>

REF.

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

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

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELED	OVEREXPENDED
	BUDGET	BUDGET AFTER MODIFICATION				
Appropriation by 40A:4-87						
Budget	\$	3,227,817.17				
		<u>40,688,964.21</u>				
	\$	<u>43,916,781.38</u>				
Cash Disbursements			\$	36,903,331.66		
Reserve for Encumbrances				558,178.00		
Reserve for Grants Appropriated				4,484,670.94		
Deferred Charges				60,000.00		
Reserve for Uncollected Taxes				<u>1,100,000.00</u>		
			\$	<u>43,106,180.60</u>		

"B"

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Assessment Fund:		
Cash	\$ 302,731.54	\$ 715,613.41
Assessments Receivable	<u>1,629,194.75</u>	<u>1,880,961.55</u>
	<u>\$ 1,931,926.29</u>	<u>\$ 2,596,574.96</u>
Animal Control Fund:		
Cash	\$ 6,347.09	\$ 28,871.52
	<u>\$ 6,347.09</u>	<u>\$ 28,871.52</u>
Other Funds:		
Cash	\$ 26,904,492.48	\$ 27,773,574.62
Interfunds Receivable	<u>3,217,102.00</u>	<u>2,153,128.98</u>
	<u>\$ 30,121,594.48</u>	<u>\$ 29,926,703.60</u>
	<u><u>\$ 32,059,867.86</u></u>	<u><u>\$ 32,552,150.08</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Assessment Fund:		
Interfunds Payable	\$ 32,618.74	\$ 380,000.72
Assessment Serial Bonds	140,500.00	168,600.00
Assessment Loans	<u>1,758,807.55</u>	<u>2,047,974.24</u>
	<u>\$ 1,931,926.29</u>	<u>\$ 2,596,574.96</u>
Animal Control Fund:		
Interfunds Payable	\$	\$ 3,285.21
Due State of New Jersey	11.20	1.20
Prepaid Licenses	5,659.20	
Reserve for Animal Control Expenditures	<u>676.69</u>	<u>25,585.11</u>
	<u>\$ 6,347.09</u>	<u>\$ 28,871.52</u>
Other Funds:		
Encumbrances Payable	\$ 5,948,431.61	\$ 39,024.77
Interfunds Payable	190,174.67	103,581.01
Reserve For:		
Recreation Commission Expenditures	66,802.18	48,318.45
Various Trust Deposits	7,980,751.74	5,837,341.52
Township Open Space	<u>15,935,434.28</u>	<u>23,898,437.85</u>
	<u>\$ 30,121,594.48</u>	<u>\$ 29,926,703.60</u>
	<u><u>\$ 32,059,867.86</u></u>	<u><u>\$ 32,552,150.08</u></u>

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

"C"

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Cash	\$ 608,988.30	\$ 1,102,806.22
Deferred Charges to Future Taxation - Funded	667,629.93	772,650.89
Deferred Charges to Future Taxation - Unfunded	29,384,829.62	23,641,782.31
Interfunds Receivable	2,925,269.82	3,057,099.59
Accounts Receivable	250,000.00	250,000.00
	<u>\$ 33,836,717.67</u>	<u>\$ 28,824,339.01</u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes	\$ 21,102,179.00	\$ 21,760,500.00
N.J.E.I.T. Loan Payable	667,629.93	772,650.89
Improvement Authorizations:		
Funded	927,339.24	1,035,004.26
Unfunded	5,844,977.43	2,145,133.43
Reserve for:		
Contracts Payable	2,536,447.35	278,281.70
Various Reserves	68,905.00	253,905.00
Developers Contribution Deposits	1,976,497.25	1,818,940.95
Interfunds Payable		323,878.53
Capital Improvement Fund	5,018.69	149,426.83
Fund Balance	707,723.78	286,617.42
	<u>\$ 33,836,717.67</u>	<u>\$ 28,824,339.01</u>

