

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 17, 2026**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**NOT RATED**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Borough (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.*

**BOROUGH OF DUNELLEN, IN THE  
COUNTY OF MIDDLESEX, NEW JERSEY**

**\$15,248,700 BOND ANTICIPATION NOTES, CONSISTING OF:  
\$13,301,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTE,  
\$1,797,700 SEWER UTILITY BOND ANTICIPATION NOTE AND  
\$150,000 REDEVELOPMENT BOND ANTICIPATION NOTE**

**DATED DATE: APRIL 6, 2026  
MATURITY DATE: APRIL 5, 2027  
INTEREST RATE: \_\_\_\_ %  
RE-OFFER YIELD: \_\_\_\_ %  
CUSIP NO. 265417 \_\_\_\_  
(NON-CALLABLE)**

The \$15,248,700 Bond Anticipation Notes, consisting of the \$13,301,000 General Improvement Bond Anticipation Note, the \$1,797,700 Sewer Utility Bond Anticipation Note and the \$150,000 Redevelopment Bond Anticipation Note (collectively, the "Notes"), of the Borough of Dunellen, in the County of Middlesex, New Jersey (the "Borough"), are being issued to: (i) currently refund the Borough's \$7,551,500 Bond Anticipation Notes, consisting of the \$6,250,000 General Improvement Bond Anticipation Note, the \$1,151,500 Sewer Utility Bond Anticipation Note and the \$150,000 Redevelopment Bond Anticipation Note, dated and issued on April 8, 2025 and maturing April 7, 2026; (ii) currently refund \$3,909,200 of the Borough's \$3,925,600 Bond Anticipation Notes, consisting of the \$3,299,000 General Improvement Bond Anticipation Note and the \$626,600 Sewer Utility Bond Anticipation Note, dated and issued on January 14, 2026 and maturing April 7, 2026, together with \$16,400 in principal reduction payments; (iii) issue \$3,788,000 in new money to finance various capital improvements in and by the Borough; and (iv) 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 Borough, 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 Borough 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 Borough 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 Borough in connection with the Notes. Delivery is anticipated to be through the facilities of DTC in Brooklyn, New York, on or about April 6, 2026.*

**ELECTRONIC SUBMISSIONS FOR THE NOTES WILL BE RECEIVED VIA PARITY OR  
E-MAIL UNTIL 11:00 A.M. ON TUESDAY, MARCH 24, 2026. FOR MORE DETAILS ON HOW TO BID  
ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT [WWW.I-DEALPROSPECTUS.COM](http://WWW.I-DEALPROSPECTUS.COM).**

This is a Preliminary Official Statement complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Borough has authorized the distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Notes described herein, the Borough will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser's confirmations requesting payment for the Notes.

**BOROUGH OF DUNELLEN, IN THE  
COUNTY OF MIDDLESEX, NEW JERSEY**

**MAYOR**

Jason F. Cilento

**BOROUGH COUNCIL**

Teresa Albertson  
Crisol-Iris Lantz  
Trina Rios  
William Scott  
Daniel Cole Sigmon  
Elizabeth VanDermark

**MUNICIPAL CLERK**

Lauren Staats

**CHIEF FINANCIAL OFFICER**

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William Robertson, Esq.  
Warren, New Jersey

**INDEPENDENT AUDITORS**

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 Borough 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 Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. 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 Borough 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 Borough 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 Borough.

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 IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number listed on the cover page hereof is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes, and the Borough 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**

**\$15,248,700 BOND ANTICIPATION NOTES,  
CONSISTING OF:  
\$13,301,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTE,  
\$1,797,700 SEWER UTILITY BOND ANTICIPATION NOTE AND  
\$150,000 REDEVELOPMENT BOND ANTICIPATION NOTE**

### **OF THE**

**BOROUGH OF DUNELLEN, IN THE  
COUNTY OF MIDDLESEX, NEW JERSEY**

### **INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Dunellen (the "Borough"), in the County of Middlesex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$15,248,700 Bond Anticipation Notes, consisting of the \$13,301,000 General Improvement Bond Anticipation Note (the "General Improvement Bond Anticipation Note"), the \$1,797,700 Sewer Utility Bond Anticipation Note (the "Sewer Utility Bond Anticipation Note") and the \$150,000 Redevelopment Bond Anticipation Note (the "Redevelopment Bond Anticipation Note"; and together with the General Improvement Bond Anticipation Note and the Sewer Utility Bond Anticipation Note, the "Notes"). This Official Statement has been executed by and on behalf of the Borough 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 30-day month/360-day year.

The principal of and interest due on the Notes will be paid to the registered owners by the Borough or its designated 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 fully registered book-entry obligations in the form of one certificate for 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 (except for any necessary odd denomination) through book-entries made on the books and records of The Depository Trust Company, Brooklyn, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough 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 Borough.

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](http://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 is registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and its registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants 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 Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Notes certificates are required to be printed and delivered.

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

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

**THE BOROUGH 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 Borough, 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 Borough will attempt to locate another qualified securities depository. If the Borough fails to find such a securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Borough 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 Borough, 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 Borough 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 Bond Anticipation Note*

The General Improvement Bond Anticipation 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 adopted by the Borough referred to in the chart below.

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Aggregate Amount of Notes to be Issued</b>
15-06	Streetscape improvements, finally adopted August 3, 2015.	\$143,000
16-12	Parking lot improvements, finally adopted June 6, 2016.	\$55,000
18-06	Various capital improvements, finally adopted June 18, 2018.	\$285,000
19-14	Acquisition of equipment for the Police Department, finally adopted November 4, 2019.	\$29,000
20-02	Various capital improvements, finally adopted February 3, 2020.	\$240,000
21-05	Improvements to various roadways and a parking lot, finally adopted March 15, 2021.	\$67,000
21-06	Stabilization and restructuring of an embankment and retaining wall, finally adopted March 15, 2021.	\$59,000
21-16	Various capital improvements, finally adopted May 17, 2021.	\$154,000
21-22	Repair and reconstruction of ADA ramps, finally adopted August 3, 2021.	\$144,000
22-06, as supplemented by 23-04	Reconstruction of Borough Fire Station and acquisition of fire trucks and equipment, finally adopted February 22, 2022, as supplemented February 21, 2023.	\$7,389,000

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Aggregate Amount of Notes to be Issued</b>
22-08	Various road improvements, finally adopted March 7, 2022.	\$276,000
22-09	Repairs to municipal building, finally adopted March 21, 2022.	\$144,000
22-25	Stream cleaning, finally adopted October 3, 2022.	\$305,000
23-06	Acquisition of property, finally adopted March 6, 2023.	\$888,000
23-14	Various road improvements, finally adopted June 19, 2023.	\$619,000
24-21	Various capital improvements, finally adopted June 17, 2024.	\$626,000
24-29	Acquisition of equipment for the Police Department, finally adopted December 2, 2024.	\$122,000
25-05	Preparation of a municipal facilities capital needs assessment, finally adopted February 18, 2025.	\$65,000
25-11	Various capital improvements, finally adopted April 21, 2025.	\$609,000
25-19	Development of a local safety action plan, finally adopted September 15, 2025.	\$82,000
25-20	Acquisition of property, finally adopted December 1, 2025.	\$1,000,000
	<b>Totals:</b>	<b>\$13,301,000</b>

The proceeds from the sale and issuance of the General Improvement Bond Anticipation Note will be used by the Borough to: (i) currently refund its \$6,250,000 General Improvement Bond Anticipation Note, dated and issued on April 8, 2025 and maturing April 7, 2026; (ii) currently refund its \$3,299,000 General Improvement Bond Anticipation Note, dated and issued on January 14, 2026 and maturing April 7, 2026; (iii) issue \$3,752,000 in new money to finance various capital improvements in and by the Borough; and (iv) pay the costs associated with the authorization, sale and issuance of the General Improvement Bond Anticipation Note.

*Sewer Utility Bond Anticipation Note*

The Sewer Utility Bond Anticipation Note has been authorized by and is being issued pursuant to: (i) the Local Bond Law and (ii) the bond ordinances adopted by the Borough referred to in the chart below.

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Aggregate Amount of Notes to be Issued</b>
18-07	Sewer capital repairs, finally adopted July 2, 2018.	\$91,500
19-01	Sewer main replacements, finally adopted February 19, 2019.	\$89,200
19-13	Grove Avenue sanitary sewer improvements, finally adopted October 21, 2019.	\$86,000
20-09	Repairs to sanitary sewer main on Railroad Avenue or otherwise to cover the costs associated with sewer main repairs to West 4th Street, finally adopted August 3, 2020.	\$225,500
21-21	Replacement of a sinking manhole and repairs to the gravity feed/sanitary sewer line at Gertrude Terrace for the sewer utility, finally adopted July 6, 2021.	\$95,000
22-07, as amended by 22-19	Sewer utility improvements, finally adopted February 22, 2022, as amended August 1, 2022.	\$148,000
22-13	Various sewer utility repairs, finally adopted June 6, 2022.	\$233,500
23-19	Sewer improvements to Kline Place, finally adopted July 3, 2023.	\$116,000
23-22	Acquisition of sewer jet vacuum truck for the sewer utility, finally adopted September 5, 2023.	\$269,000

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Aggregate Amount of Notes to be Issued</b>
24-13	Various sewer improvements, finally adopted May 6, 2024.	\$290,000
24-23	Sewer line improvements, finally adopted July 1, 2024.	\$154,000
	<b>Totals:</b>	<b>\$1,797,700</b>

The proceeds from the sale and issuance of the Sewer Utility Bond Anticipation Note will be used by the Borough to: (i) currently refund its \$1,151,500 Sewer Utility Bond Anticipation Note, dated and issued on April 8, 2025 and maturing April 7, 2026; (ii) currently refund \$610,200 of its \$626,600 Sewer Utility Bond Anticipation Note, dated and issued on January 14, 2026 and maturing April 7, 2026, together with \$16,400 in principal reduction payments; (iii) issue \$36,000 in new money to finance various sewer utility improvements in and by the Borough; and (iv) pay the costs associated with the authorization, sale and issuance of the Sewer Utility Bond Anticipation Note.

