

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2026

NEW ISSUE
SERIAL BONDS

RATING: S&P Global: “AA”
(See “RATING” herein)

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

\$6,365,000* GENERAL IMPROVEMENT BONDS

BOROUGH OF GARWOOD
IN THE COUNTY OF UNION, NEW JERSEY
(Bank-Qualified) (Book-Entry Only) (Non-Callable)

Dated: May 1, 2026

Due: May 1, as shown on the inside cover page

The \$6,365,000* General Improvement Bonds (the “Bonds”) of the Borough of Garwood, in the County of Union, New Jersey (the “Borough”), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York (“DTC”), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See “THE BONDS – Book-Entry Only System” herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on May 1 of each of the years set forth on the inside cover page, and interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 2026 in each year until maturity. The Bonds are not subject to optional redemption prior to their stated maturities. See “THE BONDS – Prior Redemption” herein.

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

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in Brooklyn, New York, on or about May 1, 2026.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O’CLOCK A.M. ON APRIL 21, 2026
AT MUNICIPAL BUILDING, 403 SOUTH AVENUE
GARWOOD, NEW JERSEY 07027**

* Preliminary, subject to change.

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No**</u>
2027	\$530,000			
2028	535,000			
2029	550,000			
2030	570,000			
2031	600,000			
2032	635,000			
2033	665,000			
2034	715,000			
2035	765,000			
2036	800,000			

* Preliminary, subject to change.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF GARWOOD
IN THE COUNTY OF UNION, NEW JERSEY**

MAYOR

Jen Blumenstock

BOROUGH COUNCIL

Karina Boto, Council President
Kathleen Annarelli
Stephanie Bianco
Clarissa Nolde
Chase Padosniak
Hursh Sureka

BOROUGH ADMINISTRATOR

John Arthur

BOROUGH CLERK

Nicole Kotiga

CHIEF FINANCIAL OFFICER

Sandra Bruns

BOROUGH ATTORNEY

Adam S. Abramson-Schneider, Esq.
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BOROUGH AUDITOR

Suplee, Clooney & Company, LLC
Westfield, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

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

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

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

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

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**OFFICIAL STATEMENT
OF THE BOROUGH OF GARWOOD
IN THE COUNTY OF UNION, NEW JERSEY
RELATING TO**

\$6,365,000* GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Garwood (the “Borough”), in the County of Union (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$6,365,000* General Improvement Bonds (the “Bonds”) dated May 1, 2026. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Administrator and may be distributed in connection with the Bonds.

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

THE BONDS

General Description

The Bonds will be dated and bear interest from May 1, 2026 and will mature on May 1 in the years and in the principal amounts as set forth on the inside cover page. Interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 2026 (each, an “Interest Payment Date”), in each year until maturity at the respective interest rates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, Brooklyn, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds, in the aggregate principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “THE BONDS – Book-Entry Only System” herein.

* Preliminary, subject to change.

Book-Entry Only System

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds 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, bond 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, bond 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.

Prior Redemption

The Bonds are not subject to redemption prior to their stated maturities.

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

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

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the “Local Bond Law”). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on March 26, 2026.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to (i) currently refund \$6,326,010 of the Borough's \$6,552,000 Bond Anticipation Notes maturing on May 1, 2026 and (ii) provide funding for unfunded capital projects in the amount of \$38,990. The projects to be funded by the sale are listed below:

<u>Ord. No.</u>	<u>Description</u>	<u>Amount</u>
15-11	Acquisition of Police Equipment	\$32,476
15-15/16-08	Road and Drainage/Sidewalk Repair/Tree Replacement	120,374
15-16	Sewer Improvements	29,924
15-24	Sewer Improvements	8,653
16-09	Road Improvements	120,000
17-13/18-22	Road Improvements	262,059
17-27	Various Improvements to Hartman Park Playground	82,755
18-03	Structural Stabilization Project of Recreation Building	39,390
18-14	Various Public Improvements	252,375
18-18	Various Public Improvements	61,215
19-01	Acquisition of a New Street Sweeper	229,824
19-11	Various Public Improvements	175,694
19-12	Acquisition of a New Ladder Fire Truck	977,368
19-14	2019 Road Improvement Program	126,312
20-05	2020 Road Improvement Program	143,156
20-06	Installation of Granite Block Curbing on 3rd Ave	115,367
20-09	2020 Sidewalk Repair/Tree Replacement	142,421
21-02	2021 Pedestrian Safety Program	99,672
21-03	Acquisition of Fire Department SCBA Equipment	136,314
21-07	Acquisition of Various Equipment and Vehicles	75,490
21-11	Road Improvements	289,714
22-05	Various Public Improvements	180,000
22-07	Various Public Improvements & Equipment	534,906
22-10	Environmental Testing & Design of New or Renovated DPW Building	35,101
23-10	2023 Road Improvement Project	365,000
23-11	Various Public Improvements & Equipment	157,000
23-27	Resurfacing of Second and Third Avenues	148,600
24-08	New Radio Equipment for Police and Fire	380,900
24-14	2024 Road Improvement Project	214,630
24-25	Various Public Improvements & Equipment	419,000
25-18	Various Public Improvements & Equipment	371,000
25-19	2025 Road Improvement Project	38,310
		\$6,365,000

Exceptions to Debt Limits - Extensions of Credit

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

Overlapping Debt

The County debt, which overlaps the Borough, is not considered in the calculation of the debt limits of the Borough. It represents the debt outstanding at the County level for which the Borough will fund its portion of debt service through the normal payments of County taxes.

Short-Term Financing

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year’s principal payment for a bond issue.

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

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

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

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

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

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

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

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

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

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

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

Investment of Municipal Funds

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

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

The Borough has no investments in derivatives.

MUNICIPAL BUDGET

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

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

Limitations on Municipal Appropriations and Tax Levy

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

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

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

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2025, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits. The Borough's 2026 budget has not been introduced as of the date of this Official Statement.

Miscellaneous Revenues

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

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

Real Estate Taxes

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

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

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

The reserve requirement is calculated as follows:

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Operation of Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

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

Fiscal Year

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

Budget Process

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

Capital Budget

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

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

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

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Union County Tax Board on or before the first day of April of the current tax year for review. The Union County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Union County Tax Board, appeal may be made to the Tax Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by the Governor on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds). Further, pursuant to Assembly Bill No. 862, signed into law by the Governor on January 18, 2022, residential tax appeal refunds, or commercial tax appeal refunds exceeding \$100,000, may be paid to the property owner, with interest, as a credit against the balance of property taxes that become due within a three year period, with any excess after three years being paid immediately.

TAX MATTERS

Federal Income Taxes

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

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

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

Tax Opinions

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

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

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Qualified Tax-Exempt Obligations

The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Proposals for Tax Changes

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

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

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

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not materially or adversely impair the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

FINANCIAL STATEMENTS

Appendix "B" to this Official Statement contains the unaudited financial statements for the year ended December 31, 2025 and the audited financial statements of the Borough for the years ended December 31, 2024 and 2023. The unaudited financial statements were compiled from the Borough's unaudited Annual Financial Statement for the year ended December 31, 2025. The audited financial data was provided by Suplee, Clooney & Company, LLC, Westfield, New Jersey (the "Auditor"), and is included herein in reliance upon the authority of such firm. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AA" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, NY 10041. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, the rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at a public sale from the Borough for resale by _____
(the “Underwriter”).