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

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023		\$	286,617.42
Increased by:			
Cash Receipts	\$	143,255.64	
Improvement Authorizations Canceled		<u>467,998.38</u>	
			<u>611,254.02</u>
		\$	<u>897,871.44</u>
Decreased by:			
Appropriated as Current			
Fund Revenue			<u>190,147.66</u>
Balance, December 31, 2024		\$	<u><u>707,723.78</u></u>

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

"G"

TOWNSHIP OF HILLSBOROUGH
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Fixed Assets:		
Land	\$ 22,052,000.00	\$ 22,052,000.00
Buildings	62,450,200.00	62,450,200.00
Machinery and Equipment	<u>13,699,683.00</u>	<u>13,699,683.00</u>
<u>Total Fixed Assets</u>	\$ <u>98,201,883.00</u>	\$ <u>98,201,883.00</u>
Reserve:		
Investments in General Fixed Assets	\$ <u>98,201,883.00</u>	\$ <u>98,201,883.00</u>

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

TOWNSHIP OF HILLSBOROUGH

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Hillsborough is an instrumentality of the State of New Jersey, established to function as a municipality. The Township Committee consists of elected officials and is responsible for the fiscal control of the Township.

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

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

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Township of Hillsborough conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Township of Hillsborough are organized on the basis of funds and an account group which is different from the fund structure required by GAAP.

A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Township accounts for its financial transactions through the following individual funds and account group:

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

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

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

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

C. Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's regulatory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounting for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Adjustments for assets acquired/sold subsequent to this date have been recorded. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions

Under GAAP, municipalities are required to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources in the statement of Net Position and total pension related expense in Statements of Revenues, Expenses, Changes in Net Position and Notes to the Financial Statements in accordance with GASB 68.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68 however, local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 68. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

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

Under GAAP, municipalities required to record their distributive shares of OPEB liability, deferred outflows of resources, deferred inflows of resources in the statement of Net Position and total OPEB related expense in Statements of Revenues, Expenses, Changes in Net Position and Notes to the Financial Statements in accordance with GASB 75.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75, however local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 75. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation.

The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Township of Hillsborough had the following cash and cash equivalents at December 31, 2024:

Fund Type:	Bank Balance	N.J. Cash Management	Reconciling Items		Reconciled Balance
			Additions	Deletions	
Current Fund	\$ 10,752,223.82	\$ 251,877.31	\$ 513,643.09	\$ 255,809.10	\$ 11,261,935.12
Grant Fund	854,771.55			60,072.03	794,699.52
Assessment Trust Fund	290,192.14		12,539.40		302,731.54
Animal Control Fund	15,440.29		129.00	9,222.20	6,347.09
Other Trust Fund	27,125,697.39		25,603.79	246,808.70	26,904,492.48
General Capital Fund	1,183,893.79			574,905.49	608,988.30
TOTAL DECEMBER 31, 2024	\$ 40,222,218.98	\$ 251,877.31	\$ 551,915.28	\$ 1,146,817.52	\$ 39,879,194.05

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$261,338.35 was covered by Federal Depository Insurance and \$39,960,880.63 was covered under the provisions of NJGUDPA. The New Jersey Cash Management Fund (NJCMF) is an investment pool and is not insured by either FDIC or GUDPA.

B. Investments

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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

As of December 31, 2024, the Township has \$251,877.31 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: GOVERNMENTAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township.

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 21,102,179.00	\$ 21,760,500.00	\$ 20,105,877.00
Loans	667,629.93	772,650.89	872,671.85
Assessment:			
Bonds	140,500.00	168,600.00	196,700.00
Loans	1,758,807.55	2,047,974.24	2,337,140.93
Less: Funds Temporarily Held to Pay			
Bonds and Notes - General Capital	908,695.25	938,695.25	2,476.72
Open Space Bonds			
Assessment Fund Cash	<u>270,112.80</u>	<u>335,612.69</u>	<u>344,575.92</u>
<u>Net Debt Issued</u>	\$ 22,490,308.43	\$ 23,475,417.19	\$ 23,165,337.14
<u>Authorized But Not Issued:</u>			
General:			
Bonds and Notes	<u>9,191,345.87</u>	<u>2,819,977.56</u>	<u>4,136,483.33</u>
Net Bonds and Notes			
Authorized But Not Issued	\$ <u>31,681,654.30</u>	\$ <u>26,295,394.75</u>	\$ <u>27,301,820.47</u>