*Redevelopment Bond Anticipation Note*

The Redevelopment Bond Anticipation Note has been authorized by and is being issued pursuant to: (i) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 *et seq.*, and (ii) the bond ordinance adopted by the Borough referred to in the chart below.

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Aggregate Amount of Notes to be Issued</b>
23-24	Various improvements, finally adopted September 5, 2023.	\$150,000

The proceeds from the sale and issuance of the Redevelopment Note will be used by the Borough to: (i) currently refund its \$150,000 Redevelopment Bond Anticipation Note, dated and issued on April 8, 2025 and maturing April 7, 2026; and (ii) pay the costs associated with the authorization, sale and issuance of the Redevelopment Bond Anticipation Note.

**CERTAIN RISK FACTORS**

**Cybersecurity**

The Borough relies upon a large and complex technology environment to conduct its various operations. As a result, the Borough 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 Borough has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Borough 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 Borough could cause material disruption of the Borough'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 Borough as well as resulting in economic impacts such as loss of *ad valorem* tax revenue, interruption of municipal services and escalated recovery costs. The Borough 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 Borough.

## **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 Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough 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 Borough, as annually determined by the State Director of Taxation, is \$974,026,958.33.

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. As of December 31, 2025, after taking into account the deductions referred to above, the statutory net debt of the Borough as a percentage of average equalized valuation was 2.836%.

The Borough 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 Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough 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 Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or 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 Borough to levy *ad valorem* taxes upon all taxable property within the Borough 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 Borough's school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 *et seq.* Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time State aid is certified, by the Borough'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 attached hereto.

### **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 Borough 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 Borough 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 Borough 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 Borough 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 Borough 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 Borough 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 Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Borough ("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 Borough 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 Borough 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. 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 not** be designated as qualified under Section 265 of the Code by the Borough 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 to 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**

Except as set forth in the following paragraph, to the knowledge of the Borough Attorney, William Robertson, Esq., Warren, New Jersey (the "Borough Attorney"), 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 boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

A workers compensation claim has been filed entitled Ronald Safar v. Borough of Dunellen. The Petitioner alleges work-related injuries and seeks compensation from the Borough for full disability plus costs and fees and reimbursement of a health insurance lien. The Borough has been advised by outside

counsel that the claim could result in a total disability award of approximately \$436,000, costs and fees of approximately \$65,000 and reimbursement of a health insurance lien of approximately \$190,000. The total award could equal approximately \$700,000. The ultimate exposure to the Borough, however, will depend upon the outcome of an insurance coverage dispute between the Borough's current and former Joint Insurance Funds due to the former Joint Insurance Fund's insolvency. The case has been listed for trial conference in March 2026.

## SECONDARY MARKET DISCLOSURE

The Borough 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 Borough 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 Borough;
- (13) The consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Borough, any of which affect holders of the Notes, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Borough, if any such event reflects financial difficulties.

The 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 Borough fails to comply with the above-described undertaking and covenants, the Borough 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 Borough 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.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

#### **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough 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 Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth in Appendix C attached hereto. Certain legal matters will be passed upon for the Borough by its Borough Attorney.

## UNDERWRITING

The Notes have been purchased from the Borough 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 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 Borough 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 Borough 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 Borough that, to their knowledge, such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

All other information has been obtained from sources that the Borough 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 Scott Olsen, Chief Financial Officer, Borough of Dunellen, 355 North Avenue, Dunellen, New Jersey 08812, telephone (732) 968-3033, or to the Municipal Advisor, NW Financial Group, LLC, 522 Broad Street, Bloomfield, New Jersey 07003, telephone (201) 656-0115.

**MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the Borough, 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 Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

**BOROUGH OF DUNELLEN**

By: \_\_\_\_\_  
**Scott Olsen**  
**Chief Financial Officer**

Dated: March \_\_, 2026

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**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE  
BOROUGH OF DUNELLEN, IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

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

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

### General Information

The Borough is a 1.04 square mile municipality located in the northwest sector of the County. The Borough is bordered on the north by the Township of Green Brook in Somerset County and the City of Plainfield in Union County, on the east and south by the Township of Piscataway and on the west by the Borough of Middlesex, both in the County. The Borough was incorporated in 1887, having previously been part of the Township of Piscataway. Route 28 passes directly through the Borough and Route 22 and Interstate Route 287 are located within a few miles of the Borough.

### Form of Government

The Borough operates under the Mayor and Council form of government. The governing body is composed of a Mayor and six (6) Council members. The Mayor is elected for a four (4) year term and two (2) Council members are elected each year for three (3) year terms.

The Mayor and Borough Council constitute the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the purpose of conducting Borough business.

### Police and Fire Protection

The Borough has a full-time police force with dispatch service contracted through Somerset County. The force operates out of police headquarters within Borough Hall, which was modernized in the 1990s. The Borough has one (1) fire station, which was originally built in 1965 and underwent an approximately \$6.5 million renovation in 2024. The upgraded facility houses new and refurbished apparatus, including state-of-the-art firetrucks, a ladder truck, a pumper truck, and a rescue truck, totaling approximately \$4.5 million. The department is manned by a volunteer force. Rescue services are provided by the volunteer Dunellen Rescue Squad.

### Redevelopment

Since 2020, the Borough of Dunellen has seen nearly \$100 million in investments in our downtown, with another \$100 million in investments from the Dunellen Station Project alone. Our redevelopment efforts are guided by our Master Plan, which is analyzed and amended every few years to suit the changing needs of our community, and our Climate Resiliency Plan believed to be the first of its kind in New Jersey, which guides decisions about zoning, redevelopment, housing, infrastructure, pedestrian safety, and other aspects of daily life and municipal governance with smart growth in mind and accounting for future extreme weather. These plans have allowed the Borough to successfully develop previously vacant and underutilized properties, increasing property value and creating a vibrant downtown with thriving local businesses.

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

## Utilities

The Elizabethtown Water Company provides Borough residents with an adequate supply of water. Electricity and gas are supplied by the Public Service Electric and Gas Company.

The Borough is completely serviced by a sanitary sewer collection system which is maintained by the Borough. For sewage disposal purposes, the Borough is a member of the Plainfield Joint Meeting, which is a participant of the Middlesex County Utilities Authority which assesses its costs against the member municipalities and industries in proportion to the quantity and quality of sewage contributed.

## Library

In 1974, construction was completed on a 6,000 square foot library known as the Arnold A. Schwartz Memorial Library. Financing for the project included a substantial contribution from the Arnold A. Schwartz Foundation (formerly the owner of the Art Color Plant), a grant from the federal government and donations from the Friends of the Library. No debt was incurred by the Borough for the project. The facility has ample space to serve the present and projected population, based upon a comparison of facility, size and book inventory to general standards published by the American Library Association.

## Transportation

The Borough is serviced by the New Jersey Transit railroad station which provides commuter access to New York City and the City of Newark. Bus service is provided by New Jersey Transit.

## Retirement Systems

All full-time permanent or qualified Borough 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 Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). Part-time employees of the Borough who would otherwise qualify for "PERS" are enrolled in a third system, the Defined Contribution Retirement Plan ("DCRP").

## Pension Information<sup>2</sup>

Employees who are eligible to participate in a pension plan are enrolled in PERS, PFRS or DCRP, all 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. The employees contribute a portion of the cost.

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<sup>2</sup> 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 Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	4,131	3,913	218	5.3%
2023	4,113	3,912	201	4.9%
2022	3,732	3,577	155	4.2%
2021	3,714	3,432	282	7.6%
2020	3,747	3,341	406	10.8%
<u>County</u>				
2024	451,078	430,775	20,303	4.5%
2023	449,456	430,665	18,791	4.2%
2022	441,300	425,061	16,239	3.7%
2021	434,089	406,494	27,595	6.4%
2020	431,854	393,791	38,063	8.8%
<u>State</u>				
2024	4,898,064	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,304,301	439,399	9.5%

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

## Income (as of 2024)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$ 86,967	\$ 111,549	\$ 103,556
Median Family Income	17,692	133,732	127,593
Per Capita Income	40,988	50,601	54,253

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

## Population

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

<u>Year</u>	<u>Borough</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>
2020	7,637	5.7%	863,162	6.6%	9,288,994	5.6%
2010	7,227	5.9%	809,858	8.0%	8,791,894	4.5%
2000	6,823	4.5%	750,162	11.7%	8,414,350	8.9%
1990	6,528	-1.0%	671,780	12.7%	7,730,188	5.0%
1980	6,593	-6.8%	595,893	2.1%	7,365,001	2.7%

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

## Largest Taxpayers

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

<u>Taxpayers</u>	2026 <u>Assessed Valuation</u>	% of Total <u>Assessed Valuation</u>
Facciponti	\$ 5,677,200	0.54%
Friendwell Plaza	4,887,500	0.46%
Sonja II LLC	3,180,700	0.30%
Davco North Smalley LL	2,895,800	0.27%
Mastrocola Walnut Street LLC	2,569,600	0.24%
A&M Gardens, Inc.	2,244,000	0.21%
Tunison	2,152,000	0.20%
Resol53 LLC	1,941,300	0.19%
Fantini, Ernest	1,888,900	0.18%
441 North Urban Renewal LLC	<u>1,881,000</u>	<u>0.19%</u>
Total	<u>\$29,426,900</u>	<u>2.78%</u>