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

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

The Plan, signed into law on March 11, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. For municipalities with populations less than 50,000, such as the Borough, the relief funds were distributed by the State. The relief funds were received from the State in two equal payments, one within 30 days of receipt of the funding by the State and the balance no earlier than 12 months from the initial payment. The deadline to obligate the funds was December 31, 2024, and to spend them is December 31, 2026. The Borough received the full amount of its relief funds in the amount of \$455,517.55. The Borough utilized all of those funds on police salaries.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

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

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

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

Certificates of Borough Officials

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

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on March 26, 2026 to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2025, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings "Debt Information", "Financial Information", and "Budget Information" in Appendix "A" hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

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

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

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

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

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

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has previously entered into secondary market disclosure undertakings in accordance with Rule 15c2-12. The Borough has appointed Phoenix Advisors, Hamilton, New Jersey, to serve as continuing disclosure agent/dissemination agent to assist in the filing of certain information with the MSRB’s Electronic Municipal Market Access system (“EMMA”) as required with respect to the Bonds and future obligations.

PREPARATION OF OFFICIAL STATEMENT

The firm of Suplee, Clooney & Company, LLC, Westfield, New Jersey, Certified Public Accountants, takes responsibility for the financial statements to the extent specified in the Accountant’s Compilation Report and the Independent Auditor’s Report.

The firm of Suplee, Clooney & Company, LLC, assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Suplee, Clooney & Company, LLC, considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

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

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a “final official statement” for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the Borough of Garwood, 403 South Avenue, Garwood, New Jersey 07027, Sandra Bruns, Chief Financial Officer, (908) 789-0710, extension 201.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. 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 Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

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

BOROUGH OF GARWOOD, IN THE COUNTY OF UNION, NEW JERSEY

By: /s/ _____
Sandra Bruns
Chief Financial Officer

By: /s/ _____
John Arthur
Borough Administrator

Dated: April __, 2026

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH

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GENERAL INFORMATION

LOCATION AND AREA

The Borough is a suburban community located approximately 17 miles from the Lincoln tunnel leading into New York City. It is located in the central section of Union County and covers an area of slightly less than one square mile. It is bounded on the north, west and south by the Town of Westfield and on the north, south, and east by the Township of Cranford.

The established character of the Borough is that of an almost fully-developed, well-maintained, single-family, residential community. A modern shopping center and commercial uses, servicing the immediate area, are concentrated near the train station.

The Borough enjoys easy access to the East Coast's major commercial centers and the world's marketplaces. New Jersey Transit Rail and New Jersey Transit Bus service link the community with Newark and New York City. Two major roadways, the Garden State Parkway and U.S. Route 22, are located within five miles of the Borough. Commercial air service is available at Newark Liberty International Airport, approximately ten miles from the Borough. Linden Airport, lying approximately five miles from the Borough, provides facilities for private air transport. The major marine terminal of Port Elizabeth is also located within approximately ten miles.

FORM OF GOVERNMENT

The form of government found in the Borough is that of a Mayor and Council composed of six members. The Mayor is elected for a four year term, council members are elected to three year terms. A full time administrator handles day-to-day operations.

POPULATION

<u>Census Year</u>	<u>Population</u>
1980	4752
1990	4227
2000	4153
2010	4226
2020	4454

MUNICIPAL SERVICES

Police, Fire, Ambulance, Streets and Sanitation

The Borough of Garwood's Police Department consists of 18 officers and 4 civilian dispatchers. The Borough has a volunteer fire department with approximately 30 active members. The volunteers maintain the firehouse and equipment. The Borough has a volunteer First Aid squad with approximately 30 active members. The Borough's roads and properties are maintained by the Department of Public Works (the "DPW"). The DPW is also responsible for garbage pick-up. The Borough contracts out for recycling pick-up. The DPW maintains borough parks including playgrounds.

Recreation and Library

The Borough has an active recreation program, which operates under the supervision of the full-time recreation director.

The Garwood Sports and Recreation Complex opened in December 2014. The 3.2 million dollar project is funded by over 1.2 million dollars in various grants. The complex consists of field house building with concession stand, deck, bathrooms and meeting room, a multi-purpose playing field, basketball court, playground, picnic area and walking track.

Within the Borough, there are three public parks operated by the Borough, which provide a baseball field, a basketball court and various playground facilities for younger children.

The Garwood Public Library is a tax-supported facility, with a Board of Trustees appointed for five-year terms by the Mayor and Borough Council. The library has approximately 40,000 books which may be taken out on loan, plus reference books, magazines and newspapers. In addition, other provided services include computers, reference service and photocopiers. Available for meetings is a community room, and a room for children to enact plays.

Transportation

Intercity passenger transportation is provided by the New Jersey Department of Transportation-Bus Operations. Passenger commutation by railroad is available from Garwood, Cranford and Roselle Park.

Wastewater

Wastewater collection is provided by a Borough operated sewage collections system which is connected to the Rahway Valley Sewerage Authority's (the "RVSA") collections system for treatment at the RVSA's treatment facility in Rahway. The RVSA bills the Borough on a semi-annual basis for the Borough's share of the costs for wastewater treatment. The Borough's wastewater charges are included in the tax rate, except for certain large users or those users which have higher than normal content of metals or chemicals in their effluent. Such excepted users are invoiced separately from the tax levy. There are two industrial users whose effluent is treated by the RVSA.

Recent Developments

Two major redevelopment projects have recently been built on South Avenue in the Borough of Garwood. Vermella I is a mixed-use redevelopment project built on the former Casale Industries site. This mixed-use project consists of 298 luxury apartments, including 30 affordable housing units, and 10 commercial/retail spaces. In addition to a 469-space parking garage, the development offers high end amenities to its residents.

Vermella II is a 73-unit luxury apartment building, which includes 11 affordable housing units, built on the former Casale Industries parking lot site. This building also has its own 112-space parking facility and the use of Vermella I amenities.

In early 2026, the Borough approved the Garwood Paperboard Redevelopment Plan, which will redevelop the former Paperboard industrial site at 75 North Avenue into a housing development. This housing development will include up to 124 multi-family units and up to 212 residential rental units. There will be 88 age-restricted units, with 18 of those units being affordable housing units. In total, the project will include 37 affordable housing units.

The Paperboard redevelopment project includes plans to “preserve the historic and architecturally significant Castle building” that currently exists on the site, and calls for an “aesthetically pleasing streetscape environment for passersby and residents.”

The Paperboard plan also includes a 4,200 square foot community space intended for use by the Borough of Garwood and will allow the municipality to increase and expand offerings for classes, meetings, presentations and public gatherings.

Other recent developments in Garwood include the installation of a Pedestrian and Biking Safety corridor on Center Street, which add bike lanes and pedestrian crosswalks from Willow Avenue to the end of Center Street.

