

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2026

NEW ISSUE – BOOK-ENTRY-ONLY

**RATING: Moody's: "MIG 1"
(See "RATING" herein.)**

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 Notes (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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes 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 Notes 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 BERKELEY HEIGHTS, IN THE
COUNTY OF UNION, NEW JERSEY**

**\$8,528,000 BOND ANTICIPATION NOTES, SERIES 2026
CONSISTING OF:**

**\$8,028,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTE, AND
\$500,000 REDEVELOPMENT BOND ANTICIPATION NOTE**

**DATED DATE: MARCH 25, 2026
MATURITY DATE: MARCH 25, 2027**

**INTEREST RATE: ____%
RE-OFFER YIELD: ____%**

**CUSIP NO. _____
(NON-CALLABLE)**

The \$8,528,000 Bond Anticipation Notes, Series 2026, consisting of the \$8,028,000 General Improvement Bond Anticipation Note (the "General Improvement Note") and the \$500,000 Redevelopment Bond Anticipation Note (the "Redevelopment Note"; and together with the General Improvement Note, the "Notes"), of the Township of Berkeley Heights, in the County of Union, New Jersey (the "Township"), is being issued to: (i) currently refund the Township's \$4,129,600 Bond Anticipation Notes, Series 2025, consisting of the \$3,429,600 General Improvement Bond Anticipation Note and the \$700,000 Redevelopment Bond Anticipation Note, each dated and issued on March 26, 2025 and maturing on March 26, 2026, together with \$1,765,600 in principal reduction payments; (ii) issue \$6,164,000 in new money to finance various capital improvements in and by the Township; and (iii) pay the costs associated with the authorization, sale and issuance of the Notes. See "AUTHORIZATION AND PURPOSE OF THE NOTES" herein.

The Notes are valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes are 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 Notes without limitation as to rate or amount.

The Notes are not subject to redemption prior to their stated maturity date. See "DESCRIPTION OF THE NOTES – Redemption" herein.

The Notes will be issued in the form of one certificate for the aggregate principal amount of each series of the Notes 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 Notes shall be paid on the maturity date thereof to DTC by the Township or its designated paying agent. Interest on the Notes 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 NOTES – 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 Notes are 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 Notes. Delivery is anticipated to be through the facilities of DTC in Brooklyn, New York, on or about March 25, 2026.

**ELECTRONIC SUBMISSIONS FOR THE NOTES WILL BE RECEIVED VIA PARITY OR
E-MAIL UNTIL 11:00 A.M. ON MARCH 12, 2026. FOR MORE DETAILS ON HOW TO BID
ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

**TOWNSHIP OF BERKELEY HEIGHTS, IN THE
COUNTY OF UNION, NEW JERSEY**

TOWNSHIP COUNCIL

Angie D. Devanney, Mayor
John Foster
Margaret Illis
Bill Machado
Alvaro Medeiros
Andrew Moran
Susan Poage

CHIEF FINANCIAL OFFICER

Diane Sherry

MUNICIPAL CLERK

Angela Lazzari

TOWNSHIP ATTORNEY

Scott D. Salmon, Esq.
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Florham Park, New Jersey

INDEPENDENT ACCOUNTANT

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 Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by 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 Notes 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 Notes 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 Notes 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 NOTES ARE 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 Notes, 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 Notes is subject to being changed after the issuance of the Notes 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 Notes.

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OFFICIAL STATEMENT

RELATING TO

\$8,528,000 BOND ANTICIPATION NOTES, SERIES 2026 CONSISTING OF: \$8,028,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTE AND \$500,000 REDEVELOPMENT BOND ANTICIPATION NOTE

OF THE

TOWNSHIP OF BERKELEY HEIGHTS, IN THE COUNTY OF UNION, NEW JERSEY

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of Berkeley Heights (the "Township"), in the County of Union (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$8,528,000 Bond Anticipation Notes, Series 2026, consisting of the \$8,028,000 General Improvement Bond Anticipation Note (the "General Improvement Note") and the \$500,000 Redevelopment Bond Anticipation Note (the "Redevelopment Note"; and together with the General Improvement Note, the "Notes"). 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 Notes 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 NOTES

General Description

The Notes are dated, will mature on the date and in the amounts 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 360-day year consisting of twelve 30-day calendar months. The Notes will be issued in the form of one certificate for the aggregate principal amount of each series of the Notes.

The principal of and interest due on the Notes 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 Notes will be credited to the registered owner as of the business day immediately preceding the maturity date of the Notes (the "Record Date" for the payment of principal of and interest on the Notes).

The Notes are issuable as a fully registered book-entry obligation in the form of one certificate in the aggregate principal amount of each series of the Notes. The Notes may be purchased in book-entry-only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof 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 Notes, payments of the principal of and interest on the Notes will be made by the Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC.

Redemption

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

Book-Entry-Only System

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes 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 Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the aggregate principal amount of each series of the Notes 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of the Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Notes 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 NOTES, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY

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

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 Notes 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 Notes are valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes are 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 Notes without limitation as to rate or amount.

AUTHORIZATION AND PURPOSE OF NOTES

General Improvement Note

The General Improvement 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.* (the "Local Bond Law"), and (ii) the bond ordinances of the Township set forth below.

Bond Ordinance Number	Description of Improvement and Date of Adoption of Ordinance	Aggregate Amount of Notes to be Issued
11-2024	Various capital improvements, finally adopted August 13, 2024.	\$1,864,000
19-2025	Various capital improvements, finally adopted May 20, 2025.	\$2,778,000
26-2025	Various capital improvements, finally adopted August 19, 2025.	\$3,386,000
	Totals:	\$8,028,000

The proceeds from the sale and issuance of the General Improvement Note will be used by the Township to: (i) currently refund the Township's \$3,429,600 General Improvement Bond Anticipation Note, dated and issued on March 26, 2025 and maturing on March 26, 2026, together with \$1,565,600 in principal reduction payments; (ii) issue \$6,164,000 in new money to fund various capital improvements in and by the Township; and (iii) pay the costs associated with the authorization, sale and issuance of the General Improvement Note.

Redevelopment Note

The Redevelopment Note has been authorized by and is being issued pursuant to the Local Redevelopment and Housing Law of the State of New Jersey (N.J.S.A 40A:12A-1 *et seq.*) and Bond Ordinance #11-2020 of the Township, finally adopted August 18, 2020. The proceeds from the sale and issuance of the Redevelopment Note will be used by the Township to: (i) currently refund the Township's \$700,000 Redevelopment Bond Anticipation Note, dated and issued on March 26, 2025 and maturing on

March 26, 2026, together with \$200,000 in principal reduction payments; and (ii) pay the costs associated with the authorization, sale and issuance of the Redevelopment Note.

CERTAIN RISK FACTORS

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 \$4,537,983,251.

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, 2025, the statutory net debt as a percentage of average equalized valuation was 1.273%. 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", if the Index Rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate, subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior 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 Notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures 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.

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 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 Municipal Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Notes 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 Notes in order to assure that interest on the Notes 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 Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to

take any action or fail to take any action that would cause interest on the Notes 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 Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes 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 Notes 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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes 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 Notes 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Notes 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 Notes, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Notes 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 Notes 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 Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Notes 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 Notes 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 Notes to a purchaser (other than a purchaser who holds the Notes 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 Notes 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 Notes. Accordingly, an owner of the Notes may have taxable gain from the disposition of the Notes, even though the Notes are sold, or disposed of, for a price equal to the owner's original cost of acquiring the Notes. Note premium amortizes over the term of the Notes under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Notes 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 Notes.

Bank-Qualification

The Notes will 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 Notes

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, 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 Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

Changes in Federal Tax Law Regarding the Notes

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 Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. 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 Notes 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 Notes 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 NOTES ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTES, 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 NOTES 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 the Township Attorney, Scott D. Salmon, Esq., Jardim Meisner Salmon Sprague & Susser, P.C., Florham Park, New Jersey, there is no litigation of any nature, now pending or threatened, restraining or enjoining the issuance or delivery of the Notes, or the levy or collection of any taxes to pay the principal of or interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or 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 Notes 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 Notes remain outstanding (unless the Notes have 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 Notes:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar 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 Notes, 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 Notes 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 Notes, 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 outstanding bond issues. The Township has retained NW Financial Group, LLC to serve as dissemination agent in connection with its continuing disclosure undertakings.