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .362%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School Debt	\$ 30,870,000.00	\$ 30,870,000.00	\$
General Debt	<u>32,860,462.35</u>	<u>1,178,808.05</u>	<u>31,681,654.30</u>
	\$ <u>63,730,462.35</u>	\$ <u>32,048,808.05</u>	\$ <u>31,681,654.30</u>

NET DEBT \$31,681,654.30 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2 \$8,755,962,834.67 EQUALS .362%.

NOTE 3: GOVERNMENTAL DEBT (CONTINUED):

EQUALIZED VALUATION BASIS

2022 Equalized Valuation Basis of Real Property	\$ 7,919,752,941.00
2023 Equalized Valuation Basis of Real Property	8,700,602,898.00
2024 Equalized Valuation Basis of Real Property	<u>9,647,532,665.00</u>
	<u>\$ 8,755,962,834.67</u>

Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township of Hillsborough for the first three (3) preceding years.

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis - December 31, 2024	\$ <u>8,755,962,834.67</u>
3 1/2% of Equalized Valuation Basis	\$ 306,458,699.21
Net Debt	<u>31,681,654.30</u>
Remaining Borrowing Power at December 31, 2024	\$ <u><u>274,777,044.91</u></u>

SCHOOL DEBT DEDUCTION

School debt is deductible up to the extent of 4% of the Average Equalized Assessed Valuation of real property for the Local School District.

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

LONG-TERM DEBT

Assessment Trust Fund

Assessment Serial Bonds:

\$562,000.00 of 2009 Assessment Bonds due in annual installments of \$28,100.00 through June 2029 at an interest rate of 5.00%.

\$ 140,500.00

Assessment Loans:

\$1,103,238.01 of 2010 New Jersey Environmental Infrastructure Trust Loans due in installments of \$39,658.88 to \$82,923.12 through August 2029 at an interest rates of 3% to 5%.

\$ 392,983.47

\$3,188,527.89 of 2010 New Jersey Environmental Infrastructure Fund Loans due in installments of \$177,140.43 through August 2029 at an interest rate 0%.

885,702.30

\$855,983.00 of 2016 New Jersey Environmental Infrastructure Fund Loans, net of savings credit of \$42,173.00, due in installments of \$1,351.73 to \$43,524.55 through August 2036 at an interest rate 0%.

480,121.78

\$ 1,758,807.55

General Capital Fund

New Jersey Environmental Infrastructure Trust Loans:

\$426,761.99 of 2010 New Jersey Environmental Infrastructure Trust Loans, net of \$55,000 savings credit, due in installments of \$15,341.12 to \$26,076.88 through August 2029 at an interest rates of 3% to 5%.

\$ 125,016.53

\$1,233,408.11 of 2010 New Jersey Environmental Infrastructure Trust Loans due in installments of \$68,522.67 through August 2029 at an interest rate 0%.

342,613.40

\$275,000.00 of 2016 New Jersey Environmental Infrastructure Trust Loans due in installments of \$10,000.00 to \$20,000.00 through August 2036 at an interest rates of 3% to 5%.

200,000.00

\$ 667,629.93

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING
DECEMBER 31, 2024

CALENDER YEAR	ASSESSMENT		TOTAL
	PRINCIPAL	INTEREST	
2025	\$ 28,100.00	\$ 6,322.50	\$ 34,422.50
2026	28,100.00	4,917.50	33,017.50
2027	28,100.00	3,512.50	31,612.50
2028	28,100.00	2,107.50	30,207.50
2029	28,100.00	702.50	28,802.50
	<u>\$ 140,500.00</u>	<u>\$ 17,562.50</u>	<u>\$ 158,062.50</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR NEW JERSEY
ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE
DECEMBER 31, 2024

