

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2026

**TOWNSHIP OF MORRIS
STATE OF NEW JERSEY**

\$23,005,000 BOND ANTICIPATION NOTE, SERIES 2026

(Book-Entry Note) (Parity Bid) (Non-Callable)

Dated: Date of Delivery

Maturity Date: September 23, 2027

Coupon: _____%

Price: _____

CUSIP No.: _____

This Official Statement has been prepared by the Township of Morris, a municipal corporation of the State of New Jersey (the "Township") to provide information on its \$23,005,000 Bond Anticipation Note, Series 2026 (the "Note"). Select information is presented on this cover page and the following page for the convenience of the user. To make an informed decision regarding the Note, a prospective purchaser should read this Official Statement in its entirety.

Credit Rating Moody's: "MIG 1" (See "Credit Rating" herein).

Federal Tax Exemption Assuming continuing compliance by the Township with certain covenants described herein under current law, interest on the Note is exempt from federal income taxation. Interest on the Note is not includable when calculating the federal alternative minimum tax.

State Tax Exemption Interest on the Note, and any gain from the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.

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

Security The Note will be a valid and legally binding general obligation of the Township and, unless paid from other sources, will be payable from *ad valorem* taxes to be levied upon all the taxable property within the Township without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

Purpose Proceeds from the sale and issuance of the Note will be used by the Township as described herein.

Denominations Increments of \$5,000, plus integral multiples of \$1,000 in excess thereof.

Bond Counsel JP Capizzi LLC
Union City, New Jersey

Closing On or about September 23, 2026.

Book-Entry System The Depository Trust Company
Brooklyn, New York

Issuer Contact Sean Ferguson, Chief Financial Officer
(973) 326-7381

**ELECTRONIC PROPOSALS SUBMITTED VIA THE PARITY ELECTRONIC BIDDING SYSTEM
WILL BE RECEIVED FOR THE NOTE UNTIL 10:30 AM ON SEPTEMBER 9, 2026.
ALL PROPOSALS MUST BE IN ACCORDANCE WITH THE NOTICE OF SALE FOR THE NOTE.**

This is a Preliminary Official Statement and the information contained herein is subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**TOWNSHIP OF MORRIS
STATE OF NEW JERSEY**

MAYOR

Donna J. Guariglia

TOWNSHIP COMMITTEE

Siva S. Jonnada
Jeffery R. Grayzel
William V. Ravitz
Samantha G. Rothman

TOWNSHIP OFFICIALS

Suzanne V. Walsh, Clerk
Timothy F. Quinn, Township Administrator
Sean Ferguson, Chief Financial Officer

TOWNSHIP ATTORNEY

Antonelli Kantor Rivera PC
Livingston, New Jersey

AUDITOR

Nisivoccia LLP
Mount Arlington, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Bloomfield, New Jersey

BOND COUNSEL

JP Capizzi LLC
Union City, New Jersey

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

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

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

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**OFFICIAL STATEMENT
RELATING TO**

**TOWNSHIP OF MORRIS
STATE OF NEW JERSEY**

\$23,005,000 BOND ANTICIPATION NOTE, SERIES 2026

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page hereof and the appendices hereto, has been prepared by the Township of Morris (the “Township”), a municipal corporation of the State of New Jersey (the “State”) and provides certain information regarding the financial and economic condition of the Township in connection with the sale of the Township’s \$23,005,000 Bond Anticipation Note, Series 2026 (the “Note”). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and its distribution and use in connection with the sale of the Note has been authorized by the Township.

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

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

DESCRIPTION OF THE NOTE

General Description

The Note will be issued in the aggregate principal amount of \$23,005,000. The Note will be dated September 23, 2026; mature on September 23, 2027; numbered 2026-1; and bear interest at the interest rate of ____% per annum (computed on the basis of a 360-day year) payable at maturity.

Denominations and Place of Payment

The Note shall be issued in fully registered form to The Depository Trust Company, Brooklyn, New York (“DTC”), and registered in the name of DTC’s nominee, Cede & Co. DTC will hold the Note and not physically distribute note certificates to the DTC participants or beneficial owners of the Note.

Principal of and interest on the Note will be paid by the Township, or its designee in its capacity as paying agent (the “Paying Agent”), to DTC at maturity.

The Note may be purchased in increments of \$5,000, plus integral multiples of \$1,000 in excess thereof. Purchasers of the Note will not receive note certificates representing their beneficial ownership interest in the amount of Note purchased.

So long as Cede & Co. is the registered owner of the Note, references herein (except under the captions “Tax Matters” and “Secondary Market Disclosure”) to the registered owner(s) shall mean Cede & Co. and shall not mean the beneficial owners of the Note. See “Book-Entry System” herein.

Redemption

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

Book-Entry System

DTC will act as securities depository for the Note (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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, 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 credit rating from S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC, 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership

interest of each actual purchaser of each Security (a "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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

Beneficial Owners of the Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal, redemption and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the Paying Agent, 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 or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of Book-Entry System

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Note, the following provisions shall apply: (i) the Note shall be exchanged for an equal aggregate principal amount of notes (in any authorized denomination, and in the same maturity of the Note) (the “Substitute Note”) upon surrender thereof at the office of the Township / Paying Agent; (ii) the transfer of the Note shall be registered on the books maintained by the Township / Paying Agent, for such purposes only upon the surrender of the Note to the Township / Paying Agent, together with duly executed assignments in a form satisfactory to the Township / Paying Agent; and (iii) for every exchange or registration of transfer of the Note, the Paying Agent, if any, shall be reimbursed by the Township for any charges required to be paid by the Paying Agent with respect to any such Substitute Note.

Principal and Interest on the Note, when due, shall be paid to the registered owners of the Note upon surrender thereof to the Township / Paying Agent.

AUTHORIZATION AND PURPOSE OF THE NOTE

The Note is to be issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1, et seq.) (the “Local Bond Law”). The Note is authorized by the following resolutions of the Township: Resolution No. 183-26 adopted on August 27, 2026 and the bond ordinances referred to therein and set forth below, each in all respects duly approved and published as required by law; and Resolution No. 184-26 adopted on August 27, 2026.

The bond ordinances included in the sale of the Note were published in full or in summary form after adoption, along with the statement required by the Local Bond Law that the 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 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 Note by the Township.

The proceeds of the Note will be used to: (i) refund \$20,459,000 of a \$21,057,000 Bond Anticipation Note (together with \$1,450,637.50 pursuant to a budget appropriation) that matures on September 24, 2026; and (ii) obtain \$2,609,000 new money.

The improvements / purposes to be funded in the sale of the Note are as follows:

Principal Amount of Notes To Be Sold	Bond Ordinance Number	Improvements / Purposes Authorized and Bond Ordinance Adoption Date
\$108,375	09-20 as amended by 30-20	Swimming pool improvements. Finally adopted 05/20/20; 12/16/20
\$2,382,750	13-20	Various capital improvements. Finally adopted 05/20/20
\$2,477,500	11-21	Various capital improvements. Finally adopted 05/19/21
\$207,063	12-21	Swimming pool improvements. Finally adopted 05/19/21
\$1,871,425	09-22	Various capital improvements. Finally adopted 05/18/22
\$174,250	10-22	Swimming pool improvements. Finally adopted 05/18/22
\$533,250	08-23	Swimming pool improvements. Finally adopted 05/17/23
\$3,159,972	09-23 as amended by 17-24	Various capital improvements. Finally adopted 05/17/23; 06/19/24
\$750,000	16-23	Various capital improvements. Finally adopted 07/19/23
\$3,274,650	10-24	Various capital improvements. Finally adopted 05/15/24
\$272,093	15-24	Swimming pool improvements. Finally adopted 05/15/24

\$2,768,347	13-25	Various capital improvements. Finally adopted 05/21/25
\$228,950	14-25	Swimming pool improvements. Finally adopted 05/21/25
\$2,187,375	15-25	Various sewer capital improvements. Finally adopted 05/21/25
\$2,609,000	17-26	Various capital improvements. Finally adopted 05/20/26
\$23,005,000		

SECURITY AND SOURCE OF PAYMENT

The Note will be a valid and legally binding general obligation of the Township and, unless paid from other sources, will be payable from *ad valorem* taxes to be levied upon all the taxable property within the Township without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

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

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

Legal Framework

The Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1, et seq.) (the "Local Bond Law") governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

Debt Limit

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5%, in the case of a municipality, and 2%, in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Bond Anticipation Notes

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

Assessment Bonds

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

Refunding Bonds

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

Tax Anticipation Notes

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

School Debt Subject to Voter Approval

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

Local Budget Law

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

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

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

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

Appropriations Not Required for Payments on Debt

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

Appropriation Caps

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

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

The Cost-of-Living Adjustment applicable to SFY 2026 budgets is 2.0%. The Township finally adopted Ordinance No. 16-26 on April 22, 2026 electing to increase its final appropriations by 3.5% for SFY 2026.

Property Tax Levy Cap

Chapter 44 of the Pamphlet Laws of 2010 imposed restrictions upon the allowable annual increase in the tax levy. In general, municipalities have their tax levies limited to a 2% increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least 50%) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

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

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

Real Estate Taxes

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

N.J.S.A. 40A:4-41 provides, with regard to current taxes, that: “[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general

county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year”.

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

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

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

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

Emergency Appropriations/Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over 3 years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption; the repair and reconstruction of private property damaged by flood or hurricane; tax map preparation; re-evaluation programs; revision and codification of ordinances; master plan preparations; drainage map preparation for flood control purposes; studies and planning associated with the construction and installation of sanitary sewers; authorized expenses of a consolidated commission; contractually required severance liabilities resulting from the layoff or retirement of employees; the preparation of sanitary and storm system maps; liabilities incurred to the Department of Labor and Workforce Development for the reimbursement of unemployment benefits paid to former employees; non-recurring expenses incurred by a municipality to implement consolidation with another municipality or municipalities; the immediate preparation, response, recovery and restoration of public services during such time as a public health emergency; a deficit in prior year operations experienced by any municipality, utility, or enterprise during, or in the fiscal year immediately following, a fiscal year in which a public health emergency has been declared by the Governor in response to

COVID-19, all of which projects set forth in this clause (ii) may be amortized over 5 years except projects relating to COVID-19 deficits, which may be amortized over a period of up to 10 years with the approval of the Local Finance Board (N.J.S.A. 40A:4-53, -54, -55 and -55.1). Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

Budget Transfers

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

Municipal Public Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Capital Budget

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

body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. 40A:4-3.1). Municipalities that change fiscal years must adopt a 6 month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the 6 month transition budget (N.J.S.A. 40A:2-51.2). The law provides that the deficit in the 6 month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the 6 month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to 1 year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year.