FINANCIAL INSTITUTIONS

The following financial institutions service the financial needs of the Borough:

- Bank of America
- Citizens Bank
- Santander Bank
- Valley National Bank

UNEMPLOYMENT RATES

According to the State of New Jersey, Department of Labor and Industry, the estimated unemployment rates for 2025 were as follows:

Borough of Garwood	4.9%
County of Union	4.8%
State of New Jersey	4.5%

VALUE AND NUMBER OF BUILDING PERMITS ISSUED

<u>YEAR</u>	<u>TOTAL VALUE</u>	<u>NUMBER ISSUED</u>
2025	\$3,429,111	207
2024	5,185,781	199
2023	4,588,931	196
2022	34,973,157	230
2021	3,053,856	206

Source: Construction Code Official

LARGER TAXPAYERS OF THE BOROUGH

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2025 Valuation</u>
Garwood Mall Assoc	Shopping Center	\$21,733,600
A C P Partnership	Commercial Complex	13,276,200
Village Supermarkets	Shopping Center	12,651,200
Lofts at Garwood	Commercial Complex/Mixed Use	12,090,800
Lidl LLC	Shopping Center	11,511,000
Home Depot	Shopping Center/4A Commercial	8,800,000
The Lofts II	Commercial Complex	6,859,000
Garwood Plaza	Shopping Center/4A Commercial	5,134,000
Westwood Lanes, Inc	Restaurant/Catering	4,657,000
Garwood Realty	Shopping Center/4A Commercial	4,349,100

DEBT INFORMATION

DEBT STATEMENTS

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

DEBT INCURRING CAPACITY
AS OF DECEMBER 31, 2025

Municipal:	
1. Equalized Valuations (last three years average)	\$997,598,420
2. 3-1/2% Borrowing Margin	34,915,945
3. Net Debt Issued and Outstanding	7,184,682
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	7,184,682
6. Remaining Municipal Borrowing (line 2 minus line 5) Capacity	27,731,263

STATEMENT OF INDEBTEDNESS
DECEMBER 31, 2025

Gross Debt:

Local District School Debt:			
Serial Bonds Issued and Outstanding	\$	3,115,000	\$
Authorized But Not Issued		<u>-0-</u>	
			3,115,000

Municipal Debt:

Issued and Outstanding:			
Serial Bonds	\$	266,000	
Bond Anticipation Notes		6,552,000	(1)
Green Trust Loans		276,241	
Authorized But Not Issued		<u>90,441</u>	
			<u>7,184,682</u>

<u>Total Gross Debt</u>			\$ 10,299,682
-------------------------	--	--	---------------

Less:

Statutory Deductions:			
Local School District Debt			<u>3,115,000</u>

Statutory Net Debt			\$ 7,184,682
--------------------	--	--	--------------

Average Equalized Valuation of Real Property (Years 2023, 2024, 2025)			\$ 997,598,420
--	--	--	----------------

Statutory Net Debt Percentage			0.720%
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(1) To be paid from proceeds of the Bonds and other available monies.

STATISTICS ON DEBT AS OF DECEMBER 31, 2025

Gross Debt (Municipal and School)	\$10,299,682.00
Overlapping Debt	<u>7,020,152.00</u>
Gross Debt and Overlapping Debt	\$17,319,834.00
Statutory Debt	7,184,682.00
Net Debt and Overlapping Debt	14,204,834.00
Gross Debt Per Capita (Based on 2020 Population)	2,312.46
Net Debt and Overlapping Debt per Capita (Also Based on 2020 Population)	3,189.23
Average Equalized Valuations	997,598,420.00
Gross Debt and Overlapping Debt:	
As a Percentage of Net Valuations Taxable for 2025 (\$758,079,410)	2.28%
Net Debt Statutory Percentage	0.72%

OVERLAPPING DEBT
AS OF DECEMBER 31, 2025

The Overlapping Debt of the Borough was as follows:

	<u>GROSS DEBT</u>	<u>BOROUGH SHARE</u>	<u>AMOUNT</u>
County of Union	\$346,707,373	1.37%	\$4,749,891
Rahway Valley Sewerage Authority	100,011,479	2.27%	<u>2,270,261</u>
			<u>\$7,020,152</u>

GROSS AND STATUTORY NET DEBT
AS OF DECEMBER 31
(EXCLUSIVE OF OVERLAPPING DEBT)

<u>YEAR</u>	<u>GROSS DEBT</u>		<u>STATUTORY NET DEBT</u>	
	<u>AMOUNT</u>	<u>PERCENTAGE*</u>	<u>AMOUNT</u>	<u>PERCENTAGE*</u>
2025	\$10,299,682	1.03	\$7,184,682	.72
2024	10,874,329	1.16	7,404,329	.79
2023	10,793,776	1.26	6,988,776	.82
2022	15,470,750	1.95	6,815,750	.86
2021	11,391,150	1.52	6,472,438	.86

*OF AVERAGE EQUALIZED VALUATIONS

DEBT SERVICE REQUIREMENTS

RETIREMENT SCHEDULE

MUNICIPAL

<u>YEAR</u>	<u>GENERAL SERIAL BONDS</u>		<u>GREEN ACRES LOAN</u>		<u>TOTAL</u>	<u>NEW</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>ISSUE</u>
						<u>PRINCIPAL</u>
2025	\$ 270,000	\$ 14,725	\$ 29,533	\$ 5,769	\$ 320,027	\$ -0-
2026	266,000	3,325	30,126	5,375	304,826	-0-
2027			30,732	4,569	35,301	530,000
2028			31,350	4,152	35,502	535,000
2029			31,980	3,322	35,302	550,000
2030			32,650	2,679	35,329	570,000
2031			33,278	2,223	35,501	600,000
2032			33,947	1,554	35,501	635,000
2033			34,630	872	35,502	665,000
2034			17,575	175	17,750	715,000
2035						765,000
2036						800,000
	<u>\$ 536,000</u>	<u>\$ 18,050</u>	<u>\$ 305,801</u>	<u>\$ 30,690</u>	<u>\$ 890,541</u>	<u>\$ 6,365,000</u>

FINANCIAL INFORMATION

ASSESSED VALUATIONS – LAND AND IMPROVEMENTS BY CLASS

VACANT	<u>LAND</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>APARTMENTS</u>	<u>TOTAL</u>
2025	\$9,765,500	\$539,497,100	\$184,928,300	\$14,273,100	\$9,213,000	\$757,677,000
2024	11,217,500	532,314,200	184,858,300	14,273,100	9,213,000	751,876,100
2023	9,828,800	530,855,700	184,718,700	14,273,100	9,213,000	748,889,300
2022	9,252,800	529,400,100	184,407,000	14,273,100	9,213,000	746,546,000
2021	9,757,800	524,928,300	181,498,400	13,723,000	9,213,000	739,120,500