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 Notes 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 Notes substantially in the form set forth as Appendix C. Certain legal matters will be passed upon for the Township by its Township Attorney, Scott D. Salmon, Esq., Jardim Meisner Salmon Sprague & Susser, P.C., Florham Park, New Jersey.

RATING

Moody's Ratings (the "Rating Agency") has assigned short-term ratings of "MIG 1" to the Notes based upon the creditworthiness of the Township. The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Township furnished to the Rating Agency certain information and materials concerning the Notes and the Township. There can be no assurance that the rating will be maintained for any given period of time or that it may be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may be an adverse effect on the marketability or market price of the Notes.

UNDERWRITING

The Notes have 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 Notes at a purchase price of \$_____. The purchase price reflects the principal amount of the Notes, *plus* original issue premium in the amount of \$_____, *less* Underwriter's discount in the amount of \$_____. The Underwriter has purchased the Notes in accordance with the Notice of Sale.

The Underwriter intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into 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 Notes (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, Westfield, New Jersey, has not participated in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in its Independent Auditors' 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 Diane Sherry, the Township's Chief Financial Officer, at 29 Park Avenue, Berkeley Heights, New Jersey 07922, telephone (908) 464-2700, or by email at cfo@bhtwp.com, or to Heather I. Litzebauer, NW Financial Group, LLC, 522 Broad Street, Bloomfield, New Jersey 07003, telephone (201) 656-0115, or by email at hlitzebauer@nwfinancial.com.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Township, the Underwriter and the holders of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes 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 BERKELEY HEIGHTS

By: _____
Diane Sherry
Chief Financial Officer

Dated: March __, 2026

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE
TOWNSHIP OF BERKELEY HEIGHTS, IN THE COUNTY OF UNION, NEW JERSEY**

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Berkeley Heights (the “Township”), in the County of Union (the “County”), State of New Jersey (the “State”).

General Information

The Township is an area of 6.2 square miles located approximately 15 miles west of New York City and in Union County which is contiguous to the municipalities of New Providence, Summit, Watchung, and Chatham.

Form of Government

In November of 2006, Berkeley Heights Township residents voted to change their form of government from a Township Committee to a Mayor Council Administrator form. The new government was initiated on January 1, 2007.

In the new Mayor-Council-Administrator form of government, the Mayor and Council function as independent branches of government. The Mayor presides over the Council and exercises the Executive powers of the Township. The Council exercises the Legislative power of the Township. The Mayor is elected and serves for a four-year term and the six (6) Members of Council serve staggered terms of three (3) years.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations.

¹ Source: The Township, unless otherwise indicated.

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2025*				
2024	6,608	6,364	244	3.7%
2023	6,547	6,339	208	3.2%
2022	6,304	6,132	172	2.7%
2021	6,210	5,880	330	5.3%
<u>County</u>				
2025	302,645	286,344	16,301	5.4%
2024	303,496	288,988	14,508	4.8%
2023	301,346	287,863	13,483	4.5%
2022	293,943	282,315	11,628	4.0%
2021	289,184	269,270	19,914	6.9%
<u>State</u>				
2025	4,897,584	4,655,338	242,247	4.9%
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%

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

* Data not available as of Feb 2026.

Income (as of 2024)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$204,658	\$103,202	\$103,556
Median Family Income	231,429	125,330	127,025
Per Capita Income	97,560	52,974	54,253

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

Population

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

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2025 est.	13,426	1.06%	579,290	0.68%	9,343,809	0.59%
2020	13,285	0.77	575,345	7.24	9,288,994	5.65
2010	13,183	-1.67	536,499	2.67	8,791,894	4.49
2000	13,407	11.91	522,541	5.82	8,414,350	8.85
1990	11,980	-4.53	493,819	-2.04	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Alcatel Lucent	\$76,065,000	4.08%
The Connell Company	48,000,000	2.58%
The Connell Corporate Center 1 LLC	35,386,800	1.90%
Welltower OM Group LLC	33,101,000	1.78%
200 Connell LLC	25,507,900	1.37%
Connell East LLC	18,518,300	0.99%
SIG Mountain LLC	16,526,400	0.89%
Connell Hospitality LLC	14,500,000	0.78%
The Connell Company LTF RE CO INC	12,351,800	0.66%
Runnells Property LLC	<u>10,106,200</u>	<u>0.54%</u>
Total	<u>\$290,063,400</u>	<u>15.57%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025U	\$82,113,112	\$81,717,919	99.51%
2024	79,914,334	79,632,303	99.65%
2023	78,125,558	77,572,402	99.29%
2022	77,874,841	77,425,253	99.42%
2021	77,197,883	76,743,861	99.41%

U: Unaudited
Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2025U	\$7,366	\$ 300,807	\$308,173	0.38%
2024	194	275,025	275,219	0.34%
2023	0	485,686	485,686	0.62%
2022	0	321,303	321,303	0.41%
2021	0	412,827	412,827	0.53%

U: Unaudited
Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2025U	\$180,500
2024	180,500
2023	180,500
2022	180,500
2021	180,500

U: Unaudited
Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2025	\$0.912	\$2.617	\$0.872	\$4.401
2024	0.887	2.574	0.826	4.287
2023	0.849	2.470	0.880	4.199
2022	0.849	2.470	0.880	4.199
2021	0.831	2.445	0.900	4.176

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$1,861,891,620	\$5,211,003,694	35.73%	\$803,945	\$5,211,807,639
2024	1,841,624,420	4,416,365,516	41.70	880,265	4,417,245,781
2023	1,839,806,920	3,986,580,542	46.15	929,335	3,987,509,877
2022	1,850,356,770	3,897,128,833	47.48	949,104	3,898,077,937
2021	1,841,211,370	3,542,835,039	51.97	1,003,954	3,543,838,993

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$20,881,100	\$1,445,957,000	\$420	\$358,824,200	\$30,406,000	\$5,822,900	\$1,861,891,620
2024	24,553,700	1,418,040,300	420	362,801,100	30,406,000	5,822,900	1,841,624,420
2023	32,611,400	1,404,752,500	420	362,843,000	33,776,700	5,822,900	1,839,806,920
2022	23,674,400	1,401,313,000	420	385,769,200	33,776,850	5,822,900	1,850,356,770
2021	23,432,400	1,394,831,800	420	381,442,700	35,681,150	5,822,900	1,841,211,370

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$2,585,000	\$2,824,230	\$2,911,888	\$4,440,000	\$4,900,000
Miscellaneous Revenues	15,044,792	6,413,220	8,408,329	10,035,823	8,371,939
Receipts from Delinquent Taxes	330,000	317,000	317,000	367,000	275,025
Amount to be Raised by Taxation	<u>15,301,292</u>	<u>15,714,766</u>	<u>16,036,103</u>	<u>16,273,413</u>	<u>16,988,187</u>
Total Revenue:	<u>\$33,261,084</u>	<u>\$25,269,216</u>	<u>\$27,673,320</u>	<u>\$31,116,236</u>	<u>\$30,535,150</u>
<u>Appropriations</u>					
General Appropriations	\$16,036,606	\$17,037,469	\$18,090,354	\$18,765,564	\$20,441,673
Operations (Excluded from CAPS)	2,077,767	2,074,192	2,990,430	4,010,619	2,741,080
Deferred Charges and Statutory Expenditures	0	0	0	0	284,994
Judgments	0	0	0	0	0
Capital Improvement Fund	671,477	2,122,815	1,658,700	2,340,000	1,000,000
Municipal Debt Service	13,231,380	2,793,494	4,297,661	4,841,844	5,167,403
Reserve for Uncollected Taxes	<u>1,243,854</u>	<u>1,241,245</u>	<u>636,176</u>	<u>1,158,209</u>	<u>900,000</u>
Total Appropriations:	<u>\$33,261,084</u>	<u>\$25,269,216</u>	<u>\$27,673,320</u>	<u>\$31,116,236</u>	<u>\$30,535,150</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025U	\$8,315,423	Not available*
2024	7,077,732	4,900,000
2023	8,301,193	4,440,000
2022	6,199,077	2,911,888
2021	6,770,755	2,824,230

U: Unaudited

* 2026 Budget not available as of Feb 2026.