State Supervision

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

Tax Assessment and Collection Procedure

A municipality is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county, municipality and the school districts located therein. The levying of taxes is for a fiscal year, which starts January 1 and ends December 31. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by

June 30 (the end of the school district's fiscal year). A municipality remits 100% of the county taxes, payable quarterly on February 15, May 15, August 15 and November 15.

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

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in 4 quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either 1/4 or 1/2 of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

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

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to February 1 in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before April 1 of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations. The payment of tax appeal judgments may also be provided for through the issuance of refunding bonds or refunding notes pursuant to a maturity schedule approved by the Local Finance Board.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law of the State of New Jersey (N.J.S.A. 40A:5-1, et seq.) (the "Local Fiscal Affairs Law") regulates the nonbudgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

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

A local unit's funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. 40A:5-15.1.

Basis of Accounting

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

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

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

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized. Fixed assets used in governmental operations are accounted for in the General Fixed Assets Account Group.

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

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, state and private grants, certain federal or state mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act (11 U.S.C. 401, et seq.), as amended by P.L. 94-260; the Bankruptcy Reform Act of 1978 (P.L. 95-598), as amended by P.L. 100-597; the Bankruptcy Reform Act of 1994 (P.L. 103-394); and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized by applicable state law; directs such a petitioner to file with the court a list of a petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owned for services or material actually provided within 3 months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least 2/3 in amount or more than 1/2 in number of the listed creditors. These amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

The above references to the Bankruptcy Act are not to be construed as an indication that the Township expects to resort to the provisions of the Bankruptcy Act or that, if it did, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Note.

NO DEFAULT

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

ABSENCE OF MATERIAL LITIGATION

In the opinion of Antonelli Kantor Rivera PC, Livingston, New Jersey (the "Township Attorney"), the duly chosen, qualified and acting attorney for the Township, no litigation of any nature is now pending, or to the best of their knowledge, information and belief threatened, restraining or enjoining the issuance or delivery of the Note or the levy or collection of any taxes to pay the interest on or principal of the Note, or in any manner questioning the authority or proceedings for the issuance of the Note or for the levy or collection of said taxes; neither the corporate existence or boundaries of the Township nor the title of any of the present officers thereof to their respective offices is being contested; and no authority or proceedings for the issuance of the Note has or have been repealed, revoked or rescinded. Additionally, in the opinion of the Township Attorney, no litigation of any nature is now pending, or to the best of their knowledge, information and belief threatened, by or against the Township wherein an

adverse judgement or ruling would have a material adverse impact on the financial condition of the Township or which is not otherwise adequately covered by insurance. A signed statement to that effect will be supplied upon delivery of the Note.

TAX MATTERS

Federal

The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of JP Capizzi LLC, Union City, New Jersey ("Bond Counsel") to be delivered at the time of original issuance of the Note, assuming continuing compliance by the Township with its covenant, under current law, interest on the Note is not includable in gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference under Section 57 of the Code when calculating the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Note.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Note in order to assure that interest on the Note will be, and remains, excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Note be rebated to the federal government. Noncompliance with such requirements may cause interest on the Note to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Township will deliver an Arbitrage and Tax Certificate concurrently with the issuance of the Note, which will contain provisions and covenants relating to its compliance with the requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Note, and Bond Counsel has assumed compliance by the Township with its covenant to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Code. The Note is not a "private activity bond" as defined in the Code.

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

portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Notes.

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

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

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax exempt obligations. There can be no assurance that legislation enacted or proposed, or an audit initiated or concluded by the IRS involving the Note or other tax exempt obligations, after the issue date of the Note will not have an adverse effect on the tax exempt status or market price of the Note.

State

In the opinion of Bond Counsel, under current law interest on the Note, and any gain on the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.

ALL PROSPECTIVE PURCHASERS OF THE NOTE SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE GIVEN THEIR PARTICULAR TAX CIRCUMSTANCES.

SECONDARY MARKET DISCLOSURE

The Township will enter into a written Secondary Market Disclosure Undertaking in order to comply with the secondary market disclosure requirements contemplated by Rule 15c2-12 adopted by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"). A form of the Secondary Market Disclosure Undertaking to be delivered at closing is set forth in Appendix D hereto. Notices of Material Events shall be filed with www.emma.msrb.org ("EMMA").

The Township has entered into prior undertakings in accordance with the Rule with respect to bonds and notes previously issued by the Township.

As of the date hereof, the Township has taken steps to ensure compliance with the Rule. The Township has engaged NW Financial Group, LLC, Bloomfield, New Jersey to serve as continuing disclosure agent to assist the Township in complying with the requirements of the Rule.

CREDIT RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a credit rating of "MIG 1" to the Note. This credit rating reflects only the view of Moody's and an explanation thereof may be obtained only from Moody's. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Township to Moody's. Generally, Moody's bases its credit ratings on the information and materials so furnished and on its investigations, studies and assumptions.

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

LEGALITY

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Note are subject to the approval of JP Capizzi LLC, Union City, New Jersey ("Bond Counsel"), whose approving opinion will be delivered with the Note substantially in the form set forth in Appendix C hereto. Except to the extent necessary to issue its approving opinion as to the validity of the Note and the exemption of the interest earned on the Note from taxation, Bond Counsel has made no inquiry of any Township officials or other persons as to any financial information, documents, statements or materials, and has not independently verified any such financial information, documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Note. Accordingly, Bond Counsel will not express any opinion with respect to the accuracy or completeness of any such financial information, documents, statements or materials.

Bond Counsel has reviewed the statements made in the Official Statement under the captions entitled "Description of the Note" (other than the information pertaining to DTC and Book-Entry System), "Authorization and Purpose of the Note", "Municipal Bankruptcy", "Tax Matters", "Secondary Market Disclosure" (first paragraph only) and "Legality". Bond Counsel has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

Certain legal matters will be passed upon for the Township by the Township Attorney. The Township Attorney has reviewed the statements made in the Official Statement under the caption entitled "Absence of Material Litigation". The Township Attorney has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

FINANCIAL STATEMENTS

The financial statements of the Township as of, and for the fiscal years ended, December 31, 2025, 2024 and 2023 set forth in Appendix B are presented by Nisivoccia LLP,

Mount Arlington, New Jersey (the "Auditor"). Accordingly, the Auditor takes responsibility for their Independent Auditor's Report, and the audited financial information specified therein.

The Auditor has reviewed the statements made in the Official Statement under the caption entitled "Appendix B". The Auditor has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Bloomfield, New Jersey (the "Municipal Advisor") served as municipal advisor to the Township with respect to the issuance of the Note and assisted in matters relating to the planning, structuring and issuance of the Note. The Municipal Advisor has not independently verified any financial information, documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Note. The Municipal Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Chief Financial Officer of the Township, Sean Ferguson via telephone: (973) 326-7381 or e-mail: sferguson@morristwp.com; the Municipal Advisor, Heather Litzebauer via telephone: (201) 937-7224 or e-mail: hlitzebauer@nwfinancial.com; or, the Bond Counsel, Jason P. Capizzi, Esq. via telephone: (201) 546-9200 or e-mail: jason@jpcapizzi.com.

MISCELLANEOUS

All information used in the preparation of this Official Statement and the Appendices hereto has been obtained from sources which the Township considers to be reliable. However, the Township makes no warranty, guaranty or other representation with respect to the accuracy and completeness of any such information.

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

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

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

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

TOWNSHIP OF MORRIS

By: _____
Sean Ferguson
Chief Financial Officer

Dated: September __, 2026

Appendix A

GENERAL INFORMATION REGARDING THE TOWNSHIP

INFORMATION REGARDING THE TOWNSHIP¹

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

General Information

The Township, 15.8 square miles in area, is in the southeastern part of Morris County approximately 30 miles west of the Hudson River. The location of the Township, surrounding the Town of Morristown (the County seat), with quick access to major highways (Interstate Routes 287 and 80, State Route 24), has played an important role in its residential and business development. Also significant is the fact that the mainline of the Morristown Branch of the New Jersey Department of Transportation Railroad Operations provides express and local commuter service to Hoboken, New Jersey from the point at which the PATH trains of the Port Authority of New Jersey provide service to New York City. In July, 1995, service was provided directly to New York’s Penn Station, thereby eliminating the need to switch to the PATH trains. While many residents commute to work in Newark and New York City, many work in the Township and surrounding areas in the County. Residents are primarily professionals, executives, skilled workers, and independent business people. In recent years, the number of office and research facilities locating in the Township has increased considerably. Part of the Township’s business community consists of the corporate headquarters of organizations such as Atlantic Health, CIT Group, Covanta Energy, Travelers Insurance and Schindler Elevator. There are approximately 160 business concerns within the Township’s borders. There are 22 office buildings with a total of 3,700,000 square feet of rentable space. Residential housing includes townhouses, new, single-family developments, restored colonial houses and contemporary residences on several acres.

Form of Government

The Township is governed by a five-member Township Committee, whose members are elected at large for three-year staggered terms by the legally registered voters in the Township. The Township Committee annually appoints a Mayor from its membership. The Mayor and Committeemen comprise the legislative body which formulates policy, appropriates funds, and adopts ordinances and resolutions for the conduct of municipal business. The Township’s Administrator is an appointed position. The Administrator serves as the chief administrative officer under the Mayor and the Committee and also as liaison between the public and governingbody.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions,

¹ Source: The Township, unless otherwise indicated.

within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

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

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2025	12,131	11,649	482	4.0%
2024	12,371	11,959	412	3.3%
2023	12,173	11,782	391	3.2%
2022	11,952	11,632	320	2.7%
2021	11,628	11,146	482	4.1%
<u>County</u>				
2025	263,828	249,819	14,009	4.4%
2024	279,349	269,026	10,323	3.7%
2023	273,903	263,900	10,003	3.7%
2022	268,713	260,558	8,155	3.0%
2021	262,700	249,700	13,100	5.0%
<u>State</u>				
2025	4,674,518	4,361,147	313,371	5.2%
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,829,671	4,615,722	213,949	4.4%
2022	4,739,000	4,564,100	175,700	3.7%
2021	4,661,100	4,365,400	295,700	6.3%

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

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

Income

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$204,951	\$137,326	\$103,556
Median Family Income	249,655	169,844	127,025
Per Capita Income	93,249	71,044	54,253

Source: U.S. Census Bureau, American Community Survey, 2024 5-Year Estimates

Population

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

	<u>Township</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024	23,424	1.96%	514,528	1.03%	9,343,809	0.59%
2020	22,974	2.99	509,285	3.46	9,288,994	5.65
2010	22,306	2.34	492,276	4.69	8,791,894	4.49
2000	21,796	9.24	470,212	11.60	8,414,350	8.85
1990	19,952	7.93	421,353	3.37	7,730,188	4.96