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

## Comparison of Tax Levies and Collections

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CASH COLLECTION</u>	<u>PERCENTAGE OF COLLECTIONS</u>
2024	\$23,531,333	\$23,221,814	98.68%
2023	22,937,491	\$22,527,126	98.71%
2022	22,098,568	21,814,593	98.97%
2021	21,627,309	21,405,783	98.80%
2020	21,149,603	20,896,964	98.31%

Source: Annual Audit Reports of the Borough

## Delinquent Taxes and Tax Title Liens

<u>YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2024	\$40,029.20	\$229,556.85	\$269,586.05	1.15%
2023	37,912.45	284,772.08	322,684.53	1.41%
2022	35,518.59	226,727.25	262,245.84	1.19%
2021	33,188.31	227,193.05	260,381.36	1.20%
2020	15,722.65	246,280.72	262,003.37	1.24%

Source: Annual Audit Reports of the Borough

### Property Acquired by Tax Lien Liquidation

<u>YEAR</u>	<u>AMOUNT</u>
2024	\$ 118,000.00
2023	118,000.00
2022	118,000.00
2021	118,000.00
2020	118,000.00

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2025	\$0.650	\$0.034	\$1.411	\$0.353	\$2.448
2024	0.640	0.032	1.480	0.356	2.508
2023	0.706	0.034	1.595	0.373	2.708
2022	0.690	0.031	1.666	0.374	2.761
2021	0.792	0.032	1.891	0.393	3.108

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	\$ 983,653,900	\$1,013,867,141.00	97.02%	\$ 100	\$ 1,013,867,241
2024	937,674,400	918,838,216.56	102.05%	100	918,838,317
2023	845,662,900	847,102,975.06	99.83%	100	847,103,075
2022	798,480,700	769,101,040.26	103.82%		769,101,040
2021	695,204,400	685,403,135.17	101.43%	1	685,403,136

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

### Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$ 2,623,600	\$ 894,589,500	\$ 68,162,200	\$ 7,064,200	\$ 11,214,400	\$ 983,654,000
2024	5,603,800	844,875,500	68,208,600	7,064,200	11,922,300	937,674,400
2023	7,722,900	752,756,700	67,514,600	7,064,200	10,604,500	845,662,900
2022	7,837,300	708,649,100	65,185,800	7,064,200	9,744,300	798,480,700
2021	7,941,300	607,958,600	63,758,400	7,407,900	8,138,200	695,204,400

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

## Financial Operations

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

### Summary of Current Fund Budget

<b><u>Anticipated Revenues</u></b>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$ 468,000	\$ 702,916	\$ 755,000	\$ 450,000	\$ 995,000
Miscellaneous Revenues	1,421,956	2,122,266	2,565,532	3,285,530	3,102,225
Receipts from Delinquent Taxes	234,000	210,000	220,000	240,000	220,000
Amount to be Raised by Taxation	<u>5,731,844</u>	<u>5,753,545</u>	<u>6,251,632</u>	<u>6,297,251</u>	<u>6,726,490</u>
 Total Revenue:	 <u>7,855,800</u>	 <u>8,788,727</u>	 <u>9,792,164</u>	 <u>10,272,781</u>	 <u>11,043,715</u>
 <b><u>Appropriations</u></b>					
General Appropriations	\$ 5,949,399	\$ 6,329,519	\$ 6,925,067	\$ 7,758,435	\$ 8,297,858
Operations (Excluded from CAPS)	589,117	763,940	1,097,148	951,130	877,786
Deferred Charges and Statutory Expenditures	69,000	255,032	20,000	20,000	35,000
Capital Improvement Fund	25,000	170,700	330,000	100,000	100,000
Municipal Debt Service	713,284	749,536	879,949	873,216	1,143,071
Reserve for Uncollected Taxes	<u>510,000</u>	<u>520,000</u>	<u>540,000</u>	<u>570,000</u>	<u>590,000</u>
 Total Appropriations:	 \$ <u>7,855,800</u>	 \$ <u>8,788,727</u>	 \$ <u>9,792,164</u>	 \$ <u>10,272,781</u>	 \$ <u>11,043,715</u>

Source: Annual Adopted Budgets of the Borough

## Fund Balance

### Current Fund

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

### Fund Balance - Current Fund

	Balance	Utilized in
	<u>12/31</u>	Budget of
		<u>Succeeding Year</u>
2024	\$ 1,410,375	\$ 995,000
2023	549,091	450,000
2022	1,293,914	755,000
2021	1,361,210	702,916
2020	530,366	468,000

Source: Annual Audit Reports of the Borough

## Sewer Utility Operating Fund

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

### Fund Balance - Sewer Utility Operating Fund

		Balance		Utilized in
		12/31		Budget of
				Succeeding Year
2024	\$	505,571	\$	243,299
2023		782,831		497,469
2022		696,941		227,096
2021		602,621		133,195
2020		395,837		100,198

Source: Annual Audit Reports of the Borough

### Borough Indebtedness as of December 31, 2024

#### **General Purpose Debt**

Bond Anticipation Notes	\$ 9,323,000
Bonds and Notes Authorized But Not Issued	10,101,855
Other Bonds, Notes and Loans	<u>4,743,954</u>
Total	24,168,809

#### **Local School District Debt**

Serial Bonds	<u>22,995,000</u>
Total	22,995,000

#### **Self-Liquidating Debt**

Serial Bonds	
Bond Anticipation Notes	550,000
Bonds and Notes Authorized But Not Issued	2,511,300
Other Bonds, Notes and Loans	<u>102,072</u>
Total	3,163,372

#### **Total Gross Debt**

	<u>\$50,327,181</u>
Less: Statutory Deductions	40,765
General Purpose Debt	22,995,000
Local School District Debt	
Self-Liquidating Debt	<u>3,163,372</u>
Total	26,199,137

#### **Total Net Debt**

\$24,128,044

Source: Annual Debt Statement of the Borough

**Overlapping Debt as of December 31, 2024** <sup>3</sup>

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$ 22,995,000	100.00%	\$ 22,995,000
County	598,454,466	0.64%	<u>3,811,042</u>
Net Indirect Debt			\$ 26,806,042
Net Direct Debt			<u>24,128,044</u>
Total Net Direct and Indirect Debt			<u>\$ 50,934,086</u>
<b><u>Debt Limit</u></b>			
Average Equalized Valuation Basis (2022, 2023,2024)			918,409,458
Permitted Debt Limitation (3 1/2%)			32,144,331
Less: Net Debt			<u>24,128,044</u>
Remaining Borrowing Power			<u>8,016,287</u>
Percentage of Net Debt to Average Equalized Valuation			2.627%
Gross Debt Per Capita based on 2020 population of 7,637			\$ 6,590
Net Debt Per Capita Based on 2020 population of 7,637			\$ 3,159

Source: Annual Debt Statement of the Borough

<sup>3</sup> Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE BOROUGH OF DUNELLEN,  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

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**INDEPENDENT AUDITOR'S REPORT**

**ACCOUNTANT'S COMPILATION REPORT**

**AUDITED AND UNAUDITED FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

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# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Dunellen  
County of Middlesex  
Dunellen, New Jersey 08812

### ***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 Borough of Dunellen (the "Borough"), 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 year 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 Borough'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 Borough as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the year then ended or the revenues or expenditures for the year ended December 31, 2024.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2024 and 2023, the regulatory basis statement of operations and changes in fund balance for the year 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 Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Borough 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 Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

## SUPLEE, CLOONEY & COMPANY LLC

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2025 on our consideration of the Borough'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 Borough'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 Borough's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY LLC  
Certified Public Accountants

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

April 4, 2025



**SUPLEE, CLOONEY & COMPANY LLC**  
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**ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Dunellen  
County of Middlesex  
Dunellen, New Jersey 08812

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2025 Annual Financial Statement (AFS) of the Borough of Dunellen, County of Middlesex, 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 Borough of Dunellen. 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 Borough of Dunellen 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 Borough of Dunellen'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.