ASSESSED VALUATIONS – NET VALUATIONS TAXABLE

	<u>REAL ESTATE LAND AND IMPROVEMENTS</u>	<u>BUSINESS PERSONAL PROPERTY</u>	<u>NET VALUATION TAXABLE</u>	<u>RATIO TO TRUE VALUE</u>	<u>AGGREGATE TRUE VALUATION</u>
2025	\$757,677,000	\$402,410	\$758,079,410	72.75%	\$1,052,091,939
2024	751,876,100	450,483	752,326,583	81.80%	929,495,484
2023	748,889,300	429,636	749,318,936	87.11%	869,442,242
2022	746,546,000	455,320	747,001,320	95.01%	795,391,807
2021	739,120,500	472,933	739,593,433	99.10%	755,422,445

CURRENT TAX COLLECTIONS

<u>YEAR</u>		<u>TOTAL LEVY</u>	<u>COLLECTION DURING</u>	
			<u>AMOUNT</u>	<u>PERCENTAGE</u>
2025	\$	21,699,221	\$ 21,521,004	99.17
2024		21,074,393	20,923,654	99.28
2023		20,288,840	20,103,501	99.09
2022		19,674,054	19,514,997	99.19
2021		18,973,151	18,808,686	99.13

TOTAL TAX REQUIREMENTS
INCLUDING SCHOOL AND COUNTY PURPOSES

<u>YEAR</u>		<u>TOTAL TAX</u>		<u>LOCAL</u>		<u>LOCAL</u>		<u>COUNTY</u>
		<u>REQUIREMENTS</u>		<u>PURPOSES</u>		<u>SCHOOL</u>		
2025	\$	21,699,221	\$	7,841,847	\$	10,064,044	\$	3,793,330
2024		21,074,393		7,719,671		9,798,592		3,556,130
2023		20,288,840		7,264,017		9,461,167		3,563,656
2022		19,674,054		6,822,879		9,242,334		3,608,841
2021		18,973,151		6,656,310		8,628,461		3,688,380

DELINQUENT TAXES AND TAX TITLE LIENS

DECEMBER 31

<u>YEAR</u>	<u>TAX</u> <u>TITLE LIENS</u>	<u>DELINQUENT</u> <u>TAXES</u>	<u>TOTAL</u>	<u>PERCENTAGE</u> <u>OF LEVY</u>
2025	\$ 38,077	\$ 166,225	\$ 204,302	.94
2024	37,051	145,919	182,970	.87
2023	36,051	184,157	220,208	1.09
2022	35,080	147,304	182,394	.93
2021	34,135	152,662	188,797	.98

ASSESSED VALUATIONS OF PROPERTY OWNED
BY THE TOWNSHIP - ACQUIRED FOR TAXES

<u>YEAR</u>	<u>AMOUNT</u>
2025	\$ 17,794
2024	17,794
2023	17,794
2022	17,794
2021	17,794

COMPONENTS OF REAL ESTATE TAX RATE
(PER \$100. OF ASSESSMENT)

<u>YEAR</u>	<u>TOTAL</u>	<u>MUNICIPAL</u>	<u>LIBRARY</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>	<u>COUNTY OPEN SPACE</u>
2025	\$ 2.858	\$.985	\$.045	\$ 1.328	\$.480	\$.020
2024	2.787	.971	.041	1.303	.454	.018
2023	2.704	.928	.038	1.263	.458	.017
2022	2.632	.877	.035	1.238	.467	.015
2021	2.558	.859	.034	1.167	.483	.015

COMPARATIVE SCHEDULE OF CURRENT FUND BALANCES

<u>YEAR</u>	<u>FUND BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
2025	\$ 1,939,243	\$ *
2024	1,724,817	1,135,000
2023	1,142,219	900,000
2022	1,484,485	1,200,000
2021	1,079,512	650.000

* The 2026 budget has not been introduced

BUDGET INFORMATION

BOROUGH OF GARWOOD

2025 MUNICIPAL BUDGET

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 1,135,000
Miscellaneous Revenues:	
State and Federal Aid	541,484
Other	1,771,451
Receipts From Delinquent Taxes	140,000
Amount to be Raised by Taxation for Municipal Purposes	<u>7,806,845</u>
<u>Total Anticipated Revenues</u>	<u>\$ 11,394,780</u>

Appropriations:	
Within "Caps":	
Operations	\$ 7,332,493
Statutory Expenditures	1,105,810
Excluded From "Caps":	
Operations	1,535,405
Capital Improvements	25,000
Municipal Debt Service	886,072
Deferred Charges	110,000
Reserve for Uncollected Taxes	<u>400,000</u>
<u>Total Appropriations</u>	<u>\$ 11,394,780</u>

EDUCATIONAL SERVICES

The Borough's local school district, coterminous with the Borough, is a type II school district and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The members serve three year terms. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school district has outstanding bonds of \$3,115,000.00 as of December 31, 2025.

The Board of Education of the Borough of Garwood has entered into an agreement with the Board of Education of the Township of Clark to designate the Arthur L. Johnson High School as the school for attendance of the Garwood High School pupils grades 9 through 12. The agreement is for a period of ten years, beginning July 1, 2017 and ending June 30, 2027. The agreement may be extended thereafter if both the Garwood Board and the Clark Board agree to an extension unless applicable statutory and regulatory provisions have been satisfied for the termination of a sending/receiving relationship.

Tuition shall be paid to the Clark Board by the Garwood Board on a monthly basis and will be paid by the twentieth day of each month, September to June. Beginning in the school year 2014-2015, tuition paid by the Garwood Board to the Clark Board shall be in accordance with N.J.S.A. 18A:38-19 and N.J.A.C. 6A:23-3.1. The tuition rate shall be determined by an amount equal to the lower actual cost per pupil of Garwood or Clark as determined under rules prescribed by the New Jersey Commissioner of Education.

Facilities

The Local School District operates one school:

<u>SCHOOL</u>	<u>GRADE ORGANIZATION</u>	<u>DATE BUILT</u>	<u>CAPACITY</u>	<u>ENROLLMENT 10/15/25</u>
Lincoln Franklin	PreK-8	2011	530	420

Staff

The faculty for the Local School District includes a Superintendent, one principal, Administrator of Special Services, a Business Administrator/Board Secretary, and a staff of 38 full-time teachers, a total of 63 full-time positions including support staff, serving a total enrollment of 420 students, as of October 15, 2025. The School District has full academic accreditation.

Pupil Enrollments

The following table presents the actual historical pupil enrollments, as of October 15, for the school years 2020-2021 through 2024-2025.

<u>School Year</u>	<u>Past Enrollments</u>
	<u>Enrollment As of October 15</u>
2024-25	420
2023-24	377
2022-23	360
2021-22	357
2020-21	358

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant by December 5 of the year following the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

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SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Garwood
County of Union
Garwood, New Jersey 07027

Report on the Audit of the Financial Statements

Opinions

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

Unmodified Opinion on Regulatory Basis of Accounting

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

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 years then ended or the revenues or expenditures for the year ended December 31, 2024.

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 May 20, 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/ Warren M. Korecky
Warren M. Korecky, C.P.A., R.M.A.