Source: U.S. Census Bureau, American Community Survey, 2024 5-Year Estimates

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
FM 340 KEMBLE, LLC	\$78,110,000	1.43%
H'Y2 MT KEMBLE C/O LINCOLN PROP. CO	56,257,400	1.03%
MORRISTOWN SG LLC C/O CBRE	37,208,000	0.68%
MORRISTOWN MOB I LLC	34,040,000	0.62%
UNITED STATES FIRE INSURANCE CO	32,921,800	0.60%
MCP II 44 WHIPPANY LLC,% CBRE PROP	30,000,000	0.55%
OLDE FORGE EAST C/O BUKIET MGMT	28,373,000	0.52%
BAYER HEALTHCARE LLC C/O DUCHARME	26,596,500	0.49%
MORRISTOWN MOB III LLC	25,930,000	0.48%
MT KEMBLE CORP CTR LLC/VISION PROP	25,621,800	0.47%
Total	<u>\$375,058,500</u>	<u>6.88%</u>

Source: Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025U	107,614,313	106,797,431	99.24%
2024	109,168,770	108,539,112	99.42%
2023	108,972,035	108,317,144	99.39%
2022	106,117,533	105,142,400	99.08%
2021	103,768,283	103,135,550	99.39%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2025U	128,393	709,943	838,336	0.78%
2024	117,076	592,027	709,103	0.65%
2023	107,843	639,350	747,193	0.68%
2022	94,678	627,007	721,685	0.68%
2021	83,455	570,551	654,005	0.63%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2025U	36,475
2024	36,475
2023	36,475
2022	36,475
2021	36,475

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2025	0.517	1.147	0.304	1.968
2024	0.508	1.198	0.296	2.002
2023	0.497	1.224	0.277	2.005
2022	0.486	1.189	0.277	1.952
2021	0.470	1.164	0.278	1.911

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$5,452,857,800	7,471,715,264	72.98	0	7,471,715,264
2024	5,431,337,038	6,883,823,876	78.90	0	6,883,823,876
2023	5,424,267,438	6,480,606,258	83.70	0	6,480,606,258
2022	5,426,750,139	6,050,563,204	89.69	0	6,050,563,204
2021	5,402,534,838	5,807,928,228	93.02	0	5,807,928,228

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	58,502,200	4,565,221,100	6,671,700	705,320,000	45,248,600	71,894,200	5,452,857,800
2024	57,674,900	4,543,941,200	6,196,838	701,481,800	48,133,600	73,908,700	5,431,337,038
2023	58,162,400	4,528,644,900	7,575,038	707,842,800	48,133,600	73,908,700	5,424,267,438
2022	62,975,100	4,513,828,900	7,140,538	720,763,300	48,133,600	73,908,700	5,426,750,138
2021	65,911,800	4,509,042,300	7,173,438	712,616,400	34,052,600	73,738,300	5,402,534,838

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Fund Balance Utilized	\$5,800,000	\$6,000,000	\$6,591,445	\$6,500,000	\$6,500,000
Miscellaneous Revenues	8,354,430	7,578,3736	8,525,514	8,624,112	9,222,022
Receipts from Delinquent Taxes	550,000	550,000	550,000	580,000	550,000
Amount to be Raised by Taxation	<u>25,849,244</u>	<u>26,408,386</u>	<u>27,035,723</u>	<u>27,500,189</u>	<u>28,964,401</u>
Total Revenue:	<u>\$40,553,674</u>	<u>\$40,536,763</u>	<u>\$42,702,683</u>	<u>\$43,204,302</u>	<u>\$45,236,423</u>
<u>Appropriations</u>					
General Appropriations	\$29,541,212	\$30,995,000	\$32,844,006	\$ 34,183,467	\$ 35,941,633
Operations (Excluded from CAPS)	1,961,974	2,042,852	2,241,296	2,778,333	2,546,171
Deferred Charges and Statutory Expenditures	0	0	0	0	0
Capital Improvement Fund	368,325	787,251.7	758,350	794,802	692,120
Municipal Debt Service	3,726,322	3,154,480	3,659,030	2,247,700	2,856,499
Reserve for Uncollected Taxes	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>
Total Appropriations:	<u>\$40,553,674</u>	<u>\$40,536,763</u>	<u>\$42,702,683</u>	<u>\$43,204,302</u>	<u>\$45,236,423</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2025U	\$19,313,081	\$6,500,000
2024	12,572,801	6,500,000
2023	12,625,181	6,591,445
2022	11,366,064	6,000,000
2021	11,182,975	5,800,000

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

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

<u>Fund Balance - Sewer Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2025U	\$3,560,234	\$800,000
2024	3,285,934	800,000
2023	2,676,251	800,000
2022	4,644,222	2,714,774
2021	4,996,639	548,737

Source: Annual Audit Reports of the Township

Parking Lot Utility Operating Fund

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

<u>Parking Lot Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2025U	\$579,768	\$0
2024	443,565	0
2023	442,009	0
2022	500,339	203,724
2021	500,209	140,662

Source: Annual Audit Reports of the Township

Swimming Pool Utility Operating Fund

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

<u>Swimming Pool Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2025U	\$4,715	\$0
2024	4,715	0
2023	4,715	0
2022	4,715	0
2021	4,715	0

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2025

General Purpose Debt

Serial Bonds	\$5,790,000
Bond Anticipation Notes	17,274,664
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$23,064,644

Regional School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$0

Self-Liquidating Debt

Serial Bonds	\$4,122,000
Bond Anticipation Notes	3,782,356
Other Bonds, Notes and Loans	2,158,166
Bonds and Notes Authorized but Not Issued	<u>82,705</u>
Total:	\$10,145,228

TOTAL GROSS DEBT \$33,209,872

Less: Statutory Deductions	
General Purpose Debt	\$0
Regional School District Debt	0
Self-Liquidating Debt	<u>8,129,735</u>
Total:	\$8,129,735

TOTAL NET DEBT \$25,080,137

Source: Annual Audit Reports and Annual Debt Statement of the Township

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Overlapping Debt (as of December 31, 2025)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
County	\$403,626,166	5.50%	\$22,187,828
Regional School District	0	0.00%	<u>0</u>
Indirect Debt			\$22,187,828
Net Direct Debt			<u>25,080,137</u>
Total Net Direct and Indirect Debt			<u>\$47,267,965</u>

Debt Limit

Average Equalized Valuation Basis (2023, 2024, 2025)	\$6,945,381,799
Permitted Debt Limitation (3 1/2%)	243,088,363
Less: Net Debt	<u>25,080,137</u>
Remaining Borrowing Power	<u>\$218,008,226</u>
Percentage of Net Debt to Average Equalized Valuation	0.361%
Gross Debt Per Capita based on 2024 population of 23,424	\$1,418
Net Debt Per Capita based on 2024 population of 23,424	\$1,071

Source: Annual Debt Statement of the Township

Litigation

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

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

Appendix B

FINANCIAL STATEMENTS

APPENDIX B
FINANCIAL STATEMENTS

TOWNSHIP OF MORRIS

COUNTY OF MORRIS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023, 2024 AND 2025

TOWNSHIP OF MORRIS
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Morris
Convent Station, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Township of Morris, in the County of Morris (the "Township") as of and for the years ended December 31, 2025, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Township as of December 31, 2025, 2024 and 2023, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Township as of December 31, 2025, 2024 and 2023, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions prescribed or permitted 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 the Division's regulatory basis of accounting and the budget laws 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund and account group financial statements or to the various fund and account group financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the various fund and account group financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2026 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Nisiroccia LLP

Mount Arlington, New Jersey
June 5, 2026

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	\$ 20,829,452.64	\$ 20,464,078.76	\$ 19,720,808.30
Change Fund	700.00	700.00	700.00
	<u>20,830,152.64</u>	<u>20,464,778.76</u>	<u>19,721,508.30</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	639,350.55	592,027.24	693,548.99
Tax Title Liens Receivable	107,843.13	117,076.60	127,867.19
Property Acquired for Taxes at Assessed Valuation	36,475.00	36,475.00	36,475.00
Revenue Accounts Receivable	16,325.62	17,865.03	17,240.34
Other Accounts Receivable	15,561.00	15,561.00	15,561.00
Interfund Receivable	20,038.60	32,709.20	191,254.51
Total Receivables and Other Assets	<u>835,593.90</u>	<u>811,714.07</u>	<u>1,081,947.03</u>
Total Regular Fund	<u>21,665,746.54</u>	<u>21,276,492.83</u>	<u>20,803,455.33</u>
Federal & State Grant Fund:			
Interfund Receivable	311,712.42	17,397.33	
Grants Receivable	524,249.57	638,740.28	663,251.58
Total Federal and State Grant Fund	<u>835,961.99</u>	<u>656,137.61</u>	<u>663,251.58</u>
<u>TOTAL ASSETS</u>	<u>\$ 22,501,708.53</u>	<u>\$ 21,932,630.44</u>	<u>\$ 21,466,706.91</u>