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2025

General Purpose Debt

Serial Bonds	\$40,505,000
Bond Anticipation Notes	4,129,600
Bonds and Notes Authorized but Not Issued	14,754,270
Other Bonds, Notes and Loans	717,021
Total:	<u>\$60,105,891</u>

Local School District Debt

Serial Bonds	\$1,495,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	50,352,970
Total:	<u>\$51,847,970</u>

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$111,953,861

Less: Statutory Deductions	
General Purpose Debt	\$2,316,830
Local School District Debt	51,847,970
Self-Liquidating Debt	0
Total:	<u>\$57,789,061</u>

TOTAL NET DEBT

\$57,789,061

Source: Annual Debt Statement of the Township

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Overlapping Debt (as of December 31, 2025)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$1,495,000	100.00%	\$1,495,000
County	684,610,277*	4.28%	<u>29,334,461</u>
Net Indirect Debt			\$30,829,461
Net Direct Debt			<u>57,789,061</u>
Total Net Direct and Indirect Debt			<u>\$88,618,522</u>

* Projected based on Union County 2025 Unaudited Financial Statements

Debt Limit (as of December 31, 2025)

Average Equalized Valuation Basis (2023, 2024, 2025)	\$4,537,983,251
Permitted Debt Limitation (3 1/2%)	158,829,414
Less: Net Debt	<u>57,789,061</u>
Remaining Borrowing Power	<u>\$101,040,353</u>
Percentage of Net Debt to Average Equalized Valuation	1.273%
Gross Debt Per Capita based on 2024 population of 13,426	\$8,338
Net Debt Per Capita based on 2024 population of 13,426	\$4,304

Source: Annual Debt Statement of the Township

Litigation

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

³ Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF BERKELEY HEIGHTS,
IN THE COUNTY OF UNION, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

AUDITED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the Township Committee
Township of Berkeley Heights
County of Union
Berkeley Heights, New Jersey 07033

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

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

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

SUPLEE, CLOONEY & COMPANY LLC
Certified Public Accountants

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

February 18, 2026



SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Council
Township of Berkeley Heights
County of Union
Berkeley Heights, New Jersey 07922

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 Berkeley Heights (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 of 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

SUPLEE, CLOONEY & COMPANY LLC

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Prior Period Financial Statements

The financial statements of the Township as of December 31, 2023, were audited by other auditors whose report dated August 20, 2024, expressed an adverse opinion on the financial statements as to the conformity of the financial statements with accounting principles generally accepted in the United States of America and an unmodified opinion on those financial statements in accordance with the basis of financial reporting prescribed by the Division.

SUPLEE, CLOONEY & COMPANY LLC

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 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.

September 22, 2025

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Cash - Treasurer	\$ 12,582,615.31	\$ 10,327,327.46	\$ 15,553,933.26
Cash - Change Fund	400.00	400.00	400.00
	<u>\$ 12,583,015.31</u>	<u>\$ 10,327,727.46</u>	<u>\$ 15,554,333.26</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	\$ 300,807.09	\$ 275,025.00	\$ 275,025.00
Tax Title Liens Receivable	7,365.52	193.73	
Property Acquired for Taxes- Assessed Valuation	180,500.00	180,500.00	180,500.00
Sewer User Charge Receivable	168,516.06	191,358.40	191,358.40
Revenue Accounts Receivable	1,857.33	5,181.92	22,032.54
Interfunds Receivable	30,774.84	185,424.28	370,648.85
	<u>\$ 689,820.84</u>	<u>\$ 837,683.33</u>	<u>\$ 1,039,564.79</u>
Deferred Charges:			
Emergency Authorization	\$ 575,000.00	\$ 265,000.00	\$
Overexpenditure of Appropriation Reserves		25,000.00	
	<u>\$ 575,000.00</u>	<u>\$ 290,000.00</u>	<u>\$</u>
	<u>\$ 13,847,836.15</u>	<u>\$ 11,455,410.79</u>	<u>\$ 16,593,898.05</u>
<u>Grant Fund</u>			
Interfunds	\$ 505,763.54	\$	\$
Grants Receivable	4,874,556.13	3,879,768.81	1,876,279.66
	<u>5,380,319.67</u>	<u>3,879,768.81</u>	<u>1,876,279.66</u>
	<u>\$ 19,228,155.82</u>	<u>\$ 15,335,179.60</u>	<u>\$ 18,470,177.71</u>

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	\$ 817,470.74	\$ 1,037,967.60	\$ 2,192,090.17
Prepaid Taxes	605,358.06	345,407.61	370,610.63
Encumbrances Payable	2,154,970.88	1,644,789.31	1,440,531.09
Accounts Payable	79,070.93	50,077.21	92,996.35
County Taxes Payable		177,655.49	69,770.02
School Taxes Payable	441,022.02	12.00	11.48
Tax Overpayments		28,062.64	
Due State of New Jersey - Chapter 129, P.L. 1976 - Senior Citizens' Deductions	3,200.83	1,842.61	700.83
Interfunds Payable	569,777.98		2,695,498.01
Reserve For:			
Due State of New Jersey	39,068.00	8,870.00	77,824.00
Marriage Licenses Due State of New Jersey	500.00	675.00	600.00
Lead Inspection Due State of New Jersey	60.00		
Sale of Municipal Assets	111,093.00	111,093.00	102,860.00
Preparation of Tax Maps	21,000.00	21,000.00	21,000.00
Municipal Relief Aid			160,691.93
Tax Appeals		<u>112,543.26</u>	<u>27,955.71</u>
	<u>\$ 4,842,592.44</u>	<u>\$ 3,539,995.73</u>	<u>\$ 7,253,140.22</u>
Reserve for Receivables and Other Assets	689,820.84	837,683.33	1,039,564.79
Fund Balance	<u>8,315,422.87</u>	<u>7,077,731.73</u>	<u>8,301,193.04</u>
	<u>\$ 13,847,836.15</u>	<u>\$ 11,455,410.79</u>	<u>\$ 16,593,898.05</u>
Grant Fund:			
Due Current Fund	\$	\$ 155,689.19	\$ 370,368.63
Encumbrances Payable	2,720,506.66	165,785.35	179,546.82
Federal and State Grants Appropriated	2,656,496.59	3,523,654.95	1,272,698.99
Federal and State Grants Unappropriated	<u>3,316.42</u>	<u>34,639.32</u>	<u>53,665.22</u>
	<u>\$ 5,380,319.67</u>	<u>\$ 3,879,768.81</u>	<u>\$ 1,876,279.66</u>
	<u>\$ 19,228,155.82</u>	<u>\$ 15,335,179.60</u>	<u>\$ 18,470,177.71</u>

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2025 (Unaudited)	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	\$ 4,900,000.00	\$ 4,440,000.00	\$ 2,911,888.00
Miscellaneous Revenue Anticipated	15,219,471.30	10,557,344.60	10,752,728.81
Receipts from Delinquent Taxes	272,821.70	261,510.99	307,028.95
Receipts from Current Taxes	81,717,918.86	79,632,303.48	77,572,402.10
Non-Budget Revenue	223,030.71	230,916.88	1,323,296.52
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	950,484.72	1,687,728.67	1,172,586.35
Statutory Excess Animal Control		3,786.11	1,822.22
Prepaid Taxes			237,349.20
Interfunds Returned	154,649.44	185,224.57	
Grants Cancelled (net)		15,146.90	
	<u>\$ 103,438,376.73</u>	<u>\$ 97,013,962.20</u>	<u>\$ 94,279,102.15</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS":			
Operating	\$ 18,795,767.00	\$ 16,748,286.18	\$ 15,892,599.40
Deferred Charges and Statutory Expenditures	2,274,769.00	2,241,902.00	2,197,754.10
Operations Excluded From "CAPS":			
Operating	5,171,744.09	5,107,566.32	3,169,683.07
Capital Improvements	1,000,000.00	2,340,000.00	1,658,700.00
Municipal Debt Service	5,176,686.30	4,641,841.64	4,162,825.24
Deferred Charges	331,911.05		
County Taxes	16,235,010.14	15,227,942.24	15,193,093.35
Added and Omitted County Taxes	25,508.69	177,655.49	69,770.02
Local District School Tax	48,742,691.00	47,423,918.00	46,535,218.00
Refund of Prior Year Revenue	121,598.32	153,311.64	14,806.19
Interfunds Advanced			370,648.85
	<u>\$ 97,875,685.59</u>	<u>\$ 94,062,423.51</u>	<u>\$ 89,265,098.22</u>
Excess in Revenue	\$ 5,562,691.14	\$ 2,951,538.69	\$ 5,014,003.93
Adjustments to Income Before Fund Balance:			
Expenditures Included above which are Deferred Charges to Budget of Succeeding Year			
	<u>575,000.00</u>	<u>265,000.00</u>	
Regulatory Excess to Fund Balance	6,137,691.14	3,216,538.69	5,014,003.93
<u>Fund Balance</u>			
Balance, January 1	<u>7,077,731.73</u>	<u>8,301,193.04</u>	<u>6,199,077.11</u>
	\$ 13,215,422.87	\$ 11,517,731.73	\$ 11,213,081.04
Decreased by:			
Utilization as Anticipated Revenue	<u>4,900,000.00</u>	<u>4,440,000.00</u>	<u>2,911,888.00</u>
Fund Balance, December 31	<u>\$ 8,315,422.87</u>	<u>\$ 7,077,731.73</u>	<u>\$ 8,301,193.04</u>