March 4, 2025



BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	<u>(Unaudited)</u>		
<b><u>REVENUE AND OTHER INCOME</u></b>			
Fund Balance Utilized	\$ 995,000.00	\$ 450,000.00	\$ 755,000.00
Miscellaneous Revenue Anticipated	3,610,908.24	3,678,918.11	3,486,611.97
Receipts from Delinquent Taxes	229,049.43	271,568.74	219,766.78
Receipts from Current Taxes	23,821,470.53	23,221,814.36	22,527,125.83
Non-Budget Revenue	75,650.43	296,572.59	245,819.09
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	290,534.14	102,823.26	77,510.42
Cancel Various Payables/Reserves	7,853.39	9,095.47	
Grant Appropriations and Receivables Cancelled, net		1,269.78	6,791.55
Statutory Excess Due to Current Fund			
- Animal Control Fund		2,986.84	1,626.56
Interfunds Returned, (Net)		385,267.73	
	<u>29,030,466.16</u>	<u>28,420,316.88</u>	<u>27,320,252.20</u>
<b><u>EXPENDITURES</u></b>			
Budget Appropriations:			
Operating	8,179,653.00	7,612,597.19	6,950,924.00
Deferred Charges and			
Statutory Expenditures	1,194,991.00	1,106,235.00	966,484.00
State and Federal Grants	108,720.19	218,399.14	461,889.33
Capital Improvements	111,000.00	100,000.00	330,000.00
Municipal Debt Service	1,119,758.29	873,212.70	879,945.67
Local District School Taxes	13,879,967.00	13,877,991.00	13,488,010.00
County Taxes	3,474,446.65	3,335,597.60	3,159,503.26
Senior Citizen Allowed/Disallowed (net)			250.00
Interfunds Advanced, (Net)	1,134,881.07		1,073,068.43
	<u>29,203,417.20</u>	<u>27,124,032.63</u>	<u>27,310,074.69</u>
Total Expenditures			
Excess/(Deficit) in Revenues	(172,951.04)	1,296,284.25	10,177.51
Adj. to Income Before Fund Balance:			
Expend. Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Years	175,000.00	15,000.00	
	<u>175,000.00</u>	<u>15,000.00</u>	
Regulatory Excess to Fund Balance	2,048.96	1,311,284.25	10,177.51
<b><u>FUND BALANCE</u></b>			
Balance - January. 1	1,410,375.74	549,091.49	1,293,913.98
Decreased by:			
Utilized as Anticipated Revenue	995,000.00	450,000.00	755,000.00
	<u>995,000.00</u>	<u>450,000.00</u>	<u>755,000.00</u>
Balance - December. 31	<u>\$ 417,424.70</u>	<u>\$ 1,410,375.74</u>	<u>\$ 549,091.49</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	ANTICIPATED 2024 BUDGET	N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	\$ 450,000.00	\$	\$ 450,000.00	\$
Total Surplus Anticipated	450,000.00		450,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	6,000.00		7,240.00	1,240.00
Other	23,000.00		25,717.00	2,717.00
Fees and Permits	13,000.00		18,735.56	5,735.56
Fines and Costs:				
Municipal Court	160,000.00		222,301.96	62,301.96
Interest and Costs on Taxes	56,000.00		70,961.01	14,961.01
Interest on Deposits	25,000.00		96,663.88	71,663.88
Utility Operating Surplus	325,000.00		325,000.00	
Energy Receipts Tax	610,144.00		610,144.04	0.04
Municipal Relief Funds	62,891.67		62,891.67	
Uniform Construction Code Fees	250,000.00		158,358.00	(91,642.00)
Public and Private Revenues Off-Set				
With Appropriations:				
Alcohol Education and Rehabilitation Grant	2,595.89		2,595.89	
Body Armor Replacement Fund	1,715.77	1,775.31	3,491.08	
Clean Communities Program		15,391.39	15,391.39	
Community Development Block Grant		47,665.00	47,665.00	
Distracted Driving Grant		6,440.00	6,440.00	
Drive Sober or Get Pulled Over		13,895.00	13,895.00	
Emergency Management Grant	10,000.00		10,000.00	
Federal Bulletproof Partnership Program	1,268.28		1,268.28	
Municipal Alliance on Alcohol and Drug Abuse	7,914.00		7,914.00	
Pedestrian Safety Fund - NJDL&PS - Div of Highway Traffic		25,000.00	25,000.00	
Transit Village NJ DOT FY22		82,500.00	82,500.00	
Other Special Items:				
Cable TV Franchise Fees	20,000.00		21,781.13	1,781.13
Dunellen Parking Authority - Lease Agreement	20,000.00		20,000.00	
Anticipated General Capital Surplus	80,000.00		80,000.00	
Outside Duty Administrative Fees	61,000.00		61,000.00	
PILOT Agreement - Dunellen Station	1,100,000.00		1,231,963.22	131,963.22
Interfund - Due from General Capital Fund	450,000.00		450,000.00	
Total Miscellaneous Revenues	3,285,529.61	192,666.70	3,678,918.11	200,721.80
Receipts from Delinquent Taxes	240,000.00		271,568.74	31,568.74
Subtotal General Revenues	3,525,529.61	192,666.70	3,950,486.85	232,290.54
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 5,997,625.83		\$ 6,278,600.57	\$ 280,974.74
Minimum Library Tax	299,625.19		299,625.19	
Total Amount to be Raised by Taxes for Support of Municipal Budget	6,297,251.02		6,578,225.76	280,974.74
Total General Revenues	10,272,780.63	192,666.70	10,978,712.61	\$ 513,265.28
Non-Budget Revenues			296,572.59	296,572.59
	\$ 10,272,780.63	\$ 192,666.70	\$ 11,275,285.20	809,837.87

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

	2024 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS"</u>						
Administrative and Executive						
Salaries and Wages	\$ 95,000.00	\$ 95,000.00	\$ 93,593.85	\$ 5,300.48	\$ 1,406.15	\$ 6,584.42
Other Expenses	86,000.00	76,000.00	64,115.10			
Miscellaneous Other Expenses						
Borough Clerk						
Salaries and Wages	76,500.00	76,500.00	76,482.74		17.26	
Other Expenses	8,100.00	10,100.00	8,528.87	548.74	1,022.39	
Legal Advertising	7,500.00	7,500.00	7,428.65		71.35	
Elections						
Other Expenses	4,635.00	3,735.00	3,689.83		65.17	
Financial Administration						
Salaries and Wages	103,800.00	103,800.00	103,800.00			
Other Expenses	64,000.00	64,000.00	14,762.58	2,500.00	46,737.42	35,000.00
Annual Audit	35,000.00	35,000.00				
Mayor and Council						
Salaries and Wages	20,800.00	20,800.00	20,508.13		291.87	
Other Expenses	14,000.00	14,000.00	11,770.41	205.87	2,023.72	
Assessment of Taxes						
Salaries and Wages	21,000.00	21,000.00	20,908.94		91.06	
Other Expenses	21,500.00	28,500.00	24,269.08	3,799.29	431.63	
Collection of Taxes						
Salaries and Wages	102,600.00	102,600.00	102,600.00			
Other Expenses	29,250.00	29,250.00	26,058.12	896.90	2,294.98	
Legal Services and Costs						
Salaries and Wages	125,000.00	135,000.00	86,147.20	44,793.22	4,059.58	
Other Expenses						
Municipal Prosecutor						
Salaries and Wages	42,000.00	47,500.00	47,379.80		120.20	
Engineering Services						
Other Expenses	33,000.00	35,000.00	33,853.28	1,043.72	103.00	
Postage						
Other Expenses	11,000.00	11,000.00	8,772.11		2,227.89	
Public Buildings and Grounds						
Salaries and Wages	24,300.00	27,800.00	27,705.65		94.35	
Other Expenses						
Miscellaneous Other Expenses						
Municipal Land Use Law (NUSA 40:55D)						
Planning Board						
Salaries and Wages	36,000.00	51,000.00	32,109.88	17,971.69	918.43	
Other Expenses						
Salaries and Wages	5,200.00	9,300.00	9,252.00		48.00	
Other Expenses	14,000.00	12,000.00	3,779.50	5,048.04	3,172.46	
Municipal Court						
Salaries and Wages	167,500.00	172,500.00	172,304.99		195.01	
Other Expenses	24,000.00	24,000.00	19,023.49	3,686.27	1,290.24	
Public Defender						
Salaries and Wages	9,450.00	9,450.00			9,450.00	
Information Technology						
Other Expenses	90,000.00	90,000.00	81,689.31	8,260.38	50.31	
Municipal Planner						
Other Expenses	10,000.00	10,000.00	5,598.00	748.50	3,653.50	
Grants Writer						
Other Expenses	100.00	100.00			100.00	

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY  
CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<b>PUBLIC SAFETY:</b>						
Fire						
Other Expenses:						
Fire Hydrant Service	95,000.00	95,000.00	86,569.51	\$	8,430.49	\$
Misc. Other Expenses	45,000.00	45,000.00	39,356.57		1,281.48	
Police						
Salaries and Wages	2,280,000.00	2,187,219.61	2,091,195.53		96,024.08	
Regular	54,250.00	64,250.00	55,673.04		8,576.96	
Overtime						
Other Expenses	107,100.00	107,100.00	88,964.89	9,410.80	8,724.31	
Misc. Other Expenses	99,905.00	112,905.00	108,618.75		4,286.25	
School Crossing Guards	15,000.00	15,000.00			15,000.00	
Salaries and Wages	5,000.00	5,000.00	4,901.35		98.65	
Aid to Volunteer Ambulance Companies	100,000.00	95,000.00	94,656.62		343.38	
Other Expenses						
Emergency Management Services						
Salaries and Wages						
Emergency Vehicle Leases						
Other Expenses						
<b>STREETS AND ROADS:</b>						
Road Repairs and Maintenance	540,900.00	656,614.05	656,317.43		296.62	
Salaries and Wages	92,500.00	113,600.00	84,375.61	6,999.38	22,225.01	
Misc. Other Expenses	15,000.00	11,300.00	11,286.00		14.00	
Other Expenses-Leaf Bags						
Tree Maintenance	50,000.00	37,000.00	32,126.46		4,873.54	
Other Expenses						
Shade Tree						
Other Expenses	5,000.00	5,000.00	3,793.68		1,206.32	
Transit Village	1,000.00	1,000.00	629.09		370.91	
Other Expenses						
<b>SANITATION:</b>						
Landfill/Solid Waste Disposal Costs	24,000.00	24,000.00	21,887.19	1,280.00	832.81	
Other Expenses						
<b>HEALTH AND WELFARE:</b>						
Board of Health	40,000.00	39,000.00	37,923.10		1,076.90	
Salaries and Wages	24,311.00	24,311.00	19,692.15		4,618.85	
Other Expenses						
Green Brook Flood Control Commission	500.00	500.00	496.00		64.00	
Share of Cost						
Insurance	303,048.00	303,048.00	302,891.00		157.00	
General Liability	821,260.00	866,260.00	865,757.33		502.67	
Employee Group Health						
Reserve for Tax Appeals	10,000.00	5,000.00			5,000.00	
<b>RECREATION AND EDUCATION:</b>						
Recreation Commission	149,626.00	50,192.34	50,192.34			
Salaries and Wages	1,000.00	1,000.00	1,000.00			
Arts Commission	250.00	1,450.00	1,365.00		85.00	
Other Expenses						
Mayors Traffic & Pedestrian Safety Task Force						
Other Expenses						
Community & Economic Development	25,000.00	15,000.00	13,846.16		1,153.84	
Salaries and Wages	2,000.00	2,000.00			2,000.00	
Other Expenses						