CALENDER YEAR	GENERAL		ASSESSMENT		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2025	\$ 106,415.61	\$ 13,679.22	\$ 292,772.04	\$ 15,340.78	\$ 428,207.65
2026	107,810.26	12,013.50	296,377.39	12,456.50	428,657.65
2027	109,204.91	9,913.44	299,982.74	9,806.56	428,907.65
2028	109,599.55	8,286.16	303,588.10	6,633.84	428,107.65
2029	109,599.60	6,643.08	303,588.25	3,316.92	423,147.85
2030	15,000.00	5,000.00	43,524.55		63,524.55
2031	15,000.00	4,400.00	43,524.55		62,924.55
2032	20,000.00	3,800.00	43,524.55		67,324.55
2033	20,000.00	3,000.00	43,524.55		66,524.55
2034	20,000.00	2,200.00	43,524.55		65,724.55
2035	20,000.00	1,400.00	43,524.55		64,924.55
2036	15,000.00	600.00	1,351.73		16,951.73
	<u>\$ 667,629.93</u>	<u>\$ 70,935.40</u>	<u>\$ 1,758,807.55</u>	<u>\$ 47,554.60</u>	<u>\$ 2,544,927.48</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

LONG-TERM DEBT (CONTINUED)

Bonds and Notes Authorized But Not Issued

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

General Capital Fund	<u>\$9,191,345.87</u>
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SHORT-TERM DEBT

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

- (1) every note shall contain a recital that it is issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year;
- (2) all such notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes; and
- (3) no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Interest Rate</u>	<u>Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>
2014-10	5.250%	\$ 540,000.00	11/20/2024	02/14/2025
2018-14	5.000%	7,336,736.00	02/14/2024	02/14/2025
2021-15	5.500%	<u>13,225,443.00</u>	12/05/2024	11/13/2025
		<u>\$ 21,102,179.00</u>		

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

SHORT-TERM DEBT (CONTINUED)

In accordance with NJSA 40A:4 sections 64 through 73, in any fiscal year, in anticipation of the collection of taxes for such year, whether levied in such year, or in anticipation of other revenue for such year, the Township may, by resolution, borrow money and issue its negotiable notes, each of which shall be designated by the fiscal year to which it pertains. The proceeds may be used to pay outstanding previous notes of same purpose, or for purposes provided for in the budget or for which taxes are levied or to be levied for in such year. The amount outstanding shall not exceed an amount certified as the gross borrowing power, and no such notes shall be authorized in excess of an amount certified as the net borrowing power. Tax anticipation notes may be renewed from time to time, but any note shall mature within 120 days after the beginning of the succeeding fiscal year and bear an interest rate that does not exceed 6%. The Township did not have any Tax Anticipation Notes in 2024.

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2024 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025 were as follows:

Current Fund	\$1,880,000.00
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NOTE 5: PROPERTY TAXES

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

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

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Prepaid Taxes	<u>\$1,258,245.13</u>	<u>\$1,393,432.89</u>

NOTE 6: PENSION PLANS

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

Plan Descriptions

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

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions

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

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

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

Funding Policy

The contribution policy is set by PERS is set by N.J.S.A. 43:15A and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.50% of base salary. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. PFRS members contributed at a rate of 10.00% of base salary.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy (Continued)

Certain portions of the costs are contributed by the employees. The Township's share of PERS and PFRS pension costs, which is based upon the annual billings received from the State, amounted to:

<u>YEAR</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2024	\$1,378,738.00	\$2,322,930.00	\$ 22,967.95
2023	\$1,324,078.00	\$2,301,328.00	\$ 16,848.85
2022	\$1,198,949.00	\$1,958,482.00	\$ 9,472.47

All contributions were equal to the required contributions for each of the three years, respectively.