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
	BUDGET	SPECIAL NJS 40A:4-87		
Fund Balance Anticipated	\$ 4,440,000.00	\$	\$ 4,440,000.00	\$
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	\$ 18,000.00	\$	\$ 18,684.40	\$ 684.40
Other	1,400.00		25,579.80	24,179.80
Fees and Permits:				
Construction Code Official	1,330,000.00		1,053,688.00	(276,312.00)
Other	395,000.00		364,479.25	(30,520.75)
Fines:				
Municipal Court	32,600.00		34,923.39	2,323.39
Interest and Cost on Taxes	80,000.00		73,047.82	(6,952.18)
Interest on Investments and Deposits	529,500.00		843,891.75	314,391.75
Cost of Sewer Treatment	400,000.00		60,776.55	(339,223.45)
Fees and Permits-Connection Fees	1,900,000.00			(1,900,000.00)
Payment in Lieu of Taxes	600,000.00		2,196,237.12	1,596,237.12
Energy Receipts Tax	1,558,962.00		1,558,962.00	
Reserve for Municipal Relief Aid	160,691.63		160,691.93	0.30
Board of Education-Vehicle Maintenance	38,500.00		39,358.82	858.82
Board of Education-Police	25,000.00		25,000.00	
Berkeley Heights Developers Urban Renewal		348,870.00	348,870.00	
Clean Communities Program	27,405.00	34,912.63	62,317.63	
Recycling Tonnage Grant	9,945.56	16,466.42	26,411.98	
DDEF		22,822.50	22,822.50	
Union County Infrastructure Grant		60,000.00	60,000.00	
CDBG - Senior Citizen Center Program		16,000.00	16,000.00	
American Rescue Plan Firefighters Grant	25,000.00		25,000.00	
NJDA Spotted Lantrenfly Program	20,000.00		20,000.00	
Springfield Avenue Sidewalk Grant	1,000,000.00		1,000,000.00	
Distracted Driving		7,000.00	7,000.00	
LAIF 2023 Passaic River Anti-Flooding Project		400,000.00	400,000.00	
Alcohol Education/Rehabilitation Program	2,775.62		2,775.62	
DCA Recreation Grant		71,000.00	71,000.00	
State Body Armor Replacement Program	4,605.42		4,605.42	
Union County Local Arts Grant	3,600.00		3,600.00	
County of Union Kids Recreation		75,000.00	75,000.00	
County of Union - Greening Union County		4,500.00	4,500.00	
Raw Sewerage Pump Replacement	750,000.00		750,000.00	
National Opioid Settlement	6,279.35		6,279.35	
Uniform Fire Safety Act	26,000.00		51,795.51	25,795.51
Cable TV Franchise Tax	175,558.34		175,558.34	
Rents on Township Owned Property	320,000.00		356,675.49	36,675.49
Municipal Library Reimbursement of Costs	260,100.00		260,100.00	
Hotel Use and Occupancy Tax	300,000.00		328,648.93	28,648.93
Off-Duty Police Administrative Fees	34,900.00		23,063.00	(11,837.00)
	\$ 10,035,822.92	\$ 1,056,571.55	\$ 10,557,344.60	\$ (535,049.87)
Receipts from Delinquent Taxes	\$ 367,000.00	\$	\$ 261,510.99	\$ (105,489.01)
Amount to be Raised by Taxation for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 14,944,244.07	\$	\$ 16,631,827.79	\$ 1,687,583.72
Minimum Library Tax	1,329,168.63		1,329,168.63	
	16,273,412.70		17,960,996.42	1,687,583.72
Budget Totals	\$ 31,116,235.62	\$ 1,056,571.55	\$ 33,219,852.01	\$ 1,047,044.84
Non-Budget Revenue			230,916.88	230,916.88
	\$ 31,116,235.62	\$ 1,056,571.55	\$ 33,450,768.89	\$ 1,277,961.72

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

Allocation of Current Tax Collections:	
Revenue From Collections	\$ 79,632,303.48
Allocated to:	
School and County Taxes	62,829,515.73
	\$ <u>16,802,787.75</u>
Add: Appropriation - "Reserve for Uncollected Taxes"	<u>1,158,208.67</u>
Amount for Support of Municipal Budget Appropriations	\$ <u><u>17,960,996.42</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	\$ <u><u>261,510.99</u></u>
Licenses - Other:	
Clerk	\$ 8,794.80
Board of Health	<u>16,785.00</u>
	\$ <u><u>25,579.80</u></u>
Fees and Permits - Other:	
Board of Health	\$ 18,800.00
Engineer	64,626.06
Police	17,935.00
Clerk	261,891.90
Fire Department	<u>1,226.29</u>
	\$ <u><u>364,479.25</u></u>
<u>Analysis of Non-Budget Revenues</u>	
Senior Citizen and Veterans Administration Fee	\$ 855.00
Vacant Property	6,500.00
Rebates	34,112.27
Union County Lease of Salt Dome	59,158.12
Prior Year Reimbursements	47,407.98
Miscellaneous	<u>82,883.51</u>
	\$ <u><u>230,916.88</u></u>

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
OPERATIONS WITHIN "CAPS":					
GENERAL GOVERNMENT					
Administrative and Executive:					
Salaries and Wages	\$ 263,900.00	\$ 263,900.00	\$ 263,539.60	\$ 360.40	\$
Other Expenses	293,680.00	293,680.00	274,893.47	18,786.53	
Mayor and Council:					
Salaries and Wages	4,000.00	4,000.00	4,000.00	930.00	
Other Expenses	1,225.00	1,225.00	295.00		
Township Council:					
Salaries and Wages	21,000.00	21,000.00	21,000.00		
Other Expenses	3,400.00	3,400.00	1,085.00	2,315.00	
Municipal Clerk:					
Salaries and Wages	202,000.00	202,000.00	201,996.66	3.34	
Other Expenses	52,300.00	47,300.00	45,666.80	1,633.20	
Financial Administration:					
Salaries and Wages	184,600.00	144,224.18	141,425.75	2,798.43	
Other Expenses	106,600.00	114,600.00	114,600.00		
Annual Audit	45,000.00	39,300.00	39,300.00		
Assessment of Taxes:					
Salaries and Wages	84,200.00	84,200.00	83,027.67	1,172.33	
Other Expenses	95,850.00	35,850.00	15,759.14	20,090.86	
Tax Collection:					
Salaries and Wages	84,500.00	84,500.00	84,496.68	3.32	
Other Expenses	10,050.00	7,050.00	5,656.31	1,393.69	
Legal Services and Costs:					
Other Expenses	196,000.00	207,000.00	198,752.21	8,247.79	
Municipal Prosecutor:					
Salaries and Wages	16,320.00	16,320.00	15,300.00	1,020.00	
Public Defender:					
Salaries and Wages	7,700.00	7,700.00	5,653.06	2,046.94	
Insurance:					
General Liability	727,087.00	742,087.00	732,833.08	9,253.92	
Employee Group Health	2,838,000.00	2,718,000.00	2,643,890.23	74,109.77	
Health Waiver	36,000.00	35,100.00	28,916.68	6,183.32	