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

	2024 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
UNIFORM CONSTRUCTION CODE- APPROPS. OFFSET BY DEDICATED REVENUES (NJAC 5.23-4.17)	\$ 157,015.00	\$ 157,015.00	\$ 155,464.92	\$ 11.74	\$ 1,550.08	\$ 14,923.29
Construction Code Official Salaries and Wages	18,000.00	18,000.00	3,064.97			
Other Expenses						
UNCLASSIFIED:						
Telephone	30,450.00	35,950.00	34,597.16		1,352.84	
Water	6,000.00	7,500.00	6,594.25		905.75	
Gasoline	57,200.00	64,100.00	63,706.27		393.73	
Natural Gas and Electricity	220,000.00	192,300.00	175,724.39		16,575.61	
Internet Service Provider	3,150.00	5,650.00	5,532.39		117.61	
Total Operations within "CAPS"	6,679,700.00	6,685,700.00	6,224,250.66	116,866.97	344,582.37	
Contingent	1,500.00	1,500.00			1,500.00	
Total Operations Including Contingent Within "CAPS"	6,681,200.00	6,687,200.00	6,224,250.66	116,866.97	346,082.37	
DETAIL:						
Salaries and Wages	4,019,846.00	3,973,446.00	3,834,822.56		123,623.44	
Other Expenses (Including Contingent)	2,661,354.00	2,713,754.00	2,389,428.10	116,866.97	222,458.93	
DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL WITHIN "CAPS":						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System	190,463.00	190,463.00	185,463.00		5,000.00	
Social Security System (O.A.S.I.)	190,100.00	199,100.00	186,739.93		12,360.07	
Police and Firemen's Retirement System of N.J.	693,672.00	693,672.00	693,672.00			
Unemployment Compensation Ins.	1,000.00	1,000.00			1,000.00	
Defined Contribution Retirement Program	2,000.00	2,000.00	232.83		1,767.17	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	1,077,235.00	1,086,235.00	1,066,107.76		20,127.24	
Total General Appropriations for Municipal Purposes Within "CAPS"	7,758,435.00	7,773,435.00	7,290,358.42	116,866.97	366,209.61	
Operations Excluded from "CAPS":						
Maintenance of Free Public Library	299,625.19	299,625.19	268,679.82		30,945.37	
Liability Insurance Exclusion	108,952.00	108,952.00	108,952.00			
General Liability						
Intergovernmental Services	336,500.00	336,500.00	160,918.80	16,856.69	158,724.51	
Recycling-Other Expenses	40,320.00	40,320.00	40,314.87		5.13	
Health Services-Other Expenses						
Intergovernmental-County of Somerset	140,000.00	140,000.00	92,351.46		47,648.54	
Dispatch Service - Other Expenses						
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Matching Funds for Grants	260.00	260.00				260.00
Alcohol Education and Rehabilitation	2,595.89	2,595.89	2,595.89			
Body Armor Grant (N.J.S.A. 40A:4-87 \$1,775.31)	1,715.77	3,491.08	3,491.08			
Bulleproof Vest Program	1,268.28	1,268.28	1,268.28			
Clean Communities Program (N.J.S.A. 40A:4-87 \$15,391.39)		15,391.39	15,391.39			
Community Development Block Grant (N.J.S.A. 40A:4-87 \$47,665.00)		47,665.00	47,665.00			
Distacted Driving Grant (N.J.S.A. 40A:4-87 \$6,440.00)		6,440.00	6,440.00			
Drive Sober or Get Pulled Over (N.J.S.A. 40A:4-87 \$13,895.00)		13,895.00	13,895.00			
Emergency Management - Preparedness	10,000.00	10,000.00	10,000.00			
Municipal Alliance on Alcohol and Drug Abuse	7,914.00	7,914.00	7,914.00			

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY  
CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<b>PUBLIC AND PRIVATE PROGRAMS</b>						
<b>OFFSET BY REVENUES:</b>						
Municipal Alliance - Matching Funds	1,978.50	1,978.50	1,978.50			\$
Pedestrian Safety Grant (N.J.S.A. 40A:4-87 \$25,000.00)		25,000.00	25,000.00			
Transit Village NJ DOT FY 22 (N.J.S.A. 40A:4-87 \$82,050.00)		82,500.00	82,500.00			
Total Operations - Excluded from "CAPS"	951,129.63	1,143,796.33	889,356.09	16,856.69	237,583.55	
<b>DETAIL:</b>						
Salaries and Wages						
Other Expenses	951,129.63	1,143,796.33	889,356.09	16,856.69	237,583.55	
<b>Capital Improvements - Excluded from "CAPS"</b>						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00			
Total Capital Improvements - Excluded from "CAPS"	100,000.00	100,000.00	100,000.00			
<b>Municipal Debt Service - Excluded from "CAPS"</b>						
Payment of Bond Anticipation Notes and Capital Notes	147,000.00	147,000.00	147,000.00			1.40
Interest on Notes	79,730.00	79,730.00	79,728.60			
Capital Lease Obligations Approved After to 7/1/2007						
M.C.I.A.-Lease Payments - Principal	378,636.00	378,636.00	378,635.27			0.73
M.C.I.A.-Lease Payments - Interest	267,850.00	267,850.00	267,848.83			1.17
Total Municipal Debt Service - Excluded from "CAPS"	873,216.00	873,216.00	873,212.70			3.30
<b>Deferred Charges - Excluded from "CAPS"</b>						
Deferred Charges to Future Taxation-Canceled Grants Receivable - Ord 08-07	20,000.00	20,000.00	20,000.00			
Total Deferred Charges-Municipal Excluded from "CAPS"	20,000.00	20,000.00	20,000.00			
<b>Total General Appropriations for Municipal Purposes Excluded from "CAPS"</b>	1,944,345.63	2,137,012.33	1,882,568.79	16,856.69	237,583.55	3.30
Subtotal General Appropriations	9,702,780.63	9,910,447.33	9,172,927.21	133,723.66	603,793.16	3.30
Reserve for Uncollected Taxes	570,000.00	570,000.00	570,000.00			
Total General Appropriations	10,272,780.63	10,480,447.33	9,742,927.21	133,723.66	603,793.16	3.30
Adopted Budget		10,272,780.63				
Special Emergency Appropriation		30,000.00				
Approp. by N.J.S.A. 40A:4-87		192,666.70				
		10,495,447.33				
Reserve for Uncollected Taxes			570,000.00			
Disbursed			6,687,788.07			
Reserve for State & Fed. Grants Approp.			218,139.14			
Payment of Bond Anticipation Notes and Capital Notes			147,000.00			
Capital Improvement Fund			100,000.00			
Deferred Charges to Future Taxation-Unfunded			20,000.00			
			9,742,927.21			

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Analysis of Realized Revenues

Allocation of Current Tax Collections:

2023 Collections	\$ 78,557.96
2024 Collections	23,115,858.45
State Share of Sr. Cit. and Vets. Ded.	<u>27,397.95</u>

\$ 23,221,814.36

Allocated to:

School and County Taxes	<u>17,213,588.60</u>
----------------------------	----------------------

6,008,225.76

Add: Reserve for Uncollected Taxes

570,000.00

Amount for Support of Municipal  
Budget Appropriations

\$ 6,578,225.76

PILOT Agreement - Dunellen Station

Cash Receipts	\$ 1,226,724.84
Prepays Applied	<u>5,238.38</u>

\$ 1,231,963.22

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

"B"

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2024 AND 2023

<u>ASSETS</u>	BALANCE DEC. 31, <u>2025</u> (Unaudited)	BALANCE DEC. 31, <u>2024</u>	BALANCE DEC. 31, <u>2023</u>
Animal Control Fund:			
Due from Current Fund	\$ 165.76	\$ 4,290.76	\$ 4,724.00
Total Dog License Fund	<u>165.76</u>	<u>4,290.76</u>	<u>4,724.00</u>
Other Trust Fund:			
Cash	540,334.32	663,340.85	504,524.09
Due from Current Fund		607,168.78	58,578.43
Due from General Capital Fund	<u>700,000.00</u>	<u>100,000.00</u>	<u>500,000.00</u>
Total Other Trust Fund	<u>1,240,334.32</u>	<u>1,370,509.63</u>	<u>1,063,102.52</u>
Public Assistance Trust Fund			
Cash			<u>3,413.99</u>
	<u>\$ 1,240,500.08</u>	<u>\$ 1,374,800.39</u>	<u>\$ 1,071,240.51</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State of New Jersey Res. for Animal Control Fund Expend.	\$ 165.76	\$ 1.20 4,289.56	\$ 4,724.00
Total Animal Control Fund	<u>165.76</u>	<u>4,290.76</u>	<u>4,724.00</u>
Other Trust Fund:			
Due Current Fund	5,106.90		
Various Reserves	<u>1,235,227.42</u>	<u>1,370,509.63</u>	<u>1,063,102.52</u>
Total Other Trust Fund	<u>1,240,334.32</u>	<u>1,370,509.63</u>	<u>1,063,102.52</u>
Public Assistance Trust Fund			
Reserve for Expenditures			<u>3,413.99</u>
	<u>\$ 1,240,500.08</u>	<u>\$ 1,374,800.39</u>	<u>\$ 1,071,240.51</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2024 AND 2023