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2023	2024	2025
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	\$ 1,350,115.42	\$ 1,245,700.11	\$ 1,147,355.38
Unencumbered	1,228,996.23	1,213,706.20	1,575,159.82
	<u>2,579,111.65</u>	<u>2,459,406.31</u>	<u>2,722,515.20</u>
Other Encumbrances Payable	1,945,138.14	2,112,897.65	1,039,649.14
Due State of New Jersey	7,063.34	7,496.90	8,142.10
Due County of Morris	70,791.01	77,410.12	9,647.88
Regional School District Taxes Payable	1.00	1.00	
Prepaid Taxes	690,096.86	658,342.81	830,400.16
Special Deposits	56,600.00	56,600.00	87,866.00
Interfund Payable	1,250,665.17	1,367,540.89	1,036,427.15
Reserve for Municipal Relief Fund Aid	342,116.00		
Tax Overpayments	1,947.11	5,310.45	20,387.17
Third Party Liens	32,074.53	16,330.30	16,619.95
Reserve for Pending Tax Appeals	1,229,366.84	1,130,641.39	1,128,439.19
	<u>8,204,971.65</u>	<u>7,891,977.82</u>	<u>6,900,093.94</u>
Reserve for Receivables and Other Assets	835,593.90	811,714.07	1,081,947.03
Fund Balance	12,625,180.99	12,572,800.94	12,821,414.36
	<u>21,665,746.54</u>	<u>21,276,492.83</u>	<u>20,803,455.33</u>
Total Regular Fund			
Federal & State Grant Fund:			
Interfund Payable			121,875.21
Appropriated Reserves	811,111.30	566,990.01	541,376.37
Unappropriated Reserves	24,850.69	89,147.60	
	<u>835,961.99</u>	<u>656,137.61</u>	<u>663,251.58</u>
Total Federal and State Grant Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 22,501,708.53</u>	<u>\$ 21,932,630.44</u>	<u>\$ 21,466,706.91</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	Year Ended December 31,		
	2023	2024	2025
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 6,000,000.00	\$ 6,591,445.00	\$ 6,500,000.00
Miscellaneous Revenue Anticipated	10,274,629.00	10,332,042.70	10,542,112.99
Receipts from:			
Delinquent Taxes	629,877.92	643,743.23	592,261.38
Current Taxes	108,317,144.01	108,539,112.29	106,832,929.38
Nonbudget Revenue	659,733.25	729,034.92	728,951.57
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,209,918.50	1,003,031.84	1,274,156.45
Cancellation of Various Reserves	65,250.00		41,207.33
Interfunds Returned	8,193.40	19,580.19	32,195.00
Total Income	<u>127,164,746.08</u>	<u>127,857,990.17</u>	<u>126,543,814.10</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes	37,444,251.13	39,522,733.56	39,757,320.86
County Taxes	15,404,974.97	16,106,091.90	16,588,029.16
Regional School District Taxes	66,366,911.00	65,028,784.00	62,543,875.00
Municipal Open Space Trust Taxes	597,781.79	599,828.23	711,007.05
Prior Year Senior Citizen & Veterans Deductions	2,500.00	2,220.55	
Refund of Prior Year Revenue		27,016.19	4,228.30
Cancellation of Federal and State Grant Fund Receivables	69,250.00		
Interfunds and Other Receivables Advanced	19,960.05	32,250.79	190,740.31
Total Expenditures	<u>119,905,628.94</u>	<u>121,318,925.22</u>	<u>119,795,200.68</u>
Excess in Revenue	7,259,117.14	6,539,064.95	6,748,613.42
<u>Fund Balance</u>			
Balance January 1	<u>11,366,063.85</u>	<u>12,625,180.99</u>	<u>12,572,800.94</u>
	18,625,180.99	19,164,245.94	19,321,414.36
Decreased by:			
Utilized as Anticipated Revenue	<u>6,000,000.00</u>	<u>6,591,445.00</u>	<u>6,500,000.00</u>
Balance December 31	<u>\$ 12,625,180.99</u>	<u>\$ 12,572,800.94</u>	<u>\$ 12,821,414.36</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2023		2024	
	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 6,000,000.00	\$ 6,000,000.00	\$ 6,591,445.00	\$ 6,591,445.00
Miscellaneous Revenue Anticipated	7,881,792.96	10,274,629.00	8,861,669.15	10,332,042.70
Receipts from Delinquent Taxes	550,000.00	629,877.92	550,000.00	643,743.23
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	24,391,534.64	27,130,624.25	24,875,523.64	27,844,208.16
Minimum Library Tax	2,016,852.00	2,016,852.00	2,160,200.00	2,160,200.00
Total Budget Revenue	40,840,179.60	46,051,983.17	43,038,837.79	47,571,639.09
Nonbudget Revenue		659,733.25		729,034.92
Grand Total	<u>\$ 40,840,179.60</u>	<u>\$ 46,711,716.42</u>	<u>\$ 43,038,837.79</u>	<u>\$ 48,300,674.01</u>
Original Budget	\$ 40,536,763.21		\$ 42,702,683.10	
Added by NJSA 40A:4-87	303,416.39		336,154.69	
	<u>\$ 40,840,179.60</u>		<u>\$ 43,038,837.79</u>	

	For the Years Ended December 31,	
	2025	
	Budget After Modification	Realized
Fund Balance Anticipated	\$ 6,500,000.00	\$ 6,500,000.00
Miscellaneous Revenue Anticipated	8,624,111.92	10,542,112.99
Receipts from Delinquent Taxes	580,000.00	592,261.38
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes	25,205,583.85	27,895,412.17
Minimum Library Tax	2,294,606.00	2,294,606.00
Total Budget Revenue	43,204,301.77	47,824,392.54
Nonbudget Revenue		728,951.57
Grand Total	<u>\$ 43,204,301.77</u>	<u>\$ 48,553,344.11</u>
Original Budget	\$ 42,898,070.29	
Added by NJSA 40A:4-87	306,231.48	
	<u>\$ 43,204,301.77</u>	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,			
	2023			
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 15,126,313.24	\$ 14,789,706.16	\$ 336,607.08	
Other Expenses	13,374,939.51	12,615,659.05	759,280.46	
Capital Improvements	787,261.70	750,948.63	36,313.07	
Municipal Debt Service	3,154,480.00	3,154,480.00		
Deferred Charges and				
Statutory Expenditures	5,197,185.15	4,904,461.06	96,795.62	\$ 195,928.47
Reserve for Uncollected Taxes	3,200,000.00	3,200,000.00		
	<u>\$ 40,840,179.60</u>	<u>\$ 39,415,254.90</u>	<u>\$ 1,228,996.23</u>	<u>\$ 195,928.47</u>
Original Budget	\$ 40,536,763.21			
Added by NJSA 40A:4-87	<u>303,416.39</u>			
	\$ 40,840,179.60			

	For the Years Ended December 31,			
	2024			
	After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:	\$ 16,418,208.72	\$ 15,947,446.83	470,761.89	
Salaries and Wages	13,503,793.47	12,906,641.20	597,152.27	
Other Expenses	758,350.00	722,551.49		\$ 35,798.51
Capital Improvements	3,659,030.00	3,658,964.98		65.02
Municipal Debt Service				
Deferred Charges and	5,499,455.60	5,073,422.86	145,792.04	280,240.70
Statutory Expenditures	3,200,000.00	3,200,000.00		
Reserve for Uncollected Taxes				
	<u>\$ 43,038,837.79</u>	<u>\$ 41,509,027.36</u>	<u>\$ 1,213,706.20</u>	<u>\$ 316,104.23</u>
Original Budget	\$ 42,702,683.10			
Added by NJSA 40A:4-87	<u>336,154.69</u>			
	<u>\$ 43,038,837.79</u>			

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,				
2025				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 16,955,151.80	\$ 16,415,921.60	\$ 539,230.20	
Other Expenses	14,462,526.03	13,562,861.88	899,664.15	
Capital Improvements	794,802.50	777,259.80		\$ 17,542.70
Municipal Debt Service	2,247,700.00	2,247,451.86		248.14
Deferred Charges and Statutory Expenditures	5,544,121.44	5,178,665.90	136,265.47	229,190.07
Reserve for Uncollected Taxes	3,200,000.00	3,200,000.00		
	<u>\$ 43,204,301.77</u>	<u>\$ 41,382,161.04</u>	<u>\$ 1,575,159.82</u>	<u>\$ 246,980.91</u>
Original Budget	\$ 42,898,070.29			
Added by NJSA 40A:4-87	<u>306,231.48</u>			
	<u>\$ 43,204,301.77</u>			

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>TOTAL ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents:	\$ 5,067.45	\$ 5,764.92	\$ 5,970.25
Assessment Receivables	1,423.77	782.09	782.09
	<u>6,491.22</u>	<u>6,547.01</u>	<u>6,752.34</u>
Animal Control Fund:			
Cash and Cash Equivalents	\$ 13,063.28	\$ 5,687.14	\$ 9,961.25
	<u>13,063.28</u>	<u>5,687.14</u>	<u>9,961.25</u>
Other Trust Funds:			
Cash and Cash Equivalents	7,875,778.04	10,635,708.78	8,877,715.77
Interfund Receivable	931,510.37	934,428.23	838,136.93
	<u>8,807,288.41</u>	<u>11,570,137.01</u>	<u>9,715,852.70</u>
<u>TOTAL ASSETS</u>	<u>\$ 8,826,842.91</u>	<u>\$ 11,582,371.16</u>	<u>\$ 9,732,566.29</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Trust Fund:			
Interfund Payable	6,491.22	6,547.01	6,752.34
	<u>6,491.22</u>	<u>6,547.01</u>	<u>6,752.34</u>
Animal Control Fund:			
Due to State of New Jersey	5.40	17.40	
Reserve for Animal Control Fund Expenditures	13,057.88	5,669.74	9,961.25
	<u>13,063.28</u>	<u>5,687.14</u>	<u>9,961.25</u>

TOWNSHIP OF MORRIS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31		
	2023	2024	2025
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due State of New Jersey	\$ 4,268.00	\$ 30,403.00	\$ 18,887.00
Interfund Payable	16,260.75	321.68	383,314.70
Special Deposits	180,489.99	188,489.99	198,489.99
Developers Escrow Deposits	513,020.57	1,000,368.41	996,275.34
Client Escrow Deposits	716,903.30	700,823.73	763,879.57
Premium on Tax Sale Certificates	918,700.00	334,600.00	134,800.00
Reserve for:			
Unemployment Compensation Insurance	337,700.00	223,092.45	176,995.84
Police Outside Detail	264,015.29	285,934.15	272,186.96
Recycling	14,484.33	13,465.83	13,490.84
Police Forfeited Assets	18,517.62	20,354.62	17,221.05
Parking Offense Adjudication Act	14,800.51	13,198.16	14,128.16
Public Defender	2,004.85	2,004.85	2,004.85
Municipal Alliance	86,296.65	80,646.65	73,992.72
Municipal Open Space	2,513,522.33	2,754,039.85	2,653,567.46
Uniform Fire Safety	1,709.45	28,412.90	23,381.90
Recreation	115,959.83	153,043.00	138,388.14
Council on Affordable Housing	1,537,855.15	3,765,576.72	1,950,775.61
Accumulated Absences	212,603.26	258,756.93	223,756.93
Storm Recovery	1,335,778.60	1,708,586.34	1,649,068.21
Dedicated Fire Penalties	2,397.93	332.64	1,318.64
Junior Police Academy		7,685.11	9,928.79
	<u>8,807,288.41</u>	<u>11,570,137.01</u>	<u>9,715,852.70</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 8,826,842.91</u>	<u>\$ 11,582,371.16</u>	<u>\$ 9,732,566.29</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 11,209,718.58	\$ 9,163,757.89	\$ 7,563,281.01
Interfund Receivable	6,354.49	411,940.24	403,820.78
Grants Receivable	726,344.00	1,756,564.75	2,120,250.75
Deferred Charges to Future Taxation:			
Funded	10,079,000.00	7,240,000.00	5,790,000.00
Unfunded	11,232,352.56	14,507,002.56	17,274,644.00
<u>TOTAL ASSETS</u>	<u>\$ 33,253,769.63</u>	<u>\$ 33,079,265.44</u>	<u>\$ 33,151,996.54</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	\$ 10,079,000.00	\$ 7,240,000.00	\$ 5,790,000.00
Bond Anticipation Notes Payable	11,231,647.00	14,506,297.00	17,274,644.00
Improvement Authorizations:			
Funded	4,822,528.83	3,116,067.16	1,767,874.91
Unfunded	6,451,606.74	7,303,417.64	6,384,575.81
Capital Improvement Fund	63,184.48	63,184.48	63,183.98
Interfund Payables	15,339.12		100,000.00
Various Reserves	44,714.44	444,714.44	445,470.48
Fund Balance	545,749.02	405,584.72	1,326,247.36
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 33,253,769.63</u>	<u>\$ 33,079,265.44</u>	<u>\$ 33,151,996.54</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE

	For the Years Ended December 31,		
	2023	2024	2025
Balance January 1	\$ 93,633.30	\$ 545,749.02	\$ 405,584.72
Increased by:			
Premium on Sale of Notes	111,909.51	161,745.21	213,860.10
Refund Received for Fully Funded Ordinance	15,104.00		
Improvement Authorizations Cancelled	407,102.21		918,795.87
	<u>627,749.02</u>	<u>707,494.23</u>	<u>1,538,240.69</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	50,000.00	161,909.51	
Fund Balance Anticipated - Current Fund	<u>32,000.00</u>	<u>140,000.00</u>	<u>211,993.33</u>
Balance December 31	<u>\$ 545,749.02</u>	<u>\$ 405,584.72</u>	<u>\$ 1,326,247.36</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 2,767,546.93	\$ 3,629,239.10	\$ 3,301,031.65
Interfund Receivables	96,383.01	45,344.46	147,574.82
Consumer Accounts Receivable and Liens	5,250,260.98	5,156,218.06	6,344,833.42
Deferred Charge - Emergency Authorization	500,000.00		
Total Operating Fund	8,614,190.92	8,830,801.62	9,793,439.89
Capital Fund:			
Cash and Cash Equivalents	11,727,272.54	10,100,037.14	11,877,798.40
Grants Recievable		200,000.00	100,000.00
Interfund Receivables			100,000.00
Fixed Capital	92,605,127.92	92,605,127.92	93,112,206.14
Fixed Capital Authorized and Uncomplete	20,326,494.27	22,019,994.27	24,562,452.81
Total Capital Fund	124,658,894.73	124,925,159.33	129,752,457.35
<u>TOTAL ASSETS</u>	<u>\$ 133,273,085.65</u>	<u>\$ 133,755,960.95</u>	<u>\$ 139,545,897.24</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 178,348.21	\$ 7,164.98	\$ 294,331.81
Encumbered	300,731.75	169,416.66	190,866.57
	479,079.96	176,581.64	485,198.38
Accounts Payable - Vendors	158,948.29	136,367.84	136,367.84
Accrued Interest on Bonds and Notes	49,650.52	43,504.69	59,660.19
Interfund Payable		32,195.00	
	687,678.77	388,649.17	681,226.41
Reserve for Receivables	5,250,260.98	5,156,218.06	6,344,833.42
Fund Balance	2,676,251.17	3,285,934.39	2,767,380.06
Total Operating Fund	8,614,190.92	8,830,801.62	9,793,439.89
Capital Fund:			
Serial Bonds Payable	4,822,000.00	4,262,000.00	3,702,000.00
NJ Environmental Infrastructure Loans Payable	2,752,642.57	2,457,904.53	2,158,166.49
Bond Anticipation Notes Payable			2,187,375.00
Improvement Authorizations:			
Funded	10,662,370.36	9,686,173.51	8,334,236.47
Unfunded			2,187,375.00
Interfund Payable	96,383.01	45,344.46	147,574.82
Capital Improvement Fund	351,736.49	101,736.49	101,736.49
Reserve for Amortization	85,722,541.33	86,577,279.37	87,944,095.63
Deferred Reserve for Amortization	19,552,244.82	21,245,744.82	21,600,828.36
Fund Balance	698,976.15	548,976.15	1,389,069.09
Total Capital Fund	124,658,894.73	124,925,159.33	129,752,457.35
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 133,273,085.65</u>	<u>\$ 133,755,960.95</u>	<u>\$ 139,545,897.24</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2023	2024	2025
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 2,714,774.71	\$ 800,000.00	\$ 800,000.00
Sewer User Charges	5,984,218.58	6,523,121.34	6,121,620.30
Industrial Pretreatment Program	65,000.00	27,000.00	43,000.00
Miscellaneous Revenue	1,117,987.26	740,961.42	573,935.10
Sewer User Charges - Borough of Morris Plains	1,593,059.43	1,658,532.92	1,605,090.97
Sewer User Charges - Township of Randolph	631,806.08	675,293.49	717,203.44
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	121,132.45	142,628.22	7,299.49
Total Income	12,227,978.51	10,567,537.39	9,868,149.30
<u>Expenditures</u>			
Budget Expenditures:			
Operating	6,357,408.66	6,044,440.61	6,405,066.47
Capital Outlay	3,869,628.00	1,093,500.00	1,675,175.00
Debt Service	1,027,160.45	1,023,014.71	1,008,992.29
Deferred Charges and Statutory Expenditures	476,977.51	996,898.85	497,469.87
Total Expenditures	11,731,174.62	9,157,854.17	9,586,703.63
Excess in Revenue	496,803.89	1,409,683.22	281,445.67
Adjustment to Excess Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year	500,000.00		
Statutory Excess to Fund Balance	996,803.89	1,409,683.22	281,445.67
<u>Fund Balance</u>			
Balance January 1	4,644,221.99	2,676,251.17	3,285,934.39
	5,641,025.88	4,085,934.39	3,567,380.06
Decreased by:			
Utilized as Anticipated Revenue:			
Sewer Utility Operating Budget	2,714,774.71	800,000.00	800,000.00
Current Fund Budget	250,000.00		
Balance December 31	\$ 2,676,251.17	\$ 3,285,934.39	\$ 2,767,380.06

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE

	For the Years Ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Balance January 1	\$ 574,204.68	\$ 698,976.15	\$ 548,976.15
Increased by:			
Premium on Sale of Notes			27,079.70
Grant Award		200,000.00	
Cancellation of Improvement Authorizations	<u>624,771.47</u>		<u>813,013.24</u>
	1,198,976.15	898,976.15	1,389,069.09
Decreased by:			
Appropriated to Finance Improvement Authorizations	<u>500,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>
Balance December 31	<u>\$ 698,976.15</u>	<u>\$ 548,976.15</u>	<u>\$ 1,039,069.09</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2023		2024	
	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Utilized	\$ 2,714,774.71	\$ 2,714,774.71	\$ 800,000.00	\$ 800,000.00
Sewer User Charges	6,362,400.00	5,984,218.58	5,975,000.00	6,523,121.34
Industrial Pretreatment Program	50,000.00	65,000.00	39,000.00	27,000.00
Miscellaneous Revenue	110,000.00	1,117,987.26	200,000.00	740,961.42
Sewer User Charges:				
Borough of Morris Plains	1,400,000.00	1,593,059.43	1,550,000.00	1,658,532.92
Township of Randolph	600,000.00	631,806.08	600,000.00	675,293.49
	<u>\$ 11,237,174.71</u>	<u>\$ 12,106,846.06</u>	<u>\$ 9,164,000.00</u>	<u>\$ 10,424,909.17</u>

	For the Years Ended December 31,	
	2025	
	Budget After Modification	Realized
Fund Balance Utilized	\$ 800,000.00	\$ 800,000.00
Sewer User Charges	6,400,000.00	6,121,620.30
Industrial Pretreatment Program	42,000.00	43,000.00
Miscellaneous Revenue	200,000.00	573,935.10
Sewer User Charges:		
Borough of Morris Plains	1,550,422.38	1,605,090.97
Township of Randolph	600,000.00	717,203.44
	<u>\$ 9,592,422.38</u>	<u>\$ 9,860,849.81</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,				
2023				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 2,120,710.66	\$ 2,052,916.57	\$ 67,794.09	
Other Expenses	4,236,698.00	4,131,049.22	105,648.78	
Capital Improvements	3,869,628.00	3,869,628.00		
Municipal Debt Service	1,033,160.54	1,027,160.45		\$ 6,000.09
Deferred Charges and Statutory Expenditures	476,977.51	472,072.17	4,905.34	
	<u>\$ 11,737,174.71</u>	<u>\$ 11,552,826.41</u>	<u>\$ 178,348.21</u>	<u>\$ 6,000.09</u>

For the Years Ended December 31,				
2024				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 2,185,757.32	\$ 2,185,174.84	\$ 582.48	
Other Expenses	3,858,683.29	3,852,317.40	6,365.89	
Capital Improvements	1,093,500.00	1,093,500.00		
Municipal Debt Service	1,029,160.54	1,023,014.71		\$ 6,145.83
Deferred Charges and Statutory Expenditures	996,898.85	996,682.24	216.61	
	<u>\$ 9,164,000.00</u>	<u>\$ 9,150,689.19</u>	<u>\$ 7,164.98</u>	<u>\$ 6,145.83</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,				
2025				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 2,274,549.52	\$ 2,139,792.02	\$ 134,757.50	
Other Expenses	4,130,516.95	3,980,943.35	149,573.60	
Capital Improvements	1,675,175.00	1,675,175.00		
Municipal Debt Service	1,014,711.04	1,008,992.29		\$ 5,718.75
Deferred Charges and Statutory Expenditures	497,469.87	487,469.16	10,000.71	
	<u>\$ 9,592,422.38</u>	<u>\$ 9,292,371.82</u>	<u>\$ 294,331.81</u>	<u>\$ 5,718.75</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 57,804.02	\$ 100,445.82	\$ 29,984.40
Interfund Receivables	32,713.40	26,836.25	149,183.11
Total Operating Fund	90,517.42	127,282.07	179,167.51
Capital Fund:			
Cash and Cash Equivalents	1,293,630.16	1,480,125.40	1,172,099.70
Fixed Capital	7,593,006.31	7,748,851.15	7,958,004.79
Fixed Capital Authorized and Uncomplete	1,861,776.74	2,280,431.90	1,898,218.67
Total Capital Fund	10,748,413.21	11,509,408.45	11,028,323.16
<u>TOTAL ASSETS</u>	<u>\$ 10,838,930.63</u>	<u>\$ 11,636,690.52</u>	<u>\$ 11,207,490.67</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 57,184.39	\$ 67,346.70	\$ 108,226.49
Encumbered	9,378.00	33,912.05	46,285.76
	66,562.39	101,258.75	154,512.25
Accrued Interest on Bonds	19,239.69	21,307.98	19,939.92
	85,802.08	122,566.73	174,452.17
Fund Balance	4,715.34	4,715.34	4,715.34
Total Operating Fund	90,517.42	127,282.07	179,167.51
Capital Fund:			
Serial Bonds Payable	1,230,000.00	830,000.00	420,000.00
Bond Anticipation Notes Payable	1,094,353.00	1,639,703.00	1,594,981.00
Improvement Authorizations	469,517.05	366,761.10	112,744.25
Funded	739,155.32	1,019,505.12	816,043.00
Unfunded			
Interfund Payables	13,573.02	16,706.67	33,859.18
Capital Improvement Fund	40,419.68	40,409.68	30,859.68
Reserve for Amortization	6,919,706.31	7,331,456.31	7,617,109.95
Deferred Reserve for Amortization	210,376.74	227,361.74	222,659.84
Fund Balance	31,312.09	37,504.83	180,066.26
Total Capital Fund	10,748,413.21	11,509,408.45	11,028,323.16
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 10,838,930.63</u>	<u>\$ 11,636,690.52</u>	<u>\$ 11,207,490.67</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2023	2024	2025
<u>Revenue and Other Income Realized</u>			
Swimming Pool Fees	\$ 909,435.00	\$ 996,345.00	\$ 1,030,264.50
American Rescue Plan	217,042.58		
Miscellaneous Revenue	82,814.90	102,212.64	110,694.25
Deficit (General Fund)	418,802.81	460,197.45	465,323.93
Capital Fund Balance		12,089.95	18,282.69
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	17,053.57	55,016.39	61,863.26
Total Income	1,645,148.86	1,625,861.43	1,686,428.63
<u>Expenditures</u>			
Budget Expenditures:			
Operating	907,576.70	1,057,941.25	1,120,334.54
Capital Outlay	29,750.00	28,725.00	2,500.00
Debt Service	423,375.00	477,533.33	493,420.06
Deferred Charges and Statutory Expenditures	284,447.16	61,661.85	70,174.03
Total Expenditures	1,645,148.86	1,625,861.43	1,686,428.63
Statutory Excess to Fund Balance	-0-	-0-	-0-
<u>Fund Balance</u>			
Balance January 1	4,715.34	4,715.34	4,715.34
Balance December 31	\$ 4,715.34	\$ 4,715.34	\$ 4,715.34