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET			PAID OR CHARGED	RESERVED	
GENERAL GOVERNMENT (CONTINUED)						
Engineering Services and Costs:						
Salaries and Wages	\$ 116,100.00	\$	116,100.00	\$ 110,998.24	\$ 5,101.76	\$
Other Expenses	211,200.00		201,200.00	175,439.99	25,760.01	
Environmental Committee						
Other Expenses	3,830.00		3,830.00	430.00	3,400.00	
Municipal Land Use Law - Planning Board (N.J.S. 40:55D-1):						
Salaries and Wages	65,500.00		65,500.00	65,463.12	36.88	
Other Expenses	96,500.00		66,500.00	33,514.49	32,985.51	
Zoning Board of Adjustment:						
Other Expenses	14,750.00		12,750.00	7,872.86	4,877.14	
PUBLIC SAFETY						
Police:						
Salaries and Wages	3,737,300.00		3,737,300.00	3,654,640.18	82,659.82	
Other Expenses	246,400.00		246,400.00	234,928.94	11,471.06	
Crossing Guards:						
Salaries and Wages	142,025.00		137,025.00	126,441.50	10,583.50	
Other Expenses	5,000.00		5,000.00	4,444.75	555.25	
Fire:						
Other Expenses	180,495.00		180,495.00	174,816.58	5,678.42	
Fire Hydrant Services:						
Other Expenses	225,000.00		260,600.00	223,989.55	36,610.45	
Fire Prevention:						
Salaries and Wages	23,300.00		23,300.00	18,185.87	5,114.13	
Other Expenses	10,605.00		10,605.00	5,474.29	5,130.71	
Rescue Squad Aid:						
Other Expenses	17,447.00		17,447.00	17,447.00	47.00	
Other Expenses - Aid for Ambulance	90,000.00		90,000.00	89,953.00		
Emergency Management Services:						
Salaries and Wages	22,250.00		22,250.00	22,249.77	0.23	
Other Expenses	7,900.00		5,900.00	3,135.87	2,764.13	

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION		PAID OR CHARGED	RESERVED	
PUBLIC WORKS FUNCTION:						
Streets and Roads:						
Salaries and Wages	\$ 616,900.00	\$ 606,900.00	\$ 606,900.00	\$ 583,576.57	\$ 23,323.43	\$
Other Expenses	176,270.00	176,270.00	176,270.00	144,517.81	31,752.19	
Snow Removal:						
Salaries and Wages	75,000.00	65,000.00	65,000.00	39,188.28	25,811.72	
Other Expenses	119,000.00	101,000.00	101,000.00	58,355.59	42,644.41	
Solid Waste Collection:						
Other Expenses	550,000.00	520,000.00	520,000.00	513,409.41	6,590.59	
Public Buildings and Grounds:						
Salaries and Wages	156,600.00	86,600.00	86,600.00	73,782.68	12,817.32	
Other Expenses	205,300.00	470,300.00	470,300.00	395,151.52	75,148.48	
Vehicle Maintenance:						
Salaries and Wages	211,200.00	211,200.00	211,200.00	192,239.81	18,960.19	
Other Expenses	160,000.00	160,000.00	160,000.00	151,691.13	8,308.87	
HEALTH AND WELFARE (BOARD OF HEALTH - LOCAL HEALTH AGENCY)						
Public Health:						
Other Expenses	10,000.00	10,000.00	10,000.00	1,304.74	8,695.26	
Welfare:						
Other Expenses	4,000.00	4,000.00	4,000.00	3,000.00	1,000.00	
PARKS & RECREATION FUNCTIONS:						
Recreation:						
Salaries and Wages	99,900.00	99,900.00	99,900.00	86,719.78	13,180.22	
Other Expenses	25,100.00	25,100.00	25,100.00	24,836.93	263.07	
Municipal Court:						
Salaries and Wages	23,878.00	23,878.00	23,878.00	23,378.40	499.60	
Other Expenses	1,500.00	1,500.00	1,500.00	300.00	1,200.00	

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
\$	457,400.00 \$	442,400.00 \$	438,947.43 \$	3,452.57 \$	
	85,700.00	85,700.00	80,468.41	5,231.59	
Postage	12,000.00	12,000.00	10,868.75	1,131.25	
<u>UTILITIES:</u>					
Gasoline	200,000.00	180,000.00	148,366.04	31,633.96	
Street Lighting:	130,000.00	140,000.00	124,233.70	15,766.30	
Electricity	360,000.00	525,000.00	457,254.47	67,745.53	
Telephone	145,000.00	155,000.00	148,103.50	6,896.50	
Water	35,000.00	35,000.00	28,155.33	6,844.67	
Natural Gas	110,000.00	110,000.00	106,623.57	3,376.43	
Sewer Plant:					
Salaries and Wages	664,800.00	614,800.00	576,547.50	38,252.50	
Other Expenses	1,432,100.00	1,612,100.00	1,529,810.85	82,289.15	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>16,555,662.00</u>	<u>16,748,286.18</u>	<u>15,832,345.54</u>	<u>915,940.64</u>	

DEFERRED CHARGES AND STATUTORY EXPENDITURES-
MUNICIPAL WITHIN "CAPS"

Statutory Expenditures:					
Contribution to:					
Public Employee's Retirement System	419,444.00	419,444.00	419,444.00		
Social Security System	615,000.00	649,000.00	645,477.77	3,522.23	
Police and Firemen's Retirement System	1,150,458.00	1,150,458.00	1,150,458.00		
DCRP	25,000.00	23,000.00	22,087.14	912.86	
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>2,209,902.00</u>	<u>2,241,902.00</u>	<u>2,237,466.91</u>	<u>4,435.09</u>	

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 18,765,564.00	\$ 18,990,188.18	\$ 18,069,812.45	\$ 920,375.73	\$
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance Free Public Library	1,329,169.00	1,329,169.00	1,308,390.37	20,778.63	
Tax Appeals	120,000.00	120,000.00	120,000.00		
LOSAP	40,000.00	40,000.00	24,203.88	15,796.12	
General Liability Insurance	54,213.00	54,213.00	54,213.00		
Sewer - New Providence	160,000.00	160,000.00	150,689.00	9,311.00	
Borough of New Providence - Court Services	118,316.00	118,316.00	107,242.63	11,073.37	
Borough of Madison - Information Technology Services	27,000.00	27,000.00	18,918.99	8,081.01	
County of Union - Health Services	64,945.00	64,945.00	63,672.00	1,273.00	
County of Union - Police Dispatch/911	162,365.00	162,365.00	162,364.82	0.18	
Salaries & Wages	3,500.00	3,500.00		3,500.00	
Other Expenses	35,000.00	35,000.00	33,721.44	1,278.56	
Township of Springfield - CFO/QPA (40A.4-87 \$40,375.82)	25,000.00	40,375.82	40,375.82		
Board of Education - Police Dept.	1,500.00	25,000.00		25,000.00	
Board of Education - GLTV	20,000.00	1,500.00		1,500.00	
Match	27,405.00	20,000.00		20,000.00	
Clean Communities Program (40A.4-87 \$28,211.39)	25,000.00	62,317.63	62,317.63		
American Rescue Plan Firefighters Grant	25,000.00	25,000.00	25,000.00		
Municipal Alcohol Education/Rehabilitation Program	2,775.62	2,775.62	2,775.62		
UC Kids Recreation	3,600.00	3,600.00	3,600.00		
UC Kids Recreation (40A.4-87 \$75,000.00)		75,000.00	75,000.00		
Local Area Improvements (40A.4-87 \$71,000.00)		71,000.00	71,000.00		
Recycling Tonnage Grant	9,945.56	9,945.56	9,945.56		
National Opioid Settlement Fund	6,279.35	6,279.35	6,279.35		
Forestry Management	20,000.00	20,000.00	20,000.00		
State Body Armor Replacement Program	4,605.42	4,605.42	4,605.42		
CDBG - Senior Citizen Center (40A.4-87 \$16,000.00)		16,000.00	16,000.00		
Greening Union County (40A.4-87 \$4,500.00)		4,500.00	4,500.00		
Raw Sewerage Pump Replacement	750,000.00	750,000.00	750,000.00		
DDEF (40A.4-87 \$22,822.50)		22,822.50	22,822.50		
DOT LAIF 2023 Passic River Anti-Flooding (40A.4-87 \$400,000.00)		400,000.00	400,000.00		
Sherman Ave Streetscape (40A.4-87 \$348,870.00)		348,870.00	348,870.00		
Distracted Driver (40A.4-87 \$7,000.00)		7,000.00	7,000.00		
UC Infrastructure (40A.4-87 \$60,000.00)		60,000.00	60,000.00		
Recycling Tonnage (40A.4-87 \$16,466.42)		16,466.42	16,466.42		
Springfield Ave Sidewalk Grant		1,000,000.00	1,000,000.00		
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	4,010,618.95	5,107,566.32	4,989,974.45	117,591.87	