<u>ASSETS</u>	BALANCE DEC. 31, <u>2025</u> (Unaudited)	BALANCE DEC. 31, <u>2024</u>	BALANCE DEC. 31, <u>2023</u>
Due from Various Grantor Agencies	\$ 3,878,029.60	\$ 2,687,144.10	\$ 2,199,141.60
Deferred Charges to Future Taxation:			
Funded	4,353,046.05	4,743,953.80	5,122,589.07
Unfunded	23,270,311.23	19,409,171.23	18,742,773.89
Deferred Charges:			
To be Raised in subsequent years' budget	<u>20,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>
	<u>\$ 31,521,386.88</u>	<u>\$ 26,860,269.13</u>	<u>\$ 26,084,504.56</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u> 			
Due to Trust Other Fund	\$ 700,000.00	\$ 100,000.00	\$ 500,000.00
Due to Current Fund	1,357,068.92	237,800.70	1,071,933.40
Bond Anticipation Notes	9,706,000.00	9,323,000.00	1,944,600.00
M.C.I.A. Lease Payable	4,353,046.05	4,743,953.80	5,122,589.07
Reserve for Encumbrances Payable	2,797,074.57	2,351,606.73	7,312,065.83
Improvement Authorizations:			
Funded	927,590.00	963,156.20	1,113,617.16
Unfunded	9,525,571.76	7,479,194.16	7,680,097.06
Capital Improvement Fund	38.05	36,883.05	34,083.05
Reserve for Payment of Future Debt Service	0.36	25,081.36	25,081.36
Reserve for Grants Receivable	1,784,101.90	1,048,396.90	904,394.40
Reserve for Various Projects	132,796.10	98,987.64	
Fund Balance	<u>238,099.17</u>	<u>452,208.59</u>	<u>376,043.23</u>
	<u>\$ 31,521,386.88</u>	<u>\$ 26,860,269.13</u>	<u>\$ 26,084,504.56</u>
 Bonds and Notes Authorized but not Issued	 <u>\$ 13,564,994.88</u>	 <u>\$ 10,101,854.88</u>	 <u>\$ 16,821,251.87</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

Balance - December 31, 2023		\$	376,043.23
Increased by:			
Premium on BAN Sale	\$	8,536.80	
Improvement Authorizations Canceled		<u>147,628.56</u>	
			<u>156,165.36</u>
			532,208.59
Decreased by:			
Appropriated to CY 2024 Budget Revenue			<u>80,000.00</u>
Balance - December 31, 2024		\$	<u><u>452,208.59</u></u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2024 AND 2023

<u>ASSETS</u>	<u>BALANCE</u> <u>DEC. 31, 2025</u> (Unaudited)	<u>BALANCE</u> <u>DEC. 31, 2024</u>	<u>BALANCE</u> <u>DEC. 31, 2023</u>
Operating Fund:			
Due from Current Fund	\$	\$ 32,024.89	\$ 849,679.14
Due from Sewer Utility Capital Fund	642,164.57	664,092.14	177,350.00
	<u>642,164.57</u>	<u>696,117.03</u>	<u>1,027,029.14</u>
Receivables with Offsetting Reserves:			
Sewer Rents Receivable	82,137.98	77,406.87	96,490.24
Sewer Liens Receivable	2,060.00	2,060.00	2,060.00
	<u>84,197.98</u>	<u>79,466.87</u>	<u>98,550.24</u>
Total Operating Fund	<u>726,362.55</u>	<u>775,583.90</u>	<u>1,125,579.38</u>
Capital Fund:			
Fixed Capital	25,213,942.98	24,863,142.98	\$24,199,865.25
Fixed Capital - Authorized and Uncompleted	2,561,000.00	2,861,000.00	3,173,500.00
Due from Current Fund	1,024,614.16		-
Total Capital Fund	<u>28,799,557.14</u>	<u>27,724,142.98</u>	<u>27,373,365.25</u>
	<u>\$ 29,525,919.69</u>	<u>\$ 28,499,726.88</u>	<u>\$ 28,498,944.63</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2024 AND 2023

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>BALANCE DEC. 31, 2025 (Unaudited)</u>	<u>BALANCE DEC. 31, 2024</u>	<u>BALANCE DEC. 31, 2023</u>
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 21,921.78	\$ 94,660.70	\$ 121,293.13
Reserve for Encumbrances	40,490.15	627.50	29,491.00
Sewer Rent Overpayments	5,004.13	3,836.79	4,894.41
Due to Current Fund	6,830.56		-
Accounts Payable	67,789.00	67,789.00	62,597.00
Accrued Interest Payable	57,028.24	23,632.15	25,922.67
	<u>199,063.86</u>	<u>190,546.14</u>	<u>244,198.21</u>
Reserve for Receivables	84,197.98	79,466.87	98,550.24
Fund Balance	<u>443,100.71</u>	<u>505,570.89</u>	<u>782,830.93</u>
Total Operating Fund	<u>726,362.55</u>	<u>775,583.90</u>	<u>1,125,579.38</u>
Capital Fund:			
MCIA Capital Leases	68,451.40	102,072.20	135,361.40
Bond Anticipation Notes	1,847,300.00	550,000.00	619,200.00
Improvement Authorizations - Funded	1,946.47	13,584.01	92,628.97
Improvement Authorizations - Unfunded	636,754.23	966,229.71	1,018,110.15
Reserve for Encumbrances	466,526.62	500,371.87	559,275.85
Reserve for Amortization	24,723,309.88	24,569,689.08	24,420,303.85
Deferred Reserve for Amortization	8,000.00	8,000.00	147,525.00
Due to Current Fund			1,135.03
Due to Sewer Utility Operating Fund	642,164.57	664,092.14	177,350.00
Capital Improvement Fund	<u>405,103.97</u>	<u>350,103.97</u>	<u>202,475.00</u>
Total Capital Fund	<u>28,799,557.14</u>	<u>27,724,142.98</u>	<u>27,373,365.25</u>
	<u>\$ 29,525,919.69</u>	<u>\$ 28,499,726.88</u>	<u>\$ 28,498,944.63</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

<u>REVENUE AND OTHER INCOME</u>	<u>2025</u> (Unaudited)	<u>2024</u>	<u>2023</u>
Fund Balance Anticipated	\$ 243,299.00	\$ 497,469.00	\$ 227,096.00
Sewer User Fees	1,147,147.57	1,121,886.34	998,899.42
Miscellaneous Revenues Not Anticipated	15,639.39	20,354.62	137,962.43
Other Credits to Income:			
Accounts Payable Cancelled		2,299.00	3,800.00
Unexpended Balance of Approp. Reserves	<u>84,941.66</u>	<u>72,100.34</u>	<u>72,607.49</u>
 Total Revenue	 <u>1,491,027.62</u>	 <u>1,714,109.30</u>	 <u>1,440,365.34</u>
 <u>EXPENDITURES</u>			
Operating:			
Salaries and Wages	122,240.00	152,000.00	144,930.00
Other Expenses	798,190.00	753,100.00	735,800.00
Capital Improvements	120,000.00	120,000.00	120,000.00
Debt Service	131,968.80	131,000.34	113,849.77
Deferred Charges and Statutory Expenditures	<u>12,800.00</u>	<u>12,800.00</u>	<u>12,800.00</u>
 Total Expenditures	 <u>1,185,198.80</u>	 <u>1,168,900.34</u>	 <u>1,127,379.77</u>
 Excess in Revenues	 305,828.82	 545,208.96	 312,985.57
 <u>FUND BALANCE</u>			
Balance, January 1	<u>505,570.89</u>	<u>782,830.93</u>	<u>696,941.36</u>
	811,399.71	1,328,039.89	1,009,926.93
Decreased by:			
Fund Balance Utilized	243,299.00	497,469.00	227,096.00
Utilized as Anticipated Revenue in Current Fund	<u>125,000.00</u>	<u>325,000.00</u>	
 Balance, December 31	 <u>\$ 443,100.71</u>	 <u>\$ 505,570.89</u>	 <u>\$ 782,830.93</u>

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

	<u>2024</u> <u>BUDGET</u>	REALIZED <u>IN 2024</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance Anticipated	\$ 497,469.00	\$ 497,469.00	
Sewer User Fees	998,724.00	1,121,886.34	123,162.34
Miscellaneous		20,354.62	20,354.62
	<u>\$ 1,496,193.00</u>	<u>\$ 1,639,709.96</u>	<u>\$ 143,516.96</u>

ANALYSIS OF REALIZED REVENUES

Sewer Rents:

Sewer Rents Receivable:

2024 Cash Collections:

Deposits in Current Fund

Overpayments Applied

\$ 1,116,991.93  
4,894.41

\$ 1,121,886.34

Miscellaneous Revenues:

Interest and Costs on Sewer Rents

Sewer Connection Fees

\$ 16,754.62  
3,600.00

\$ 20,354.62

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

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY  
SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 152,000.00	\$ 152,000.00	\$ 108,373.99	\$	\$ 43,626.01	\$
Other Expenses	753,100.00	753,100.00	706,710.49	627.50	45,762.01	
Capital Improvements:						
Capital Improvement Fund	55,000.00	55,000.00	55,000.00			
Capital Outlay	65,000.00	65,000.00	62,182.00		2,818.00	
Debt Service:						
Payment of Bond Anticipation Notes and Capital Notes	69,200.00	69,200.00	69,200.00			
Interest on Notes	25,388.00	25,388.00	25,388.00			
MCIA Lease Purchase Payments						
Principal	33,290.00	33,290.00	33,289.20			0.80
Interest	5,415.00	5,415.00	3,123.14			2,291.86
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	5,000.00	5,000.00	5,000.00			
Social Security System (O.A.S.I.)	7,800.00	7,800.00	5,345.32		2,454.68	
Surplus (General Budget)	325,000.00	325,000.00	325,000.00			
	<u>\$ 1,496,193.00</u>	<u>\$ 1,496,193.00</u>	<u>\$ 1,398,612.14</u>	<u>\$ 627.50</u>	<u>\$ 94,660.70</u>	<u>\$ 2,292.66</u>
Disbursed			\$ 1,315,101.00			
Interfund - Capital Improvement Fund			55,000.00			
Accrued Interest			28,511.14			
			<u>\$ 1,398,612.14</u>			