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE

	For the Years Ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Balance January 1	\$ 18,224.04	\$ 31,312.09	\$ 37,504.83
Increased by:			
Premium on Sale of Notes	12,089.95	18,282.69	19,745.86
Improvement Authorizations Cancelled	<u>998.10</u>	<u></u>	<u>141,098.26</u>
Decreased by:			
Anticipated in Swimming Pool Utility Operating Budget	<u></u>	<u>12,089.95</u>	<u>18,282.69</u>
Balance December 31	<u>\$ 31,312.09</u>	<u>\$ 37,504.83</u>	<u>\$ 180,066.26</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2023		2024	
	Budget After Modification	Realized	Budget After Modification	Realized
Swimming Pool Fees	\$ 775,000.00	\$ 909,435.00	\$ 825,000.00	\$ 996,345.00
American Rescue Plan	217,042.58	217,042.58		
Miscellaneous Revenue	40,000.00	82,814.90	50,000.00	102,212.64
Capital Fund Balance			12,089.95	12,089.95
Deficit (General Fund)	614,731.28	418,802.81	740,438.15	460,197.45
	<u>\$ 1,646,773.86</u>	<u>\$ 1,628,095.29</u>	<u>\$ 1,627,528.10</u>	<u>\$ 1,570,845.04</u>

	For the Years Ended December 31,	
	2025	
	Budget After Modification	Realized
Swimming Pool Fees	\$ 925,000.00	\$ 1,030,264.50
Miscellaneous Revenue	50,311.88	110,694.25
Capital Fund Balance	18,282.69	18,282.69
Deficit (General Fund)	694,514.00	465,323.93
	<u>\$ 1,688,108.57</u>	<u>\$ 1,624,565.37</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,				
2023				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 624,096.70	\$ 572,170.90	\$ 51,925.80	
Other Expenses	283,480.00	282,644.03	835.97	
Capital Improvements	29,750.00	29,750.00		
Municipal Debt Service	425,000.00	423,375.00		\$ 1,625.00
Deferred Charges and Statutory Expenditures	284,447.16	280,024.54	4,422.62	
	<u>\$ 1,646,773.86</u>	<u>\$ 1,587,964.47</u>	<u>\$ 57,184.39</u>	<u>\$ 1,625.00</u>

For the Years Ended December 31,				
2024				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 695,446.25	\$ 673,275.01	\$ 22,171.24	
Other Expenses	362,495.00	317,319.54	45,175.46	
Capital Improvements	28,725.00	28,725.00		
Municipal Debt Service	479,200.00	477,533.33		\$ 1,666.67
Deferred Charges and Statutory Expenditures	61,661.85	61,661.85		
	<u>\$ 1,627,528.10</u>	<u>\$ 1,558,514.73</u>	<u>\$ 67,346.70</u>	<u>\$ 1,666.67</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
SWIMMING POOL UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,				
2025				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 715,971.29	\$ 670,465.27	\$ 45,506.02	
Other Expenses	404,363.25	345,123.98	59,239.27	
Capital Improvements	2,500.00	2,500.00		
Municipal Debt Service	495,100.00	493,420.06		\$ 1,679.94
Deferred Charges and Statutory Expenditures	70,174.03	66,692.83	3,481.20	
	<u>\$ 1,688,108.57</u>	<u>\$ 1,578,202.14</u>	<u>\$ 108,226.49</u>	<u>\$ 1,679.94</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 466,359.59	\$ 481,417.99	\$ 564,880.90
Due Parking Lot Utility Capital Fund		705.96	707.83
Total Operating Fund	466,359.59	482,123.95	565,588.73
Capital Fund:			
Cash and Cash Equivalents	237,774.65	238,480.61	238,482.48
Fixed Capital	1,612,810.77	1,612,810.77	1,612,810.77
Fixed Capital Authorized and Uncomplete	118,100.00	118,100.00	218,100.00
Total Capital Fund	1,968,685.42	1,969,391.38	2,069,393.25
<u>TOTAL ASSETS</u>	<u>\$ 2,435,045.01</u>	<u>\$ 2,451,515.33</u>	<u>\$ 2,634,981.98</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 18,162.01	\$ 13,305.00	\$ 79,979.44
Encumbered	5,127.00	24,337.31	4,925.72
	23,289.01	37,642.31	84,905.16
Accounts Payable - Vendors	916.00	916.00	916.00
Accrued Interest on Bonds	145.83		
	24,350.84	38,558.31	85,821.16
Fund Balance	442,008.75	443,565.64	479,767.57
Total Operating Fund	466,359.59	482,123.95	565,588.73
Capital Fund:			
Serial Bonds Payable	35,000.00		
Improvement Authorizations - Funded	60,106.00	60,106.00	160,106.00
Capital Improvement Fund	152,984.65	152,984.65	52,984.65
Reserve for Amortization	1,577,810.77	1,612,810.77	1,612,810.77
Due Parking Lot Utility Operating Fun		705.96	707.83
Deferred Reserve for Amortization	118,100.00	118,100.00	218,100.00
Fund Balance	24,684.00	24,684.00	24,684.00
Total Capital Fund	1,968,685.42	1,969,391.38	2,069,393.25
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 2,435,045.01</u>	<u>\$ 2,451,515.33</u>	<u>\$ 2,634,981.98</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2023	2024	2025
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 203,724.42		
Parking Lot Fees and Permits	342,675.45	\$ 382,645.42	\$ 413,829.50
Miscellaneous Revenue			27,324.45
Nonbudget Revenue	22,242.83	26,219.98	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	30,439.75	17,545.66	16,704.84
Total Income	599,082.45	426,411.06	457,858.79
<u>Expenditures</u>			
Budget Expenditures:			
Operating	236,410.37	266,338.15	298,604.63
Debt Service	36,254.16	35,554.17	
Deferred Charges and Statutory Expenditures	130,914.05	22,961.85	23,052.23
Total Expenditures	403,578.58	324,854.17	321,656.86
Statutory Excess to Fund Balance	195,503.87	101,556.89	136,201.93
<u>Fund Balance</u>			
Balance January 1	500,229.30	442,008.75	443,565.64
	695,733.17	543,565.64	579,767.57
Decreased by:			
Utilized as Anticipated Revenue -			
Parking Lot Utility Fund Budget	203,724.42		
Current Fund Budget	50,000.00	100,000.00	100,000.00
Balance December 31	\$ 442,008.75	\$ 443,565.64	\$ 479,767.57

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE

	For the Years Ended December 31,		
	2023	2024	2025
Balance January 1	\$ 24,684.00	\$ 24,684.00	\$ 24,684.00
Balance December 31	<u>\$ 24,684.00</u>	<u>\$ 24,684.00</u>	<u>\$ 24,684.00</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2023		2024	
	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 203,724.42	\$ 203,724.42		
Parking Lot Fees and Permits	200,000.00	342,675.45	\$ 325,000.00	\$ 382,645.42
Nonbudget Revenue		22,242.83		26,219.98
	<u>\$ 403,724.42</u>	<u>\$ 568,642.70</u>	<u>\$ 325,000.00</u>	<u>\$ 408,865.40</u>

	For the Years Ended December 31,	
	2025	
	Budget After Modification	Realized
Parking Lot Fees and Permits	\$ 321,156.86	\$ 413,829.50
Miscellaneous Revenue	500.00	27,324.45
	<u>\$ 321,656.86</u>	<u>\$ 441,153.95</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,			
	2023			
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 91,238.37	\$ 80,416.15	\$ 10,822.22	
Other Expenses	145,172.00	138,951.73	6,220.27	
Municipal Debt Service	36,400.00	36,254.16		\$ 145.84
Deferred Charges and Statutory Expenditures	130,914.05	129,794.53	1,119.52	
	<u>\$ 403,724.42</u>	<u>\$ 385,416.57</u>	<u>\$ 18,162.01</u>	<u>\$ 145.84</u>