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
\$	\$	\$	\$	\$	\$
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	59,500.00	59,500.00	59,500.00		
Capital Outlay - 2024 Road Project/Drainage	250,000.00	250,000.00	250,000.00		
Capital Outlay - Police IT Upgrades	10,000.00	10,000.00	10,000.00		
Capital Outlay - Misc Drainage and Road Improvements	60,000.00	60,000.00	60,000.00		
Wastewater Treatment Infrastructure Improvements	1,550,000.00	1,550,000.00	1,550,000.00		
West Side Drainage Project	290,000.00	290,000.00	290,000.00		
Rescue Squad Generator	40,000.00	40,000.00	40,000.00		
Public Works Building Improvements	50,500.00	50,500.00	50,500.00		
UCC Electronic Filing System	30,000.00	30,000.00	30,000.00		
TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"	2,340,000.00	2,340,000.00	2,340,000.00		
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	2,400,000.00	2,400,000.00	2,400,000.00		200,000.00
Payment of Bond Anticipation Notes and Capital Notes	200,000.00	200,000.00			1.56
Interest on Bonds	1,712,105.00	1,712,105.00	1,712,103.44		0.22
Interest on Notes	107,084.00	107,084.00	107,083.78		
N.J. Environmental Infrastructure Trust: Principal and Interest	422,655.00	422,655.00	422,654.42		0.58
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	4,841,844.00	4,841,844.00	4,641,841.64		200,002.36

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

TOWNSHIP OF BERKELEY HEIGHTS

CURRENT FUND

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 11,192,462.95	\$ 12,289,410.32	\$ 11,971,816.09	\$ 117,591.87	200,002.36
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	29,958,026.95	31,279,598.50	30,041,628.54	1,037,967.60	200,002.36
	1,158,208.67	1,158,208.67	1,158,208.67		
TOTAL GENERAL APPROPRIATIONS	\$ 31,116,235.62	\$ 32,437,807.17	\$ 31,199,837.21	\$ 1,037,967.60	200,002.36

Budget Appropriations	\$ 31,116,235.62
Emergency Authorizations	265,000.00
Appropriation by 40A:4-87	1,056,571.55
	\$ 32,437,807.17

Encumbrances Payable	\$ 1,350,458.54
Reserve for Uncollected Taxes	1,158,208.67
Reserve for Grants-Appropriated	2,906,182.50
Tax Appeals	97,319.60
Library	260,100.00
Cash Disbursements	26,531,793.84
	\$ 32,304,063.15
Less: Refunds	1,104,225.94
	\$ 31,199,837.21

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

TOWNSHIP OF BERKELEY HEIGHTSTRUST FUNDBALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>			
Animal Control Fund:			
Cash	\$ 12,122.87	\$ 17,677.13	\$ 13,276.82
	\$ <u>12,122.87</u>	\$ <u>17,677.13</u>	\$ <u>13,276.82</u>
Other Funds:			
Cash	\$ 7,049,659.76	\$ 6,651,224.35	\$ 5,894,927.17
	\$ <u>7,049,659.76</u>	\$ <u>6,651,224.35</u>	\$ <u>5,894,927.17</u>
	\$ <u><u>7,061,782.63</u></u>	\$ <u><u>6,668,901.48</u></u>	\$ <u><u>5,908,203.99</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Animal Control Fund:			
Reserve for Expenditures	\$ 12,122.87	\$ 13,093.40	\$ 13,246.60
Due State of New Jersey		2.40	
Due Current Fund		4,581.33	30.22
	\$ <u>12,122.87</u>	\$ <u>17,677.13</u>	\$ <u>13,276.82</u>
Other Funds:			
Interfunds Payable	\$ 30,774.84	\$ 25,153.76	\$ 250.00
Miscellaneous Reserves	7,018,884.92	6,626,070.59	5,894,677.17
	\$ <u>7,049,659.76</u>	\$ <u>6,651,224.35</u>	\$ <u>5,894,927.17</u>
	\$ <u><u>7,061,782.63</u></u>	\$ <u><u>6,668,901.48</u></u>	\$ <u><u>5,908,203.99</u></u>

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

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023		\$ 383,240.61
Increased by:		
Premium on Sale of Notes	\$ <u>3,844.22</u>	<u>3,844.22</u>
		\$ 387,084.83
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>40,600.00</u>	<u>40,600.00</u>
Balance, December 31, 2024		\$ <u><u>346,484.83</u></u>

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

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
General Fixed Assets:		
Land and Building	\$ 39,658,500.00	\$ 39,658,500.00
Machinery and Equipment	<u>13,160,449.00</u>	<u>11,771,270.00</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$ 52,818,949.00</u>	<u>\$ 51,429,770.00</u>
Investment in General Fixed Assets:	<u>\$ 52,818,949.00</u>	<u>\$ 51,429,770.00</u>
	<u>\$ 52,818,949.00</u>	<u>\$ 51,429,770.00</u>

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

TOWNSHIP OF BERKELEY HEIGHTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Except as noted below, the financial statements of the Township of Berkeley Heights include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Berkeley Heights, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Berkeley Heights 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).

The accounting policies of the Township of Berkeley Heights 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 Berkeley Heights 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 groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - receipts, custodianship and disbursements 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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 statutory 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 other credits to income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is recorded on the cash basis, whereas interest on utility indebtedness is recorded on the accrual basis.

Encumbrances/Contracts Payable - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable in the operating funds and contracts payable in the capital funds. Under, GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - New Jersey Administrative Code (N.J.A.C. 5:30-5.6), Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal 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.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventory is 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the basic 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 for 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 approved as 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

The Township of Berkeley Heights had the following cash and cash equivalents reported at December 31, 2024:

<u>Fund Type</u>	<u>Bank</u>	<u>Reconciling Items</u>		<u>Reconciled</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Current Fund	\$10,567,540.67	\$25,685.00	\$265,898.21	\$10,327,327.46
Animal Control Trust Fund	12,701.13	5,015.00	39.00	17,677.13
Other Trust Fund	6,766,652.50	5,588.16	121,016.31	6,651,224.35
General Capital Fund	<u>7,030,320.61</u>	<u> </u>	<u>3,695.00</u>	<u>7,026,625.61</u>
Totals	<u>\$24,377,214.91</u>	<u>\$36,288.16</u>	<u>\$390,648.52</u>	<u>\$24,022,854.55</u>

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, \$500,000.00 was covered by Federal Depository Insurance and \$23,877,214.91 was covered under the provisions of NJGUDPA.

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 type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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.
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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. A master repurchase agreement providing for the custody and security of collateral is executed.

The Township of Berkeley Heights had no investments outstanding at December 31, 2024.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Township generally is not exposed to credit risk, custodial credit risk, concentration of credit risk and interest rate risk for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT
OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 46,028,522.49	\$ 48,800,519.32	\$ 49,973,002.75
Less: Reserve for Debt Service	<u>738,685.55</u>	<u>738,685.55</u>	<u>738,685.55</u>
	\$ <u>45,289,836.94</u>	\$ <u>48,061,833.77</u>	\$ <u>49,234,317.20</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	<u>11,382,844.05</u>	<u>9,309,994.05</u>	<u>3,115,214.27</u>
Total Authorized but not Issued	<u>11,382,844.05</u>	<u>9,309,994.05</u>	<u>3,115,214.27</u>
Net Bonds and Notes Issued and and Authorized but not issued	\$ <u><u>56,672,680.99</u></u>	\$ <u><u>57,371,827.82</u></u>	\$ <u><u>52,349,531.47</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.405%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 2,995,000.00	\$ 2,995,000.00	\$ -0-
General Debt	<u>57,411,366.54</u>	<u>738,685.55</u>	<u>56,672,680.99</u>
	<u>\$ 60,406,366.54</u>	<u>\$ 3,733,685.55</u>	<u>\$ 56,672,680.99</u>

NET DEBT \$56,672,680.99 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S. 40A:2-2, AS AMENDED, \$4,032,582,638.33 EQUALS 1.405%.