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

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BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GENERAL FIXED ASSETS  
BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2024 AND 2023

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>FIXED ASSETS:</u>		
Land	\$ 829,500.00	\$ 829,500.00
Buildings and Improvements	7,069,622.00	1,142,300.00
Machinery and Equipment	<u>6,211,543.00</u>	<u>3,627,349.00</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 14,110,665.00</u>	<u>\$ 5,599,149.00</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 14,110,665.00</u>	<u>\$ 5,599,149.00</u>

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

BOROUGH OF DUNELLEN

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Dunellen is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough council consists of elected officials and is responsible for the fiscal control of the Borough. A Mayor is elected to serve a term of four years. A Council consisting of six members is elected to serve staggered three-year terms.

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

Except as noted below, the financial statements of the Borough of Dunellen include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Dunellen, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Dunellen do not include the operations of the free public library, volunteer rescue organizations or the local public 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 three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Borough of Dunellen 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 Borough of Dunellen 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 Borough accounts for its financial transactions through the following individual funds and account groups:

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

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

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

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

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 government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Expenditures - are recorded on the "budgetary" basis of accounting. General 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 Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31<sup>st</sup> of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 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 system are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of the purchase and are not capitalized in their own respective funds. The Borough has valued its land and buildings at assessed values. GAAP requires capital assets to be recorded at their historical cost or estimated historical cost. Additionally, GAAP requires depreciation to be calculated on capital assets, with the exception of land.

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.

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

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

Fixed Capital-Sewer Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of NJAC 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital – Sewer Utility (continued) - The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) - Under GAAP, municipalities required to record their distributive shares of OPEB liability, deferred outflows of resources, deferred inflows of resources in the statement of Net Position and total OPEB related expense in Statements of Revenues, Expenses, Changes in Net Position and Notes to the Financial Statements in accordance with GASB 75.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough 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 financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Under GUDPA, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of Dunellen had the following cash and cash equivalents at December 31, 2024:

<u>Fund</u>	<u>Change Fund</u>	<u>Cash on Deposit</u>	<u>Reconciling Items</u>	<u>Reconciled Total</u>
Current Fund	\$ 100.00	\$ 3,539,267.47	\$ (132,269.11)	\$ 3,407,098.36
Trust Fund		671,541.94	(8,201.09)	663,340.85
<u>Total December 31, 2024</u>	<u>\$ 100.00</u>	<u>\$ 4,210,809.41</u>	<u>\$ (140,470.20)</u>	<u>\$ 4,070,439.21</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough 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 in the bank was exposed to custodial credit risk. Of the cash balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$3,960,809.41 was covered by NJGUDPA.

The Borough has no foreign currency risk exposure.

B. Investments

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

NOTE 2: CASH AND CASH EQUIVALENT (CONTINUED)

B. Investments (Continued)

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

The Borough of Dunellen's investment activities during the year were in accordance with the above New Jersey Statute.

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 Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, are included in the below Summary of Municipal Debt and Summary of Statutory Debt Condition Annual Debt Statement:

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds and Notes	\$ 9,323,000.00	\$ 1,944,600.00	\$ 4,275,600.00
Loans Payable	4,743,953.80	5,122,589.07	5,508,125.48
Sewer Utility:			
Bonds and Notes	550,000.00	619,200.00	670,000.00
Loans Payable	<u>102,072.20</u>	<u>135,361.40</u>	<u>167,370.20</u>
Net Debt Issued	14,719,026.00	7,821,750.47	10,621,095.68
Less:			
Reserve for Payment of Debt Service	25,081.36	25,081.36	25,081.36
Cash on Hand to Pay Notes	<u>15,683.65</u>	<u>                    </u>	<u>1,996,506.87</u>
Total Debt	<u>14,678,260.99</u>	<u>7,796,669.11</u>	<u>8,599,507.45</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	10,101,854.88	16,821,251.87	10,260,980.45
Sewer Utility:			
Bonds and Notes	<u>2,511,300.00</u>	<u>2,050,975.00</u>	<u>1,050,975.00</u>
Total Authorized but not Issued	<u>12,613,154.88</u>	<u>18,872,226.87</u>	<u>11,311,955.45</u>
Net Bonds and Notes Issued and and Authorized but not issued	<u>\$ 27,291,415.87</u>	<u>\$ 26,668,895.98</u>	<u>\$ 19,911,462.90</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 2.627%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$22,995,000.00	\$22,995,000.00	-0-
Sewer Utility Debt	3,163,372.20	3,163,372.20	-0-
General Debt	<u>24,168,808.68</u>	<u>40,765.01</u>	<u>\$24,128,043.67</u>
	<u>\$50,327,180.88</u>	<u>\$26,199,137.21</u>	<u>\$24,128,043.67</u>

NET DEBT \$24,128,043.67 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$918,409,457.67, EQUALS 2.627%.

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

Equalized Valuation Basis* - December 31, 2024	\$918,409,457.67
3-1/2 of Equalized Valuation Basis	32,144,331.02
Net Debt	<u>24,128,043.67</u>
Remaining Borrowing Power	<u>\$8,016,287.35</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 Borough of Dunellen for the last three (3) preceding years.

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

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

General Capital Fund	\$ 10,101,854.88
Sewer Utility Capital Fund	<u>2,511,300.00</u>
Total	<u>\$ 12,613,154.88</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

CALACULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY PER  
N.J.S.A. 40A:2-45

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year		\$ 1,639,709.96
Deductions:		
Operating and Maintenance Cost	\$ 917,900.00	
Debt Service	<u>131,000.34</u>	
		\$ <u>1,048,900.34</u>
Excess in Revenue		<u>\$ 590,809.62</u>

Long-Term Debt:

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR MCIA LOAN – GENERAL CAPITAL

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$390,907.75	\$233,554.17	\$624,461.92
2026	409,097.51	215,194.41	624,291.92
2027	423,948.54	195,963.40	619,911.94
2028	485,000.00	176,000.00	661,000.00
2029	515,000.00	151,750.00	666,750.00
2030-2034	<u>2,520,000.00</u>	<u>383,500.00</u>	<u>2,903,500.00</u>
	<u>\$4,743,953.80</u>	<u>\$1,355,961.98</u>	<u>\$6,099,915.78</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR MCIA LOAN – SEWER UTILITY CAPITAL

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$33,620.80	\$4,082.88	\$37,703.68
2026	34,005.60	2,738.06	36,743.66
2027	<u>34,445.80</u>	<u>1,377.84</u>	<u>35,823.64</u>
	<u>\$102,072.20</u>	<u>\$8,198.78</u>	<u>\$110,270.98</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Short-Term Debt

Bond Anticipation Notes

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

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

The Borough had the following outstanding bond anticipation note(s) at year end:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Capital Fund	4.25%	01/17/25	\$ 3,323,000.00
General Capital Fund	4.50%	04/09/25	6,000,000.00
Sewer Utility Capital Fund	4.25%	01/17/25	<u>550,000.00</u>
			<u><u>\$ 9,873,000.00</u></u>

NOTE 4: FUND BALANCES APPROPRIATED

As of the date of this report, the 2025 Budget has not been introduced.

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 payable in four installments on February 1, May 1, August 1 and November 1. The Borough 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. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough'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>\$ 119,786.62</u>	<u>\$ 78,557.96</u>

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and 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/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.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.

NOTE 6: PENSION PLANS

*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.

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%.

NOTE 6: PENSION PLANS

Funding Policy

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

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

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$884,135.00 for 2024, \$832,297.00 for 2023 and \$731,675.00 for 2022.

All contributions were equal to the required contributions for each of the three years, respectively. Certain Borough employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

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

NOTE 6: PENSION PLANS

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

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$1,991,661.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Borough's proportion was 0.0137504117 percent, which was an increase of 0.0001527535 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension benefit of \$370.00 for the Borough's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statements based on the April 1, 2023 billing was \$171,473.00.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 19,043.00	\$ 8,141.00
Changes of assumptions	4,375.00	120,703.00
Net difference between projected and actual earnings on pension plan investments	9,172.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>162,086.00</u>	<u>38,319.00</u>
	<u>\$ 194,676.00</u>	<u>\$ 167,163.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Borough'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:

Year Ended June 30,	<u>Amount</u>
2024	(\$80,398.60)
2025	(33,938.60)
2026	106,771.40
2027	10,075.40
2028	25,003.40
	<u>\$27,513.00</u>

Actuarial Assumptions

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

Inflation:

Price	2.75%
Wage	3.25%

Salary Increases:

2.75-6.55%  
based on years of service

Investment Rate of Return

7.00%

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.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

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

Long-Term Rate of Return

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

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

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

The following presents the Borough's proportionate share of the collective net pension liability of the participating employers as of June 30, 2023 calculated using the discount rate as disclosed above as well as what the Borough'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, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$2,592,719.00	\$1,991,661.00	\$1,480,081.00

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, 2023, 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.