May 20, 2025



SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Garwood
County of Union
Garwood, New Jersey 07027

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

A compilation is limited to presenting in the form of financial statements and schedules information, that is the representation of management of the Borough of Garwood. 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 Garwood 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 Garwood'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/ Warren M. Korecky
Warren M. Korecky, C.P.A., R.M.A.

February 3, 2026

BOROUGH OF GARWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31,2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>A S S E T S</u>			
Cash	\$ 3,378,439.93	\$ 3,472,103.15	\$ 2,544,122.43
Cash - Change Fund	250.00	250.00	250.00
Grants Receivable	<u>147,564.11</u>	<u>179,533.05</u>	<u>157,535.50</u>
	\$ <u>3,526,254.04</u>	\$ <u>3,651,886.20</u>	\$ <u>2,701,907.93</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	\$ 166,225.04	\$ 145,918.88	\$ 184,156.89
Tax Title Liens Receivable	38,077.07	37,051.04	36,050.50
Property Acquired for Taxes - Assessed Value	17,974.00	17,974.00	17,974.00
Revenue Accounts Receivable	10,779.36	10,779.36	6,010.46
Interfunds Receivable	<u>5,206.86</u>	<u>6,528.17</u>	<u>7,582.56</u>
	\$ <u>238,262.33</u>	\$ <u>218,251.45</u>	\$ <u>251,774.41</u>
Deferred Charges:			
Special Emergency N.J.S.A. 40A:4-55	\$ 50,000.00	\$ 100,000.00	\$ 150,000.00
	\$ <u>50,000.00</u>	\$ <u>100,000.00</u>	\$ <u>150,000.00</u>
	\$ <u>3,814,516.37</u>	\$ <u>3,970,137.65</u>	\$ <u>3,103,682.34</u>
	\$ <u>3,814,516.37</u>	\$ <u>3,970,137.65</u>	\$ <u>3,103,682.34</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	\$ 552,414.98	\$ 775,856.99	\$ 615,803.11
Accounts Payable	325,317.81	435,659.53	230,616.33
Accounts Payable - Grants		94,865.06	11,344.00
Due State of New Jersey - Senior Citizens and Veterans Deductions		12.95	
Reserve for Grants - Appropriated	114,501.50	144,141.30	177,922.74
Reserve for Grants - Unappropriated		1,573.95	1,523.81
Prepaid Taxes	157,197.80	68,695.65	86,877.08
Emergency Note Payable	50,000.00	100,000.00	150,000.00
School Taxes Payable	0.63	0.63	0.63
County Taxes Payable	5,455.87	17,471.54	3,898.38
Reserve for Library State Aid	20,027.71	21,359.05	18,986.88
Reserve for Library	131,748.25	122,085.52	119,729.50
Reserve for Master Plan	1,143.50	1,143.50	1,143.50
Reserve for Tax Appeals	189,797.68	154,797.68	151,308.68
Reserve for Tax Maps	27,366.98	27,366.98	27,366.98
Reserve for Tropical Storm IDA	62,038.57	62,038.57	62,038.57
Reserve for Municipal Relief Funds			51,129.16
	\$ 1,637,011.28	\$ 2,027,068.90	\$ 1,709,689.35
Reserve for Receivables	238,262.33	218,251.45	251,774.41
Fund Balance	<u>1,939,242.76</u>	<u>1,724,817.30</u>	<u>1,142,218.58</u>
	\$ <u>3,814,516.37</u>	\$ <u>3,970,137.65</u>	\$ <u>3,103,682.34</u>

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

BOROUGH OF GARWOOD

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2025</u> (Unaudited)	YEAR ENDED DECEMBER <u>31, 2024</u>	YEAR ENDED DECEMBER <u>31, 2023</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 1,135,000.00	\$ 900,000.00	\$ 1,200,000.00
Miscellaneous Revenue Anticipated	2,692,652.52	2,577,254.13	1,910,975.86
Receipts From Delinquent Taxes	145,918.88	184,156.89	147,303.49
Receipts From Current Taxes	21,521,003.92	20,923,654.04	20,103,501.00
Non-Budget Revenue	237,557.33	283,218.97	266,189.22
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	536,360.01	563,123.39	190,285.46
Interfunds Returned	839.01	1,054.39	
<u>Total Income</u>	<u>\$ 26,269,331.67</u>	<u>\$ 25,432,461.81</u>	<u>\$ 23,818,255.03</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS"	\$ 7,332,494.00	\$ 7,080,735.00	\$ 6,703,987.00
Deferred Charges and Statutory			
Expenditures-Municipal	1,105,810.00	1,105,105.00	1,104,074.00
Operations Excluded From "CAPS"	1,597,704.80	1,420,259.26	1,234,764.64
Capital Improvement Fund	25,000.00	10,000.00	10,000.00
Municipal Debt Service	886,067.93	856,206.12	744,751.21
Deferred Charges	55,000.00	55,000.00	83,000.00
Transferred to Board of Education for Use of Local Schools	55,000.00	50,000.00	50,000.00
County Taxes	3,793,329.61	3,556,130.31	3,563,655.91
County Share of Added and Omitted Taxes	5,455.87	17,471.54	3,898.38
Local District School Tax	10,064,044.00	9,798,592.00	9,461,167.00
Interfunds Advanced			1,223.75
Refund of Prior Year Revenue		363.86	
<u>Total Expenditures</u>	<u>\$ 24,919,906.21</u>	<u>\$ 23,949,863.09</u>	<u>\$ 22,960,521.89</u>
Excess in Revenue	\$ 1,349,425.46	\$ 1,482,598.72	\$ 857,733.14
Fund Balance, January 1	1,724,817.30	1,142,218.58	1,484,485.44
	<u>\$ 3,074,242.76</u>	<u>\$ 2,624,817.30</u>	<u>\$ 2,342,218.58</u>
Decreased by:			
Utilized as Anticipated Revenue	1,135,000.00	900,000.00	1,200,000.00
Fund Balance, December 31	<u>\$ 1,939,242.76</u>	<u>\$ 1,724,817.30</u>	<u>\$ 1,142,218.58</u>