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

Equalized Valuation Basis* - December 31, 2024	\$4,032,582,638.33
3-1/2 of Equalized Valuation Basis	141,140,392.34
Net Debt	<u>56,672,680.99</u>
Remaining Borrowing Power	<u><u>\$84,467,711.35</u></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 for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT

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

CALENDAR YEAR	GENERAL CAPITAL		TOTAL
	PRINCIPAL	INTEREST	
2025	\$2,320,000.00	\$1,618,700.00	\$3,938,700.00
2026	2,320,000.00	1,524,900.00	3,844,900.00
2027	2,595,000.00	1,435,100.00	4,030,100.00
2028	2,410,000.00	1,330,400.00	3,740,400.00
2029	2,440,000.00	1,246,300.00	3,686,300.00
2030-2024	11,645,000.00	4,882,500.00	16,527,500.00
2035-2039	6,290,000.00	3,108,600.00	9,398,600.00
2040-2044	4,115,000.00	2,246,800.00	6,361,800.00
2045-2049	5,165,000.00	1,343,800.00	6,508,800.00
2050-2052	<u>3,525,000.00</u>	<u>282,000.00</u>	<u>3,807,000.00</u>
	<u>\$42,825,000.00</u>	<u>\$19,019,100.00</u>	<u>\$61,844,100.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT (CONTINUED)

The General Improvement Bonds are comprised of the following issues:

General Serial Bonds:

	OUTSTANDING BALANCE DECEMBER <u>31, 2024</u>
\$4,775,000.00 in Refunding Bonds dated December 1, 2016, due in remaining annual installments ranging between \$430,000.00 and \$440,000.00 beginning December 1, 2025 and ending December 1, 2027 with interest of 4.00%	\$1,310,000.00
\$15,265,000.00 in General Improvement Bonds dated February 1, 2019, due in remaining annual installments ranging between \$800,000.00 and \$1,000,000.00 beginning February 1, 2025 and ending February 1, 2037 with interest ranging between 3.00% and 4.00%	\$12,400,000.00
\$23,175,000.00 in General Improvement Bonds dated July 7, 2022, due in remaining annual installments ranging between \$590,000.00 and \$1,175,000.00 beginning July 1, 2025 and ending July 1, 2052 with interest ranging between 4.00% and 5.00%	\$21,995,000.00
\$7,795,000.00 in General Improvement Bonds dated July 6, 2013, due in remaining annual installments ranging between \$490,000.00 and \$955,000.00 beginning July 1, 2025 and ending July 1, 2033 with interest ranging between 3.00% and 4.00%	<u>\$7,120,000.00</u>
	<u><u>\$42,825,000.00</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR ENVIRONMENTAL INFRASTRUCTURE LOAN DEBT ISSUED AND
OUTSTANDING AS OF DECEMBER 31, 2024

CALENDAR YEAR	TOTAL	TRUST LOAN		FUND LOAN
		PRINCIPAL	INTEREST	PRINCIPAL
2025	\$358,213.54	\$182,000.00	\$31,385.00	\$144,828.54
2026	326,386.12	191,000.00	22,682.50	112,703.62
2027	328,656.08	201,000.00	13,338.75	114,317.33
2028	52,920.00	49,000.00	3,920.00	
2029	50,960.00	49,000.00	1,960.00	
	<u>\$1,117,135.74</u>	<u>\$672,000.00</u>	<u>\$73,286.25</u>	<u>\$371,849.49</u>

The Environmental Infrastructure Loans are comprised of the following issues:

	OUTSTANDING BALANCE DECEMBER 31, 2024
Environmental Infrastructure Loans:	
\$2,190,000.00 2007 Loan due in annual remaining installments of \$141,000.00 to \$156,000.00 through August 2027 at interest rates between 4.00% to 5.00%.	\$443,000.00
\$2,030,000.00 2007 Interest Free Loan due in annual remaining installments of between \$112,703.62 to \$114,317.33 through August 2027.	\$341,103.11
\$905,000.00 2009 Loan due in annual remaining installments of \$41,000.00 to \$49,000.00 through August 2029 at interest rates between 4.00% to 5.00%.	\$229,000.00
\$901,490.00 2009 Interest Free Loan due in annual remaining installment of \$30,746.38 through August 2025	\$30,746.38
	<u>\$1,043,849.49</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SHORT TERM DEBT

BOND ANTICIPATION NOTES

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Capital Fund	4.00%	3/27/2025	<u>\$2,159,673.00</u>

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

General Capital Fund	<u>\$11,382,844.05</u>
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NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2024, which was appropriated and included as anticipated revenue in the annual budget for the year ending December 31, 2025, was as follows:

Current Fund	\$4,900,000.00
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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, <u>2024</u>	BALANCE DECEMBER 31, <u>2023</u>
Prepaid Taxes	<u>\$345,407.61</u>	<u>\$370,610.63</u>

NOTE 6: PENSION PLANS

Plan Descriptions

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

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

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

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

Vesting and Benefit Provisions

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

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

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

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

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and 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)

The Township's share of pension costs, which is based upon the annual billings received from the State, amounted to \$1,569,902.00 for 2024, \$1,497,301.00 for 2023 and \$1,469,353.71 for 2022.

Certain employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

Public Employees Retirement System (PERS)

At June 30, 2024, the State reported a net pension liability of \$3,804,865.00 for the Township's proportionate share of the total net pension liability. The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. 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, 2024, the Township's proportion was 0.0280015630 percent, which was an decrease of 0.0033814857 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the State recognized an actuarially determined pension benefit of \$266,575.00 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, 2024 billing was \$419,443.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2024, 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	\$ 76,218.00	\$ 10,130.00
Changes of assumptions	4,727.00	43,291.00
Net difference between projected and actual earnings on pension plan investments		176,421.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>1,961.00</u>	<u>795,234.00</u>
	<u>\$ 82,906.00</u>	<u>\$ 1,025,076.00</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>
2025	(\$320,199.60)
2026	(33,655.60)
2027	(230,569.60)
2028	(200,170.60)
2029	<u>(157,574.60)</u>
	<u>(\$942,170.00)</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, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which rolled forward to June 30, 2024. 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%

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, 2023 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, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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, 2024 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%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Market Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasury’s	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the 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, 2024 respectively, calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the collective 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, 2024		
	1%	At Current	1%
	Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	Increase <u>8.00%</u>
Township's proportionate share of the pension liability	\$5,055,730.00	\$3,804,865.00	\$2,740,386.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2024, 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.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Township as of June 30, 2024 was 0.0281309321% which was a decrease of 0.0033712686 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 \$12,267.00 and 14,176.00, 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>

Police and Firemen's Retirement System (PFRS)

At June 30, 2024, the State reported a net pension liability of \$8,695,396.00 for the Township's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. 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, 2024, the Township's proportion was 0.0842038600 percent, which was an decrease of 0.0022187000 percent from its proportion measured as of June 30, 2023.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2024, the State recognized an actuarially determined pension expense of \$442,457.00. The pension expense recognized in the Township's financial statements based on the April 1, 2024, billing was \$1,150,458.00.

At June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between expected and actual experience	\$ 547,803.00	\$ 297,682.00
Changes of assumptions	13,746.00	255,369.00
Net difference between projected and actual earnings on pension plan investments		68,057.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>765,045.00</u>	<u>607,396.00</u>
	\$ <u><u>1,326,594.00</u></u>	\$ <u><u>1,228,504.00</u></u>

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

Year Ended <u>June 30</u>	<u>Amount</u>
2025	\$ (389,655.20)
2026	516,833.80
2027	(90,275.20)
2028	(25,033.20)
2029	81,848.80
Thereafter	<u>4,371.00</u>
	\$ <u><u>98,090.00</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which rolled forward to June 30, 2024. 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 Safety Employee amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pubs-2010 Safety Retiree Below Median amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount weighted mortality table for males and 100% for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

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

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, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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, 2024 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%	6.25%
Foreign Equity	11.50%	6.35%
Emerging Market Equity	7.50%	7.65%
Private Equity	10.00%	9.55%
Core Fixed Income	17.00%	1.45%
High Yield Fixed Income	6.00%	3.25%
Private Debt	8.00%	5.85%
Real Estate	7.00%	3.05%
Infrastructure	3.00%	5.65%
Cash	2.00%	0.65%

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, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments 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, 2024, 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, 2024		
	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	\$12,423,785.00	\$8,695,396.00	\$5,590,463.00

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, 2024 and 2023 is 0.0842038600% and 0.0864225200% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2024 and 2023 was \$197,214.00.00 and \$201,213.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2024 and 2023 was \$197,214.00 and \$201,213.00, respectively.