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 amounts contributed by the State on behalf of the Borough 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 Borough 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 Borough related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of June 30, 2023 was 0.0138026179%, The non-employer contributing entities' contribution and employer pension expense and related revenue for the year ended June 30, 2023 was \$6,211.00.

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$5,603,426.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2023, the Borough's proportion was 0.05071533 percent, which was an increase of 0.00181837 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$403,899.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023, billing was \$635,931.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 239,928.00	\$ 267,234.00
Changes of assumptions	12,094.00	378,366.00
Net difference between projected and actual earnings on pension plan investments	285,372.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>643,861.00</u>	<u>68,718.00</u>
	<u>\$ 1,181,255.00</u>	<u>\$ 714,318.00</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:

<u>Year Ended June 30</u>	<u>Amount</u>
2024	\$ (103,037.40)
2025	(94,244.40)
2026	451,727.60
2027	86,069.60
2028	125,364.60
Thereafter	<u>1,057.00</u>
	<u>\$ 466,937.00</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, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following assumptions:

Inflation rate:

Price	2.75%
Wage	3.25%

Salary Increases

Through	All Future Years
	3.25-16.25%
	Based on Years of Service

Investment Rate of Return	7.00%
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Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on scale MP-2021.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

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

Sensitivity of the Borough’s proportionate share of the net pension liability to changes in the discount rate

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$7,807,394.00	\$5,603,426.00	\$3,768,049.00

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 Borough 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 Borough 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 Borough related to this legislation.

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of June 30, 2023 and 2022 is 0.05071540% and 0.04889693% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$118,078.00 and \$124,008.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$117,444.00 and \$114,922.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,032,497.00 and \$996,088.00, respectively.

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

Borough's Proportionate Share of Net Pension Liability	\$5,603,426.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,032,497.00</u>
	<u><u>\$6,635,923.00</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Pension plan fiduciary net position

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

NOTE 7: COMPENSATED ABSENCES

The Borough has established personnel policies via employee contracts and municipal ordinances, which set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave - Sick leave shall accumulate at the rate of one (1) day per month up to a maximum of seven (7) days per year. Unused sick leave is forfeited upon separation from employment or retirement. The Borough police officers enrolled in the Police and Fire Retirement System (PFRS) are allotted an unlimited number of days up to one full year. Sick leave may not be accrued.

Vacations - Vacation pay for permanent employees accumulates in accordance with the approved schedules for one additional calendar year. Vacations days may be taken during the calendar year in which it is earned or in the first three (3) succeeding years. Unused vacation leave may be carried forward into the next succeeding year only with prior approval of the department head or appropriate committee. Any employee who has separated his/her employment may be paid the salary equivalent for vacation accrued.

Terminal Leave - Lieutenants hired as patrolmen prior to July 1, 2005 shall be entitled to 60 calendar days of terminal leave provided the employee has 20 years of service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Sergeants hired as patrolmen prior to July 1, 2005 shall be eligible for 30 calendar day's terminal leave provided the employee has at least 20 years' service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Patrolmen shall not be eligible for terminal leave. Sergeants and lieutenants hired as patrolmen after July 1, 2005 and promoted after July 1, 2005 must have at least 25 years with the Borough of Dunellen as well as 25 years in the Police Fire Pension System.

The Borough has permitted certain employees to accrue unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$94,545.34 for December 31, 2024.

NOTE 7: COMPENSATED ABSENCES (CONTINUED)

In addition, based on the above criteria, there are no individuals that qualify for terminal leave and qualify as being hired prior to July 1, 2005 and having 20 years of service with the Borough of Dunellen and have at least 25 years with the Police Fire Pension System. The above amount represents the current value of all accumulations and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick, vacation and terminal leave benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

NOTE 8: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough 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 Borough'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 accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough's Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2024. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from current tax revenues, through the establishment of a reserve, or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has a reserve of \$7,593.63 at December 31, 2024.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated 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 also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2024, the Borough does not believe that any material liabilities will result from such audits.

In prior years the Borough was a member of the Middlesex County Joint Insurance Fund (JIF). In 2021 the JIF billed the Borough \$434,859.08 for what is their calculated pro rata share of an accumulated deficit of the JIF. The Fund will accept a financing plan approved by resolution or ordinance acknowledging the supplemental assessment, agreeing to pay an additional fifteen (15%) percent of the supplemental assessment on or before April 1, 2023, and agreeing to pay the remaining seventy-five (75%) percent in seven (7) equal payments no later than April 1 of each year beginning on or before April 1, 2024.

On April 15, 2024 the Borough adopted resolution 04-15-2024: #135 authorizing payment of the supplemental assessment to the Middlesex County Joint Insurance Fund. The payments are for \$100,000.00 in 2024, \$92,624.25 in 2025 and \$44,451.75 from 2026-2030. At December 31, 2024 the remaining balance due to the MCJIF is \$314,883.00

NOTE 12: RISK MANAGEMENT

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

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

NOTE 12: RISK MANAGEMENT (CONTINUED)

Below is a summary of Borough's contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ -0-	\$ 9,180.90	\$ 6,121.89	\$ 40,897.82
2023	-0-	12,905.65	3,893.12	37,838.81
2022	-0-	6,133.84	1,032.00	28,826.28

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

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

Plan Description and Benefits Provided

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

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division.

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

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

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

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

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

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Total Net OPEB Liability

At June 30, 2023, the Plan reported a Liability of \$9,870,251.00 for the Borough's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

The Borough's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023.

At June 30, 2023, the Borough's proportion was 0.065773 percent, which was an increase of 0.012128 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State reported OPEB benefit of \$216,641.00. This OPEB benefit was based on the OPEB plans June 30, 2023 measurement date.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$455,165.00	\$2,680,438.00
Changes of assumptions	1,278,568.00	2,790,004.00
Net difference between projected and actual earnings on OPEB plan investments		1,629.00
Changes in proportion	<u>2,716,442.00</u>	<u>610,447.00</u>
	<u>\$4,450,175.00</u>	<u>\$6,082,518.00</u>

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension (benefit)/expense as follows:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2024	(\$698,575.00)
2025	(495,967.00)
2026	(74,972.00)
2027	188,612.00
2028	(48,289.00)
Total Thereafter	<u>(503,152.00)</u>
	<u><u>(\$1,632,343.00)</u></u>

Actuarial Assumptions and Other Inputs

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

Salary Increases\*:

Public Employees Retirement System (PERS):  
 Rate for all future years 2.75% to 6.55%  
 Based on years of service

Police and Firemen's Retirement System (PFRS):  
 Rate for all future years 3.25% to 16.25%  
 Based on years of service

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

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

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

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

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

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Discount Rate

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

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

The following presents the collective Net OPEB Liability associated with the Borough as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective Net OPEB Liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	<u>1.00% Decrease (2.65%)</u>	<u>At Discount Rate (3.65%)</u>	<u>1.00% Increase (4.65%)</u>
Borough's proportionate share of the Net OPEB Liability	\$11,432,897	\$9,870,251	\$8,613,344

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Borough as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Borough's proportionate share of the Net OPEB Liability	\$8,388,552	\$9,870,251	\$11,767,279

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

OPEB Plan Fiduciary Net Position

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

NOTE 14: 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	\$ 237,800.70	\$ 768,528.77
Grant Fund	125,044.34	
Animal Control Fund	4,290.76	
Trust Other Fund	707,168.78	
General Capital Fund		337,800.70
Sewer Utility Operating Fund	696,117.03	
Sewer Utility Capital Fund		664,092.14
	<u>\$ 1,770,421.61</u>	<u>\$ 1,770,421.61</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 15: FIXED ASSETS

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

	Balance December 31, <u>2023</u>	<u>Additions</u>	Balance December 31, <u>2024</u>
Land	\$ 829,500.00	\$	\$ 829,500.00
Buildings	1,142,300.00	5,927,322.00	7,069,622.00
Machinery and Equipment	<u>3,627,349.00</u>	<u>2,584,194.00</u>	<u>6,211,543.00</u>
	<u>\$ 5,599,149.00</u>	<u>\$ 8,511,516.00</u>	<u>\$ 14,110,665.00</u>

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditure 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 current fund:

	2024 BUDGET <u>APPROPRIATION</u>	BALANCE TO SUCCEEDING <u>YEARS</u>
Current Fund:		
Emergency	\$ 15,000.00	\$ 15,000.00
	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through April 4, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that the following subsequent event needed to be disclosed:

The Borough issued a Bond Anticipation Note ("BAN") dated January 16, 2025 with a maturity date of January 15, 2026. The BAN consisted of \$3,306,000.00 General Capital funds and \$695,800.00 Sewer Utility Capital funds. The interest rate was 4.00%.

The Borough adopted ordinance 2025-05 for a Municipal Facilities Needs Assessment in the amount of \$80,000.00 authorizing the issuance of \$76,000.00 bonds or notes.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2026

Borough Council of the  
Borough of Dunellen, in the  
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Dunellen, in the County of Middlesex, New Jersey (the "Borough"), in connection with the issuance by the Borough of its \$15,248,700 Bond Anticipation Notes, consisting of the \$13,301,000 General Improvement Bond Anticipation Note (the "General Improvement Note"), the \$1,797,700 Sewer Utility Bond Anticipation Note (the "Sewer Utility Note") and the \$150,000 Redevelopment Bond Anticipation Note (the "Redevelopment Note"; and together with the General Improvement Note and the Sewer Utility 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 and the Sewer Utility Note are issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Borough 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 and the Sewer Utility Note are temporary obligations 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 Borough 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 Borough, 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 Borough without limitation as to rate or amount.

On the date hereof, the Borough 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 Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough 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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