	For the Years Ended December 31,			
	2024			
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 93,577.74	\$ 81,333.84	\$ 12,243.90	
Other Expenses	172,760.41	172,757.26	3.15	
Municipal Debt Service	35,700.00	35,554.17		\$ 145.83
Deferred Charges and Statutory Expenditures	22,961.85	21,903.90	1,057.95	
	<u>\$ 325,000.00</u>	<u>\$ 311,549.17</u>	<u>\$ 13,305.00</u>	<u>\$ 145.83</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PARKING LOT UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,			
	2025			
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:				
Salaries and Wages	\$ 96,883.97	\$ 86,744.71	\$ 10,139.26	
Other Expenses	201,720.66	132,914.49	68,806.17	
Deferred Charges and Statutory Expenditures	15,382.24	22,018.22	(6,635.98)	
	<u>\$ 313,986.87</u>	<u>\$ 241,677.42</u>	<u>\$ 72,309.45</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Cash	\$ 55,815.79	\$ 55,815.79	\$ 56,182.54
<u>TOTAL ASSETS</u>	<u>\$ 55,815.79</u>	<u>\$ 55,815.79</u>	<u>\$ 56,182.54</u>
 <u>RESERVES</u>			
Reserve for Public Assistance	\$ 55,815.79	\$ 55,815.79	\$ 56,182.54
<u>TOTAL RESERVES</u>	<u>\$ 55,815.79</u>	<u>\$ 55,815.79</u>	<u>\$ 56,182.54</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2023	2024	2025
<u>ASSETS</u>			
Land	\$ 17,025,241.00	\$ 17,025,241.00	\$ 17,025,241.00
Land Improvements	2,823,575.00	3,449,836.76	3,449,836.76
Buildings and Improvements	24,781,613.60	24,781,613.60	25,077,388.83
Equipment	30,582,757.17	30,951,716.97	33,079,029.07
<u>TOTAL ASSETS</u>	<u>\$ 75,213,186.77</u>	<u>\$ 76,208,408.33</u>	<u>\$ 78,631,495.66</u>
 <u>RESERVES</u>			
Reserve for Fixed Assets	\$ 75,213,186.77	\$ 76,208,408.33	\$ 78,631,495.66
<u>TOTAL RESERVES</u>	<u>\$ 75,213,186.77</u>	<u>\$ 76,208,408.33</u>	<u>\$ 78,631,495.66</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Morris include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Morris, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Morris do not include the operations of the joint Municipal Library, Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Morris conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Morris accounts for its financial transactions through the following separate funds:

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

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

Assessment Trust Fund - Resources and expenditures for payment of Assessment Trust Fund debt.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

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

Swimming Pool Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned swimming pool utility.

Parking Lot Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned parking lot utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes. The operations of the State funded General Assistance were transferred to the County of Morris in a prior year.

General Fixed Assets Account Group - Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E - "Other significant accounting policies".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The following is a summary of the significant accounting policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; fixed assets purchased by the Utility Capital Funds would be depreciated; investments would generally be stated at fair value; and the Township's net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

- D. Deferred Charges to Future Taxation - The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by loans or by financed purchase agreements.

- E. Other significant accounting policies include:

Management Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments - Investments are stated at cost.

Grants Receivable - Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts - No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

Compensated Absences - Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved.

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.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

General Fixed Assets

General fixed assets are recorded at historical cost or estimated historical cost except for land which is recorded at the assessed value at the time the independent appraisal was completed. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Investment in Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Utility Capital Funds. The values recorded in the General Fixed Asset Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Utility Funds is recorded in the Utility Capital accounts at cost and are not adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

- F. Budget/Budgetary Control - Annual appropriated budgets are usually prepared in the first quarter for the Current, Utility Operating, and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2025	2024	2023
<u>Issued:</u>			
General:			
Bonds and Notes	\$23,064,644.00	\$21,746,297.00	\$21,310,647.00
Sewer Utility:			
Bonds and Loans	8,047,541.49	6,719,904.53	7,574,642.57
Swimming Pool Utility:			
Bonds and Notes	2,014,981.00	2,469,703.00	2,324,353.00
Parking Lot Utility:			
Bonds			35,000.00
Total Issued	<u>33,127,166.49</u>	<u>30,935,904.53</u>	<u>31,244,642.57</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes		705.56	705.56
Sewer Utility:			
Bonds and Notes	82,193.47	82,193.47	82,193.47
Swimming Pool Utility:			
Bonds and Notes	1,472.67	762.00	347.00
Total Authorized but not Issued	<u>83,666.14</u>	<u>83,661.03</u>	<u>83,246.03</u>
Less:			
Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve for Payment of Debt Service:			
General Capital Fund	<u>412,906.04</u>	<u>412,150.00</u>	<u>12,150.00</u>
Total Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$32,797,926.59</u>	<u>\$30,607,415.56</u>	<u>\$31,315,738.60</u>

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Current and Prior Years

	Balance 12/31/24	Additions	Matured	Balance 12/31/25
Serial Bonds:				
General Capital Fund	\$ 7,240,000.00		\$ 1,450,000.00	\$ 5,790,000.00
Sewer Utility	4,262,000.00		560,000.00	3,702,000.00
Swimming Pool Utility	830,000.00		410,000.00	420,000.00
Bond Anticipation Notes:				
General Capital Fund	14,506,297.00	\$ 2,768,347.00		17,274,644.00
Sewer Utility		2,187,375.00		2,187,375.00
Swimming Pool Utility	1,639,703.00	228,950.00	273,672.00	1,594,981.00
Loans Payable:				
Sewer Utility - NJIB	2,457,904.53		299,738.04	2,158,166.49
Total	<u>\$ 30,935,904.53</u>	<u>\$ 5,184,672.00</u>	<u>\$ 2,993,410.04</u>	<u>\$ 33,127,166.49</u>
	Balance 12/31/23	Additions	Matured	Balance 12/31/24
Serial Bonds:				
General Capital Fund	\$ 10,079,000.00		\$ 2,839,000.00	\$ 7,240,000.00
Sewer Utility	4,822,000.00		560,000.00	4,262,000.00
Swimming Pool Utility	1,230,000.00		400,000.00	830,000.00
Parking Lot Utility	35,000.00		35,000.00	
Bond Anticipation Notes:				
General Capital Fund	11,231,647.00	\$ 14,506,297.00	11,231,647.00	14,506,297.00
Swimming Pool Utility	1,094,353.00	1,639,703.00	1,094,353.00	1,639,703.00
Loans Payable:				
Sewer Utility - NJIB	2,752,642.57		294,738.04	2,457,904.53
Total	<u>\$ 31,244,642.57</u>	<u>\$ 16,146,000.00</u>	<u>\$ 16,454,738.04</u>	<u>\$ 30,935,904.53</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .343%.

	Gross Debt	Deductions	Net Debt
Sewer Utility Debt	\$ 8,129,734.96	\$ 8,129,734.96	
Swimming Pool Utility Debt	2,016,453.67	829,188.47	\$ 1,187,265.20
General Debt	23,064,644.00	412,150.00	22,652,494.00
	<u>\$ 33,210,832.63</u>	<u>\$ 9,371,073.43</u>	<u>\$ 23,839,759.20</u>

Net Debt: \$23,839,759.20 divided by Average Equalized Valuations of \$6,945,381,799.33 of Real Property = .343%.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property \$243,088,362.98

Net Debt 23,839,759.20

Remaining Borrowing Power \$219,248,603.78

Calculation of "Self-Liquidating Purpose", Sewer Utility
Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 10,424,909.17

Deductions:

Operating and Maintenance Cost \$6,902,536.34

Debt Service 1,008,992.29

Total Deductions 7,911,528.63

Excess in Revenue \$ 2,513,380.54

Calculation of "Self-Liquidating Purpose", Swimming Pool Utility
Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 1,624,565.37

Deductions:

Operating and Maintenance Cost \$1,190,508.57

Debt Service 493,420.06

Total Deductions 1,683,928.63

Excess (Deficit) in Revenue \$ (59,363.26)

Calculation of "Self-Liquidating Purpose", Parking Lot Utility
Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 441,153.95

Deductions:

Operating and Maintenance Cost \$ 321,656.86

Debt Service - 0 -

Total Deductions 321,656.86

Excess in Revenue \$ 119,497.09

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

The Township's debt issued and outstanding on December 31, 2025 is described as follows:

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
Capital Improvements	09/24/25	09/24/26	3.75%	<u>\$17,274,644.00</u>

General Capital Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds Outstanding Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
2019 General Obligation	10/1/26-28	\$1,445,000.00	3.00%	
	10/1/29	1,455,000.00	3.00%	<u>\$ 5,790,000.00</u>

Sewer Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
Sewer Improvements	09/24/25	09/24/26	3.75%	<u>\$ 2,187,375.00</u>

Sewer Capital Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds Outstanding Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
2009 Sewer Improvements	09/01/26-27	\$ 300,000.00	3.63%	
	09/01/28-29	300,000.00	3.75%	\$ 1,200,000.00
2014 Sewer Improvements	10/15/26	270,000.00	2.375%	
	10/15/27-33	280,000.00	3.00%	
	10/15/34	272,000.00	3.00%	<u>2,502,000.00</u>
				<u>\$ 3,702,000.00</u>

Sewer Capital NJIB Loans

<u>Purpose</u>	<u>Type</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
Sewer Improvements	Trust Loan	08/01/32	3.00 %-5.00%	\$ 620,000.00
	Fund Loan	08/01/32	N/A	<u>1,538,166.49</u>
				<u>\$ 2,158,166.49</u>

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 2: Long-Term Debt (Cont'd)

The Township's debt issued and outstanding on December 31, 2025 is described as follows: (Cont'd)

Swimming Pool Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
Swimming Pool Improvements	09/24/25	09/24/26	3.75%	<u>\$ 1,594,981.00</u>

Swimming Pool Capital Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds Outstanding Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
Swimming Pool Improvements	10/15/26	\$ 420,000.00	2.375%	<u>\$ 420,000.00</u>
Total Debt Issued and Outstanding				<u>\$33,127,166.49</u>

Schedule of Annual Debt Service for Principal and Interest for the Next Five
Years and Thereafter for Bonded Debt and Loans Issued and Outstanding

<u>Calendar Year</u>	<u>General Capital</u>		<u>Sewer Utility Capital</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,445,000	\$ 173,700	\$ 869,738	\$ 136,223
2027	1,445,000	130,350	884,738	116,535
2028	1,445,000	87,000	884,738	94,710
2029	1,455,000	43,650	889,738	72,510
2030			589,738	50,160
Thereafter:				
2031-2034			1,741,476	91,590
Total	<u>\$ 5,790,000</u>	<u>\$ 434,700</u>	<u>\$ 5,860,166</u>	<u>\$ 561,728</u>

<u>Calendar Year</u>	<u>Swimming Pool Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2026	\$ 420,000	\$ 9,975	\$ 3,054,636
2027			2,576,623
2028			2,511,448
2029			2,460,898
2030			639,898
Thereafter:			
2031-2034			1,833,066
Total	<u>\$ 420,000</u>	<u>\$ 9,975</u>	<u>\$ 13,076,569</u>

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 2: Long-Term Debt (Cont'd)

NJ Infrastructure Bank Trust (NJIB) Loans

On January 16, 2013, the Township of Morris entered into NJ Infrastructure Financing Program loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection. The Fund loan portion is \$4,321,515 and the Trust loan portion is \$1,440,505. The aggregate amount of \$5,762,020 represents direct obligations of the Township. The loan proceeds were obtained to finance a portion of the cost of the Woodland Sewer Treatment Plant upgrades project.