At June 30, 2024 and 2023, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$1,714,279.00 and \$1,759,448.00, respectively.

At June 30, 2024, 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	\$8,695,396.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>1,714,279.00</u>
	<u>\$10,409,675.00</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: LITIGATION

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

NOTE 9: COMPENSATED ABSENCES

Under the terms of various contracts, employees are compensated for unused sick and vacation time. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but is estimated by the Township to be \$647,690.00. The Township appropriates annually the amounts required to be paid in any fiscal year in that year's budget and no liability is accrued at December 31, 2024. The Township has accumulated \$42,375.69 for this purpose in the Trust Other Fund and continues to budget funds to provide for these liabilities as they arise.

NOTE 10: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2024 and prior. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Township has a reserve of \$112,543.26 at December 31, 2024.

NOTE 11: 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 agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are 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 12: RISK MANAGEMENT

The Township is exposed to various risks of loss relative 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 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 commercial coverage in any of the past three fiscal years.

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

<u>Year</u>	<u>Township Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ 3,490.67	\$ 18,573.81	\$ 73,589.62
2023	2,786.40	35,033.34	88,672.76
2022	3,832.58	5,102.02	120,919.70

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 185,424.28	\$
Grant Fund		155,689.19
Animal Control Fund		4,581.33
Trust Other Fund		25,153.76
	<u>\$ 185,424.28</u>	<u>\$ 185,424.28</u>

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

NOTE 14: 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 MetLife.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities. The Township's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description

The Township’s defined benefit OPEB plan, Township of Berkeley Heights Postretirement Health Benefits Plan (the Plan), provides OPEB for all eligible employees of the Township in accordance with the terms of their labor agreements. The Plan is a single-employer defined benefit OPEB plan administered by the Township. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Summary of Benefits

The Plan provides retirees and their eligible dependents medical and prescription, benefits provided that they have meet the eligibility requirement contained in the Township’ various labor agreements.

Employees Covered by Benefits Terms

Inactive employees or beneficiaries currently receiving benefits payments	67
Active employees entitled to but not currently receiving benefits payments	6
Active employees	<u>47</u>
	<u>120</u>

Contributions

The contribution requirements of the Township and Plan members are established and maybe be amended by the Township’s governing body.

NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had to retire prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of the valuation and for conservatism, the assumption is that future retiree contribution percentage rates will not increase. Thus, it is assumed that a future retiree will contribute his/her current employee contribution as reported by the Township increased annually by the rate of medical trend.

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Net OPEB Liability

The Township’s total Net OPEB liability of \$44,555,322 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total Net OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.5%

Salary Increases 2.5%

Healthcare cost trend rates

- Medical - 6.5 percent in 2024 decreasing by 0.25% per annum, leveling at 4.5% per annum in 2032.
- Drug - 14.0 percent in 2024 10.0% in 2025, 7.5% in 2026, reducing by 0.75% per annum, leveling at 4.5% per annum in 2030.
- Medicare Advantage – 4.5% per annum.
- Dental and Vision – 3.5% per annum.

Mortality rates were based on the PUB 2010 “General” classification headcount weighted mortality with generational improvement using Scale MP-2021.

The actuarial valuation method used was Entry Age Normal Funding Method based on a level percentage of salary. 2024 salaries were reported at 4.459 million.

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/AAa or higher (or an equivalent quality on another scale) to the extent that the conditions in (a) are not met. The discount rates used for determining the total Net OPEB liabilities at December 31, 2023 and December 31, 2024, based on the Bond Buyers 20 Index, were 3.26% and 4.08% respectively.

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Changes in the total Net OPEB Liability:

	Total Net OPEB <u>Liability</u>
Balance at 12/31/23	\$42,377,696
Changes for the Year:	
Service Cost	369,011
Interest Cost	1,374,832
Difference Between Expected And Actual Experience	3,105,400
Changes in Assumptions or Other Inputs	(1,523,739)
Benefit Payments	<u>(1,147,878)</u>
Net Change in Net OPEB Liability	<u>2,177,626</u>
Balance at 12/31/24	<u><u>\$44,555,322</u></u>

Sensitivity of the Total Net OPEB liability to changes in the discount rate and healthcare cost trend rates

The following presents the total Net OPEB liability of the Township, as well as what the Township's total Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	December 31, 2024		
	1.00% Decrease <u>(3.08)</u>	Current Discount Rate <u>(4.08)</u>	1.00% Increase <u>(5.08)</u>
Net OPEB Liability	50,364,550	44,555,322	39,853,635

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Sensitivity of the Total Net OPEB liability to changes in the healthcare cost trend rates.

The following presents the total Net OPEB liability of the Township, as well as what the Township’s total Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	December 31, 2024		
	<u>1.00% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1.00% Increase</u>
Net OPEB Liability	40,120,010	44,555,322	49,963,831

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024 the actuarially determined OPEB expense reflected in the Plan report was \$2,301,756.00 The OPEB expense recognized in the Township’s financial statement based on actual billing was \$1,102,790.00.

At December 31, 2024, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$4,549,949	
Change of Assumptions	<u>4,414,195</u>	<u>(4,562,832)</u>
Total	<u><u>\$8,964,144</u></u>	<u><u>(\$4,562,832)</u></u>

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

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

Year Ending <u>December 31,</u>	
2025	\$557,913
2026	557,913
2027	557,913
2028	557,913
2029	557,913
Thereafter	1,611,746

NOTE 16: LENGTH OF SERVICE AWARDS PROGRAM

The Township of Berkeley Heights adopted an ordinance in 2019 establishing a Length of Service Awards Program for the members of the Rescue Squad pursuant to N.J.S.A. 40A:14-183 *et seq.*

All assets of the plan are held by an independent administrator, the Lincoln National Life Insurance Company.

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer.

The accompanying financial statements do not include the Township's Length of Service Awards Program's activities.

NOTE 17: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2024, the following deferred charges are shown on the balance sheet of the various fund:

	BALANCE DECEMBER 31, <u>2024</u>	<u>2025</u> BUDGET APPROPRIATION
Current Fund:		
Special Emergency Appropriations	\$ 265,000.00	\$ 265,000.00
Overexpenditure of Appropriation Reserves	<u>25,000.00</u>	<u>25,000.00</u>
	<u>\$ 290,000.00</u>	<u>\$ 290,000.00</u>

NOTE 18: FIXED ASSETS

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

	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2024</u>
Land and Building	\$39,658,500.00			\$39,658,500.00
Machinery and Equipment	<u>11,771,270.00</u>	<u>\$1,801,018.00</u>	<u>\$411,839.00</u>	<u>13,160,449.00</u>
	<u>\$51,429,770.00</u>	<u>\$1,801,018.00</u>	<u>\$411,839.00</u>	<u>\$52,818,949.00</u>

NOTE 19: SUBSEQUENT EVENTS

The Township has evaluated subsequent events occurring after the financial statement date through September 22, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Township has determined that except for the items set forth below, there are no other subsequent events that need to be disclosed.

Debt Authorized:

General Capital Fund:

Ordinance #2025-19, Various Capital Improvements \$2,778,000.00

Ordinance #2025-26, Various Capital Improvements \$3,386,000.00

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2026

Township Council of the
Township of Berkeley Heights, in the
County of Union, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of Berkeley Heights, in the County of Union, New Jersey (the "Township"), in connection with the issuance by the Township of its \$8,528,000 Bond Anticipation Notes, Series 2026, consisting of the \$8,028,000 General Improvement Bond Anticipation Note (the "General Improvement Note") and the \$500,000 Redevelopment Bond Anticipation Note (the "Redevelopment Note"; and together with the General Improvement Note, the "Notes"), each 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 General Improvement Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Township listed in the Certificate of Determination and Award prepared in connection with this issue, each in all respects duly approved and published as required by law. The General Improvement Note is a temporary obligation issued in anticipation of the issuance of bonds.

The Redevelopment Note is issued pursuant to Local Redevelopment and Housing Law of the State of New Jersey (N.J.S.A. 40A:12A-1 *et seq.*) and the bond ordinance of 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 Redevelopment 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 Notes are valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Notes are 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 Notes in order to preserve the tax-exempt status of the Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. 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 Notes 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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes 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 Notes. Further, in our opinion, based upon existing law, interest on the Notes 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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