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

BOROUGH OF GARWOOD

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>			
Assessment Fund:			
Cash	\$ 5,559.42	\$ 5,559.42	\$ 5,307.62
	\$ <u>5,559.42</u>	\$ <u>5,559.42</u>	\$ <u>5,307.62</u>
Animal Control Fund:			
Cash	\$ 5,092.65	\$ 2,380.65	\$ 1,262.27
	\$ <u>5,092.65</u>	\$ <u>2,380.65</u>	\$ <u>1,262.27</u>
Other Funds:			
Cash	\$ 865,452.31	\$ 892,057.24	\$ 650,407.04
Petty Cash	200.00	250.00	250.00
Community Development Block Grant Receivable	18,000.00	18,000.00	17,250.00
	\$ <u>883,652.31</u>	\$ <u>910,307.24</u>	\$ <u>667,907.04</u>
	\$ <u><u>894,304.38</u></u>	\$ <u><u>918,247.31</u></u>	\$ <u><u>674,476.93</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Fund Balance	\$ 5,559.42	\$ 5,559.42	\$ 5,307.62
	\$ <u>5,559.42</u>	\$ <u>5,559.42</u>	\$ <u>5,307.62</u>
Animal Control Fund:			
Reserve for Expenditures	\$ 5,092.65	\$ 2,380.65	\$ 1,262.27
	\$ <u>5,092.65</u>	\$ <u>2,380.65</u>	\$ <u>1,262.27</u>
Other Funds:			
Due Current Fund	\$ 5,206.86	\$ 6,528.17	\$ 7,582.56
Reserve For:			
Community Development Block Grant	12,793.14	11,471.83	9,667.44
State Unemployment Insurance	65,556.27	78,153.92	77,569.28
Miscellaneous Deposits	730,353.40	689,817.53	439,419.79
Due State of New Jersey - Registrar Fees	200.00	350.00	275.00
Payroll Deductions Payable	4,741.65	4,738.21	9,146.67
COAH	64,800.99	117,705.03	122,703.75
Flexible Spending	1,542.55	1,542.55	1,542.55
	\$ <u>883,652.31</u>	\$ <u>910,307.24</u>	\$ <u>667,907.04</u>
	\$ <u><u>894,304.38</u></u>	\$ <u><u>918,247.31</u></u>	\$ <u><u>674,476.93</u></u>

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

BOROUGH OF GARWOOD

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>			
Cash	\$ 682,379.14	\$ 1,179,448.06	\$ 1,318,697.14
State Aid Receivable	460,118.94	594,579.20	478,736.70
County Grants Receivable	17,500.00	17,500.00	17,500.00
Federal Congressional Grants Receivable	250,000.00	250,000.00	250,000.00
Deferred Charges to Future Taxation:			
Funded	542,240.70	841,773.53	1,140,724.45
Unfunded	<u>6,642,441.08</u>	<u>6,562,555.08</u>	<u>5,848,051.08</u>
	<u>\$ 8,594,679.86</u>	<u>\$ 9,445,855.87</u>	<u>\$ 9,053,709.37</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	\$ 266,000.00	\$ 536,000.00	\$ 806,000.00
Bond Anticipation Notes	6,552,000.00	6,087,000.00	5,620,000.00
Green Acres Loan Payable	276,240.70	305,773.53	334,724.45
Improvement Authorizations:			
Funded	8,238.34	8,238.34	7,672.19
Unfunded	808,149.47	712,092.08	659,430.00
Reserve for County of Union Grants	50,000.00	50,000.00	50,000.00
Contracts Payable	503,957.62	1,635,369.07	1,418,061.68
Capital Improvement Fund	46,199.28	40,199.28	70,299.28
Fund Balance	<u>83,894.45</u>	<u>71,183.57</u>	<u>87,521.77</u>
	<u>\$ 8,594,679.86</u>	<u>\$ 9,445,855.87</u>	<u>\$ 9,053,709.37</u>

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

BOROUGH OF GARWOOD
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023	\$ 71,183.57
Increased by:	
Premium on Bond Anticipation Notes Issued	<u>12,710.88</u>
	\$ <u>83,894.45</u>
Decreased by:	
Anticipated in Current Fund Budget	<u> </u>
Balance, December 31, 2024	<u>\$ <u>83,894.45</u></u>

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

BOROUGH OF GARWOOD
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
General Fixed Assets:			
Land and Land Improvements	\$ 6,349,900.00	\$ 6,349,900.00	\$ 6,349,900.00
Buildings	3,013,392.00	3,013,392.00	3,013,392.00
Vehicles	4,431,158.23	4,431,158.23	4,216,263.72
Machinery and Equipment	<u>1,886,985.87</u>	<u>1,886,985.87</u>	<u>1,886,985.87</u>
<u>Total General Fixed Assets</u>	<u>\$ 15,681,436.10</u>	<u>\$ 15,681,436.10</u>	<u>\$ 15,466,541.59</u>
Investments in General Fixed Assets	<u>\$ 15,681,436.10</u>	<u>\$ 15,681,436.10</u>	<u>\$ 15,466,541.59</u>

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

BOROUGH OF GARWOOD

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Garwood 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.

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 Garwood include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Garwood, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Garwood do not include the operations of the local Board of Education, in as much as their activities are administered by a separate board.

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).

The accounting policies of the Borough of Garwood 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Under this method of accounting, the financial transactions and accounts of the Borough of Garwood are organized on the basis of funds and an account group which is different from the fund structure required by U.S. 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 group:

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

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

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

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that has 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$2,000.00 or more per unit. Public domain ("Infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. The Borough has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by the Borough.

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost for land acquired before 1986 is the assessed value determined at the last revaluation prior to December 31, 1985.

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

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

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - Under GAAP, municipalities are required to record their distributive shares of net pension liability, deferred outflows of resources, and 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, and 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.

Leases

Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The Borough may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

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 lease receivable as an asset on their balances sheets or the Statement of Revenues. However, N.J.A.C. 5:30 6.1 (c) (2) requires municipalities to disclose GASB 87 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 87.

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 change funds, cash in banks, deposits in the New Jersey Cash Management Fund and Certificates of Deposit as cash and cash equivalents.

A. Deposits

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

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

Fund Type	Bank Balance	Reconciling Items		Change Funds	Reconciled Balance
		Additions	Deletions		
Current Fund	\$3,489,529.44	\$4,896.41	\$22,322.70		\$3,472,103.15
Animal Control Trust Fund	2,385.03		4.38		2,380.65
Assessment Trust Fund	5,566.27		6.85		5,559.42
Other Trust Fund	785,323.21	\$128,517.82	21,783.79		892,057.24
General Capital Fund	1,180,901.49		1,453.43		1,179,448.06
Public Assistance Fund	1,374.49		1.69		1,372.80
Change Funds				\$500.00	500.00
	<u>\$5,465,079.93</u>	<u>\$133,414.23</u>	<u>\$45,572.84</u>	<u>\$500.00</u>	<u>\$5,553,421.32</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 was exposed to custodial credit risk. Of the cash on balance in the bank, \$303,644.47 was covered by Federal Depository Insurance, \$5,138,672.07 was covered under the provisions of NJGUDPA and \$22,763.39 was on deposit with the New Jersey Cash Management Fund which is considered an investment pool and is not insured by FDIC or GUDPA.