Certain Township employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

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

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$14,941,804.00 for the Township's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Township's proportion was 0.1031580905 percent, which was a decrease of 0.0018401314 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$197,586.00 for the Township's proportionate share of the total pension expense. The pension expense recognized in the Township's financial statements based on the April 1, 2023 billing was \$1,324,078.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 142,863.00	\$ 61,077.00
Changes of assumptions	32,824.00	905,537.00
Net difference between projected and actual earnings on pension plan investments	68,809.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>831,137.00</u>	<u>269,640.00</u>
	<u>\$ 1,075,633.00</u>	<u>\$ 1,236,254.00</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	(\$676,571.60)
2025	(328,018.60)
2026	727,614.40
2027	2,182.40
2028	<u>114,172.40</u>
	<u>(\$160,621.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

Inflation

Price	2.75%
Wage	3.25%

Salary Increases	2.75-6.55%
	Based on
	Years of Service

Investment Rate of Return	7.00%
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Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

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

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

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Township's proportionate share of the pension liability	\$19,451,049.00	\$14,941,804.00	\$11,103,840.00

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

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

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Township as of December 31, 2023 was 0.1035497511% which was a decrease of 0.0018679552 percent from its proportion measured as of June 30, 2022. The non-employer contributing entities' contribution and employer pension expense and related revenue for the years ended June 30, 2023 and June 30, 2022 was \$46,598.00 and \$33,340.00, respectively.

Pension plan fiduciary net position

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$19,279,994.00 for the Township's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2023, the Township's proportion was 0.1744988100 percent, which was a decrease of 0.0024511000 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$1,065,970.00. The pension expense recognized in the Township's financial statements based on the April 1, 2023 billing was \$2,301,328.00.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 825,531.00	\$ 919,485.00
Changes of assumptions	41,613.00	1,301,862.00
Net difference between projected and actual earnings on pension plan investments	981,894.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,087,354.00	1,002,173.00
	\$ <u>2,936,392.00</u>	\$ <u>3,223,520.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

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

Year Ended		Amount
<u>June 30</u>		
2024	\$	(733,273.80)
2025		(703,018.80)
2026		1,175,532.20
2027		(82,603.80)
2028		52,599.20
Thereafter		<u>3,637.00</u>
	\$	<u>(287,128.00)</u>

Actuarial Assumptions

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

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

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of both 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 non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Township's proportionate share of the PFRS pension liability	\$26,863,296.00	\$19,279,994.00	\$12,964,916.00

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation

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

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of December 31, 2023 and 2022 is 0.17449865% and 0.17694974% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$406,276.00 and \$448,764.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$404,097.00 and \$415,884.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$3,552,563.00 and \$3,604,675.00, respectively.

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

Township's Proportionate Share of Net Pension Liability	\$19,279,994.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>3,552,563.00</u>
	<u>\$22,832,557.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Pension plan fiduciary net position

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

NOTE 7: COMPENSATED ABSENCES

Under the existing personnel policies of the Township, and in accordance with union contracts, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. The Township's management has estimated the liability to be \$1,295,614.88 at December 31, 2024.

NOTE 8: LITIGATION

The Township Attorney's letter did not indicate any litigation or claims that are either not covered by the Township's insurance carrier or would have a material financial impact on the Township.

NOTE 9: TAX APPEALS

There are a number of tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2023. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The balance in reserve at December 31, 2024 is \$19,947.53.

NOTE 10: DEFERRED COMPENSATION PLAN

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

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

The Plan is administered by the Equitable Company or the Valic Company.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities.

NOTE 11: RISK MANAGEMENT

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

NOTE 12: CONTINGENT LIABILITIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreement and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Single Audit Section, of the 2024 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2024, the Township does not believe that any material liabilities will result from such audits.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

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

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current	\$ 251,402.79	\$ 5,141,861.44
Grant		1,029,119.76
Assessment Trust		32,618.74
Trust Other	3,217,102.00	190,174.67
General Capital	<u>2,925,269.82</u>	
TOTAL	<u>\$ 6,393,774.61</u>	<u>\$ 6,393,774.61</u>

All balances resulted from the time lag between dates that short-term loans were disbursed and payments between funds were made. All balances will be liquidated within one year.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

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

Plan Description and Benefits Provided

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

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

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

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

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

The Township, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net Net OPEB Liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2023 and 2022, the State's proportionate share of the net OPEB liability attributable to the Township for the special funding situation is \$18,076,364.00 and \$19,085,405.00 respectively.