B. Investments

The purchase of investments by the Borough are 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.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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 P.L. 1970, c.236 c.17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2024, the Borough has \$22,763.39 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

Equalized Valuation Basis* - December 31, 2024	\$935,344,842.33
3-1/2 of Equalized Valuation Basis	32,737,069.48
Net Debt	<u>7,404,328.61</u>
Remaining Borrowing Power	<u><u>\$25,332,740.87</u></u>

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

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

<u>CALENDAR</u> <u>YEAR</u>	<u>GENERAL CAPITAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2025	\$ 270,000.00	\$ 9,350.00	\$ 279,350.00
2026	<u>266,000.00</u>	<u>3,325.00</u>	<u>269,325.00</u>
	<u>\$ 536,000.00</u>	<u>\$ 12,675.00</u>	<u>\$ 548,675.00</u>

The General Improvement Bonds are comprised of the following issue:

GENERAL SERIAL BONDS

<u>ISSUE</u>	<u>OUTSTANDING</u> <u>BALANCE</u> <u>DECEMBER</u> <u>31, 2024</u>
\$2,741,000.00 in 2015 General Improvement Bonds, due in remaining installments ranging between \$266,000.00 and \$270,000.00 through December 2026 at interest rates between 2.00% and 2.50%.	<u>\$536,000.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue and Maturity Dates</u>	<u>Amount</u>
General Capital	4.000%	08/02/24 to 08/01/25	<u>\$6,087,000.00</u>

NOTE PAYABLE

	<u>Interest Rate</u>	<u>Issue and Maturity Dates</u>	<u>Amount</u>
Emergency Note	4.000%	08/02/24 to 08/01/25	<u>\$100,000.00</u>

GREEN TRUST LOAN

CALENDAR			
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$ 29,532.83	\$ 5,968.55	\$ 35,501.37
2026	30,126.45	5,374.93	35,501.38
2027	30,731.99	4,769.39	35,501.38
2028	31,349.71	4,151.67	35,501.38
2029	31,979.83	3,521.55	35,501.38
2030-2034	<u>152,052.72</u>	<u>7,703.51</u>	<u>159,756.23</u>
	\$ <u>305,773.53</u>	\$ <u>31,489.60</u>	\$ <u>337,263.13</u>

NOTE 4: FUND BALANCES APPROPRIATED

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

Current Fund \$1,135,000.00

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 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>68,695.65</u>	\$ <u>86,877.08</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/annrprts.shtml.

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

NOTE 6: PENSION PLANS (CONTINUED)

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 (CONTINUED)

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 Slate of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. PFRS members contributed at a rate of 10.00% of base salary.

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 \$870,449.35 for 2024, \$867,573.29 for 2023, and \$727,730 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 was not available, therefore the information dated June 30, 2023 is disclosed.

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$2,363,078.00 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 0.0163146691 percent, which was a decrease of 0.0027715192 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 \$21,711.00 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 \$240,686.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 22,594.00	\$ 9,660.00
Changes of assumptions	5,191.00	143,213.00
Net difference between projected and actual earnings on pension plan investments	10,882.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>590,634.00</u>	<u>483,228.00</u>
	<u>\$ 629,301.00</u>	<u>\$ 636,101.00</u>

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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	(\$103,280.80)
2025	(48,155.80)
2026	118,794.20
2027	4,066.20
2028	<u>21,776.20</u>
	<u>(\$6,800.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55%
	Based on
	Years of Service
Investment Rate of Return	7.00%

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

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

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

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.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the Borough's proportionate share of 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 respectively, 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	\$3,076,224.00	\$2,363,078.00	\$1,756,096.00

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.

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.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of December 31, 2023 was 0.0163766111% which was a decrease of 0.0027858295 percent from its proportion measured as of June 30, 2022. The non-employer contributing entities' contribution and employer pension expense and related revenue for the years ended June 30, 2023 and December 31, 2022 was \$7,370.00 and \$6,060.00, respectively.

Pension plan fiduciary net position

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$5,161,849.00 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 0.0467187100 percent, which was an increase of 0.0008006400 percent from its proportion measured as of June 30, 2022.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$322,848.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023, billing was \$597,189.00.

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	\$ 221,020.00	\$ 246,174.00
Changes of assumptions	11,141.00	348,548.00
Net difference between projected and actual earnings on pension plan investments	262,883.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>248,578.00</u>	<u>63,058.00</u>
	<u>\$ 743,622.00</u>	<u>\$ 657,780.00</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:

Year Ended		<u>Amount</u>
<u>June 30</u>		
2024	\$	(163,777.00)
2025		(155,677.00)
2026		347,269.00
2027		10,427.00
2028		46,626.00
Thereafter		<u>974.00</u>
	\$	<u>85,842.00</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	
Price	2.75%
Wage	3.25%
Salary Increases	All future years 3.25-16.25%
	Based on years of Service
Investment Rate of Return	7.00%

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 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>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasury’s	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of both June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the 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	\$7,192,132.00	\$5,161,849.00	\$3,471,108.00

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 December 31, 2023 and 2022 is 0.0467188300% and 0.0459179600% respectively, the non-employer contributing entities’ contribution for the year ended June 30, 2023 and 2022 was \$108,773.00 and \$116,453.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$108,189.00 and \$107,921.00, 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 \$951,131.00 and \$935,404.00, 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	\$5,161,849.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>951,131.00</u>
	<u><u>\$6,112,980.00</u></u>

Pension plan fiduciary net position

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

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off or paid at a later date. Upon retirement, Department of Public Works, and Non-Contractual, employees are entitled to receive compensation of the lesser of 50% of unused sick pay or \$18,000.00. Police Department, and Administrative, employees are entitled to receive compensation up to 50% of unused sick pay. Unused sick pay is forfeited if the employee leaves for other than retirement. Vacation days cannot be accumulated. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but is estimated by the Borough to be approximately \$209,240.34. The Borough annually appropriates the amounts that are required to be paid in that year's budget and \$91,137.62 is accrued at December 31, 2024 in the Trust Fund.

NOTE 8: LITIGATION

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

NOTE 9: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2024, the Borough does not believe that any material liabilities will result from such audits.

NOTE 10: 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 commercial insurance coverage 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.

NOTE 10: RISK MANAGEMENT (CONTINUED)

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. Below is a summary of Borough 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>Calendar Year</u>	<u>Borough/Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ 16,248.88	\$ 1,581.59	\$ 17,245.83	\$ 78,153.92
2023	30,718.26	1,844.61	33,802.02	77,569.28
2022	5,815.60	202.93	9,897.18	78,808.43

NOTE 11: 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 Plan is administered by the Lincoln National Life Insurance Company.

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

NOTE 12: 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	\$ 6,528.17	
Trust Other Fund		\$ 6,528.17
	<u>\$ 6,528.17</u>	<u>\$ 6,528.17</u>

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

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

The Borough of Garwood adopted an ordinance establishing a Length of Service Awards Program for the members of the Garwood Fire Department and the Garwood First Aid Squad pursuant to N.J.S.A. 40A: 14-183 et seq.

Under this program, each volunteer of the Garwood Fire Department that performs the minimum amount of service will have an annual amount of \$1,748.00 deposited into a tax deferred income account that will earn interest for the volunteer. Each volunteer of the Garwood First Aid Squad that performs the minimum amount of service will have an amount of either \$874.00 or \$1,748.00 deposited into a tax deferred income account for the volunteer. The Borough's costs amounted to \$45,182.50 during 2024.

The accompanying financial statements do not include the Borough's Length of Service Awards Program activities. The Borough's Length of Service Awards Program's financial statements are presented in a separate review report, as required by state regulations.

NOTE 14: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>BALANCE DECEMBER 31, 2024</u>	<u>2025 BUDGET APPROPRIATION</u>	<u>BALANCE TO SUCCEEDING YEARS</u>
Current Fund:			
Special Emergency (40A:4-55) Tropical Storm IDA	\$ 100,000.00	\$ 50,000.00	\$ 50,000.00
	<u>\$ 100,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Summary of Benefits

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

Employees Covered by Benefits Terms

Inactive employees or beneficiaries currently receiving benefits payments	38
Inactive employees entitled to but not currently receiving benefits payments	-0-
Active Employees	<u>28</u>
	<u>66</u>

Contributions

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

Retirees and their dependents are required to contribute toward the cost of the postretirement medical and prescription drug coverage in accordance with the provisions set forth under Chapter 78. An employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS service as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retirement contributions are based on a percentage of the postretirement healthcare cost and vary based on coverage tier and amount of PERS or PFRS pension amounts based on tables presented in the Borough's plan document, ranging from 3.5% to 35%.

Net OPEB Liability

The Borough's total net OPEB liability of \$10,497,649 was measured as of July 1, 2023 and was determined by an actuarial valuation as of December 31 2024.

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Actuarial Assumptions

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

Inflation	4.08%
Salary Increases	2.50%

Healthcare cost trend rates: Medical 6.5 percent decreasing by 0.25 percent per annum, leveling at 4.5 percent per annum in 2032. Drug 14.0 percent in 2024 reducing by 0.75 percent per annum, leveling at 4.5 percent per annum in 2030. Medicare Advantage: 4.5 percent per annum. Dental and Vision: 3.5 percent per annum.

Mortality rates were based on the December 31, 2023 PUB 2010 "General" classification headcount weighted mortality with generational improvement using Scale MP-2021.

Demographic assumptions were selected based on those used by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2023 report from Aon Consultants. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of Local Finance Notice 2007-15.

Health care (economic) assumptions were selected based on those used by the State health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2023 report from Aon Consultants.

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Discount Rate

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

Changes in the Total OPEB Liability:

	Total OPEB <u>Liability</u>
Balance at 12/31/23	\$3,343,774
Changes for the year:	
Service cost	225,067
Interest Cost	110,558
Differences between expected and actual experience	-0-
Changes in assumptions or other inputs	7,173,203
Benefit payments including employee refunds	<u>(354,953)</u>
Net change in OPEB Liability	<u>7,153,875</u>
Balance at 12/31/24	<u><u>\$10,497,649</u></u>

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

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

	December 31, 2024		
	<u>1.00%</u> <u>Decrease (3.08%)</u>	<u>At Discount</u> <u>Rate (4.08%)</u>	<u>1.00%</u> <u>Increase (5.08%)</u>
Net OPEB Liability	\$11,454,044	\$10,497,649	\$9,715,392

NOTE 15: GASB 75: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

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

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

	December 31, 2024		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% Increase
Net OPEB Liability	\$10,026,734	\$10,497,649	\$11,069,399

At December 31, 2024, the Borough 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>
Subtotals Based on Prior Year Valuations	(\$1,311,113)	-0-
Change of Assumptions	<u>6,516,557</u>	<u>-0-</u>
	<u>\$5,205,444</u>	<u>-0-</u>

The Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Borough's actuarially calculated OPEB (benefit)/expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$524,119
2025	573,672
2026	(274,467)
2027	492,147
2028	656,646
Total Thereafter	<u>3,233,327</u>
	<u>\$5,205,444</u>

NOTE 16: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey and the Union County Board of Taxation requesting a reduction of assessments. Any reduction in assessed valuation will result in a refund of prior years' 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. 40A:2-51. The Borough has a reserve in the Current Fund for Tax Appeals of \$154,797.68.

NOTE 17: FIXED ASSETS

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

	Balance December 31, <u>2023</u>	<u>Additions</u>	Balance December 31, <u>2024</u>
Land	\$ 6,349,900.00		\$ 6,349,900.00
Buildings	3,013,392.00		3,013,392.00
Vehicles	4,216,263.72	\$ 214,894.51	4,431,158.23
Machinery and Equipment	<u>1,886,985.87</u>		<u>1,886,985.87</u>
	<u>\$ 15,466,541.59</u>	<u>\$ 214,894.51</u>	<u>\$ 15,681,436.10</u>

NOTE 18: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through May 20, 2025 which is the date the financial statements were available to be issued.

Based upon this evaluation, the Borough has determined that there are no subsequent events needed to be disclosed.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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STEVEN L. ROGUT
THOMAS J. BACE †
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CRANFORD, NEW JERSEY 07016

† ALSO ADMITTED IN FL AND DC

APPENDIX C

[Proposed Form of Bond Counsel Opinion]

May __, 2026

Borough Council
Borough of Garwood
County of Union, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$6,365,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Garwood, in the County of Union, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated May 1, 2026 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each May 1 and November 1, commencing November 1, 2026 (each, an "Interest Payment Date"), in each year until maturity.

The Bonds are payable in annual installments on May 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2027	\$530,000	%	2032	\$ 635,000	%
2028	535,000		2033	665,000	
2029	550,000		2034	715,000	
2030	570,000		2035	765,000	
2031	600,000		2036	800,000	

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to thirty-two bond ordinances adopted by the Borough Council of the Borough on June 9, 2015 (Ord. No. 15-11), August 11, 2015 (Ord. No. 15-15, as amended by Ord. No. 16-08 adopted on May 10, 2016), August 25, 2015 (Ord. No. 15-16), November 24, 2015 (Ord. No. 15-24), May 24, 2016 (Ord. No. 16-09), July 11, 2017 (Ord. No. 17-13, as amended by Ord. No. 18-22 adopted on September 11, 2018), December 12, 2017 (Ord. No. 17-27), March 13, 2018 (Ord. No. 18-03), June 12, 2018 (Ord. No. 18-14), August 14, 2018 (Ord. No. 18-18), February 14, 2019 (Ord. No. 19-01), June 13, 2019 (Ord. No. 19-11), June 27, 2019 (Ord. No. 19-12), July 11, 2019 (Ord. No. 19-14), June 11, 2020 (two ordinances: Ord. Nos. 20-05 and 20-06), July 23, 2020 (Ord. No. 20-09), February 25, 2021 (Ord. No. 21-02), March 11, 2021 (Ord. No. 21-03), May 27, 2021 (Ord. No. 21-07), July 8, 2021 (Ord. No. 21-11), June 9, 2022 (Ord. No. 22-05), June 23, 2022 (Ord. No. 22-07), August 25, 2022 (Ord. No. 22-10), May 25, 2023 (two ordinances: Ord. Nos. 23-10 and 23-11), October 26, 2023 (Ord. No. 23-27), March 7, 2024 (Ord. No. 24-08), May 23, 2024 (Ord. No. 24-14), August 22, 2024 (Ord. No. 24-25), May 22, 2025 (Ord. No. 25-18) and June 26, 2025 (Ord. No. 25-19) and resolutions adopted by the Borough Council of the Borough on March 26, 2026.

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

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax

purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

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

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

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy,

insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

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

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

Very truly yours,

Rogut McCarthy LLC