At June 30, 2023, the Township's and State of New Jersey's proportionate share of the Net OPEB Liability were as follows:

Township's proportionate share of the Net OPEB Liability	\$0.00
State of New Jersey's proportionate share of Net OPEB Liability associated with the Township	<u>18,076,364.00</u>
	<u><u>\$18,076,364.00</u></u>

Actuarial Assumptions and Other Inputs

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

Salary Increases:	
Public Employees Retirement System (PERS):	
Initial fiscal year applied	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	3.25% to 16.25%

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Mortality:

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

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

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

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

Discount Rate

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

OPEB Plan Fiduciary Net Position

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

NOTE 15: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEAR'S BUDGET

	BALANCE DECEMBER <u>31, 2024</u>	2025 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING BUDGETS
Current:			
Emergency Authorization			
Flood and Hurricane			
Damage (40A:4-53)	<u>\$ 120,000.00</u>	<u>\$ 60,000.00</u>	<u>\$ 60,000.00</u>
Overexpenditure of			
Appropriations	<u>\$ 4,343.10</u>	<u>\$ 4,343.10</u>	<u>-0-</u>

NOTE 16: FIXED ASSETS

Below is a summary of the General Fixed Assets Account Group for the year ended December 31, 2024:

	Balance December 31, <u>2023</u>	Balance December 31, <u>2024</u>
Land	\$ 22,052,000.00	\$ 22,052,000.00
Buildings	62,450,200.00	62,450,200.00
Machinery and Equipment	<u>13,699,683.00</u>	<u>13,699,683.00</u>
	<u>\$ 98,201,883.00</u>	<u>\$ 98,201,883.00</u>

NOTE 17: LEASE PURCHASES

The Township has entered into sublease agreements with the Somerset County Improvement Authority to lease purchase land. In accordance with the lease agreements, the Township will be obligated to make the following rental payments:

CALENDAR YEAR		<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
2025	\$	485,000.00	\$	973,638.33	\$	1,458,638.33
2026		500,000.00		956,091.76		1,456,091.76
2027		520,000.00		937,117.36		1,457,117.36
2028		540,000.00		916,596.06		1,456,596.06
2029		565,000.00		894,506.38		1,459,506.38
2030		585,000.00		870,542.90		1,455,542.90
2031		615,000.00		844,223.90		1,459,223.90
2032		640,000.00		815,926.80		1,455,926.80
2033		675,000.00		782,011.75		1,457,011.75
2034		715,000.00		742,049.25		1,457,049.25
2035		760,000.00		699,643.00		1,459,643.00
2036		800,000.00		654,793.00		1,454,793.00
2037		850,000.00		607,355.50		1,457,355.50
2038		895,000.00		560,287.93		1,455,287.93
2039		945,000.00		513,763.53		1,458,763.53
2040		995,000.00		464,710.63		1,459,710.63
2041		1,045,000.00		413,129.23		1,458,129.23
2042		1,100,000.00		358,892.90		1,458,892.90
2043		1,155,000.00		301,297.73		1,456,297.73
2044		1,215,000.00		240,187.28		1,455,187.28
2045		1,280,000.00		175,853.70		1,455,853.70
2046		1,350,000.00		108,039.15		1,458,039.15
2047		<u>1,420,000.00</u>		<u>36,614.70</u>		<u>1,456,614.70</u>
	\$	<u>19,650,000.00</u>	\$	<u>13,867,272.77</u>	\$	<u>33,517,272.77</u>

NOTE 18: SUBSEQUENT EVENTS

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

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2025

Township Committee of the
Township of Hillsborough, in the
County of Somerset, New Jersey

Dear Committee Members:

We have acted as bond counsel to the Township of Hillsborough, in the County of Somerset, New Jersey (the "Township"), in connection with the issuance by the Township of its \$13,055,443 Bond Anticipation Note, Series 2025B (the "Note"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinance of the Township listed in the Certificate of Determination and Award prepared in connection with this issue, in all respects duly approved and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

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