At December 31, 2025, the Township had borrowed or "drawn down" the required amount for the project. Principal payments to the Fund are on a semiannual basis over 20 years at zero interest. Principal payments to the Trust are on a semiannual basis over 20 years at 3.00%-5.00% interest. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings on the debt service reserve fund (as defined in the bond resolution) will be transferred to such capitalized interest account. The Township will nonetheless be responsible for all such interest payments to the extent such trust bond proceeds and interest earnings are not available from the capitalized interest account. Also, an annual administrative fee of up to one percent (1.0%) of the initial principal amount of the loan or such lesser amount, if any, as may be authorized by any act of the NJ State Legislature and as the State may approve from time to time is payable on this loan.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2025 which are appropriated and included in the 2026 adopted budget as anticipated revenue in their own respective funds for the year ending December 31, 2026 are as follows:

Current Fund	\$ 6,500,000.00
Sewer Utility Operating Fund	800,000.00
General Capital Fund Surplus Anticipated in Current Fund Operating Budget	263,860.09
Utility Operating Fund Surplus Anticipated in Current Fund Operating Budget:	
Parking Lot	100,000.00
Utility Capital Fund Surplus Anticipated in Utility Operating Budget:	
Swimming Pool	19,745.86

Note 4: Regional School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Morris has elected not to defer school taxes.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 5: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2025, there were no deferred charges in any of the Township's funds.

Note 6: Pension Plans

Township employees participate in one of two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at www.nj.gov/treasury/pensions/annual-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was more than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of assets.

Township contributions to PERS amounted to \$1,540,223 for 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$49,586 to the PERS for normal pension expense on behalf of the Township.

The employee contribution rate was 7.50% effective July 1, 2018.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the 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 local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities and Pension Expense

At June 30, 2024, the Township's liability was \$15,380,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Township's proportion was .113%, which was a decrease of 0.004% from its proportion measured as of June 30, 2023. The Township has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

There was no state proportionate share of net pension liability attributable to the Township as of June 30, 2024.

For the year ended December 31, 2025, the Township recognized actual pension expense in the amount of \$1,540,223.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
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 a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 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.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2024 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension 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 rate:

	June 30, 2024		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the Net Pension Liability	\$ 20,436,749	\$ 15,380,384	\$ 11,077,445

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's annual financial statements which can be found at www.nj.gov/treasury/pensions/annual-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2024, the State contributed an amount more than the actuarially determined amount.

The Local Group employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for employers in the Local Group of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under 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.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers 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 local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

Township contributions to PFRS amounted to \$2,330,913 for the year ended December 31, 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$394,670 to the PFRS for normal pension expense on behalf of the Township, which is the same as the contractually required contribution of \$394,670.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2024, the Township's liability for its proportionate share of the net pension liability was \$17,401,474. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Township's proportion was .1685%, which was an increase of .0008% from its proportion measured as of June 30, 2023. The Township has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$3,430,663 as of June 30, 2024. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the State's proportion was .1685%, which was an increase of .0008% from its proportion measured as of June 30, 2023 which is the same proportion as the Township's.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

Township's Proportionate Share of the Net Pension Liability	\$ 17,401,474
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>3,430,663</u>
Total Net Pension Liability	<u>\$ 20,832,137</u>

For the year ended December 31, 2025, the Township recognized total pension expense of \$2,330,913.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
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 Pub-2010 Safety Employee amount-weighted mortality table (sex specific) projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for males and 100% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the PFRS Board of Trustees, the Directors of the Division of Investments 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 rates of return by the target asset allocation percentage and by adding expected inflation.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the employers in the State Group and 100% of actuarially determined contributions for the employers in the Local Group. 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.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2024 calculated using the discount rate as disclosed above, as well as what the net pension 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 rate:

	June 30, 2024		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Township's proportionate share of the Net Pension Liability and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 29,764,489	\$ 20,832,137	\$ 13,393,445

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$2,057.35 for the year ended December 31, 2025. Employee contributions to DCRP amounted to \$3,771.80 for the year ended December 31, 2025.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 7: Accrued Sick Benefits

Municipal employees are permitted to accrue unused sick time of which 40%, up to a maximum of 100 days, may be taken as time off or paid upon retirement at the employee's current rate of compensation upon such termination. It is estimated that the current cost of such unpaid compensation would approximate \$1,150,404. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation will be included in the Township's budget operating expenditures in the year in which it is used.

The above amount is partially funded by the Reserve for Accumulated Absences of \$223,756.93 on the Other Trust Funds balance sheet at December 31, 2025.

Balance at December 31, 2024	\$ 1,413,728.00
Net Change	<u>(263,324.00)</u>
Balance at December 31, 2025	<u>\$ 1,150,404.00</u>
Amount Due within One Year	<u>\$ -0-</u>

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	2025	2024	2023
<u>Tax Rate</u>	<u>\$ 1.968</u>	<u>\$ 2.002</u>	<u>\$ 2.005</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.504	0.497	0.486
Municipal Open Space	0.013	0.011	0.011
County	0.304	0.296	0.284
Regional School District	1.147	1.198	1.224
<u>Assessed Valuations</u>			
2025	<u>\$ 5,452,857,800</u>		
2024		<u>\$ 5,431,337,038</u>	
2023			<u>\$ 5,424,267,438</u>

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 8: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2025	\$ 107,635,527	\$ 106,832,929	99.25%
2024	109,168,770	108,539,112	99.42%
2023	108,972,035	108,317,144	99.39%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the investment section of this note.

Custodial Credit Risk – The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as noted in the section of this note on investments.

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit.

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (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 the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (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

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

New Jersey statutes permit the Township to purchase the following types of securities (Cont'd):

(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 a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2025, cash and cash equivalents of the Township of Morris consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 700.00	\$ 19,720,808.30	\$ 19,721,508.30
Assessment Trust		5,970.25	5,970.25
Animal Control		9,961.25	9,961.25
Other Trust		8,877,715.77	8,877,715.77
General Capital		7,563,281.01	7,563,281.01
Utilities:			
Sewer Operating		3,301,031.65	3,301,031.65
Sewer Capital		11,877,798.40	11,877,798.40
Swimming Pool Operating		29,984.40	29,984.40
Swimming Pool Capital		1,172,099.70	1,172,099.70
Parking Lot Operating		564,880.90	564,880.90
Parking Lot Capital		238,482.48	238,482.48
Public Assistance		56,182.54	56,182.54
	<u>\$ 700.00</u>	<u>\$ 53,418,196.65</u>	<u>\$ 53,418,896.65</u>

During the period ended December 31, 2025, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2025, was \$53,418,896.65 and the bank balance was \$53,008,613.07.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2025:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 191,254.51	\$ 1,036,427.15
Federal and State Grant		121,875.21
Assessment Trust		6,752.34
Other Trust	838,136.93	383,314.70
General Capital	403,820.78	100,000.00
Sewer Utility Operating	147,574.82	
Sewer Utility Capital	100,000.00	147,574.82
Swimming Pool Utility Operating	149,183.11	
Swimming Pool Utility Capital		33,859.18
Parking Lot Utility Operating	707.83	
Parking Lot Utility Capital		707.83
Public Assistance		166.75
	<u>\$ 1,830,677.98</u>	<u>\$ 1,830,677.98</u>

The Current Fund interfund receivable of \$191,254.51 is comprised of \$121,875.21 due from the Federal and State Grant Fund as a result of on-behalf grant receipt and disbursement activity, \$205.33 interest earnings and \$192.52 remaining from the prior year interfund due from the Assessment Trust Fund, \$8,492.16 of interest earnings, \$59,299.37 Fire UFS Fees anticipated revenue, \$8,820.00 of police outside detail interfund advanced and \$12,279.33 remaining from the prior year interfund due from the Other Trust Funds, offset by \$20,076.16 remaining from the prior year interfund due to the Other Trust Funds and \$166.75 interest earnings due from the Public Assistance Fund. The Current Fund interfund payable of \$1,036,427.15 is comprised of \$134,800 of premiums on tax sale certificates and \$703,336.93 of open space taxes due to the Other Trust Funds and, as detailed later, \$82,966.29 and \$115,323.93 due to the General Capital and Swimming Pool Utility Operating Funds, respectively. The General Capital Fund interfund receivable of \$403,820.78 is comprised of \$84,750.00 NJ Department of Transportation grant receipts due from the Current Fund, offset by \$1,783.71 interest earnings due to the Current Fund, \$6,354.49 assessments receivable due from the Assessment Trust Fund for local improvements and \$314,500.00 due from the Other Trust Funds for open space improvements. The Sewer Utility Operating Fund interfund receivable of \$147,574.82 is \$104,558.01 interest earnings, \$21,873.75 accrued interest on bond anticipation notes and \$21,143.06 remaining from the prior year interfund due from the Sewer Utility Capital Fund. The Sewer Utility Capital Fund interfund receivable of \$100,000.00 is NJ Department of Transportation grant receipts due from the General Capital Fund. The Swimming Pool Utility Operating Fund receivable of \$149,183.11 is comprised of \$3,486.54 interest earnings, \$18,282.69 capital fund balance anticipated revenue and \$12,089.95 remaining from the prior year interfund due from the Swimming Pool Capital Fund and the balance of the anticipated deficit of \$115,323.93 due from the Current Fund. The Parking Lot Utility Operating Fund interfund receivable of \$707.83 is interest earnings due from the Sewer Utility Capital Fund. Interest earned in the Capital Funds, General and Utility, was realized as revenue in the Current and Utility Operating Funds, respectively.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 11: Deferred Compensation Plan

The Township offers its employees a deferred compensation plan (the “plan”) created in accordance with Section 457 of the Internal Revenue Code. The plan, which is administered by VALIC, is available to all Township employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

Note 12: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

Property and Liability

The Township of Morris is a member of the Morris County Municipal Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by the Fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

As a member of the Fund, the Township could be subjected to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 12: Risk Management (Cont'd)

The December 31, 2025 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2024 is as follows:

Total Assets	<u>\$ 47,731,805</u>
Net Position	<u>\$ 14,656,747</u>
Total Revenue	<u>\$ 27,339,632</u>
Total Expenses	<u>\$ 26,449,607</u>
Members Dividends	<u>\$ 266,542</u>
Change in Net Position	<u>\$ 623,483</u>

Financial statements for the Fund are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

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

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025 *	\$ -0-	\$ 53,941.10	\$ 100,037.71	\$ 176,995.84
2024	-0-	-0-	114,607.55	223,092.45
2023	-0-	23,087.04	21,951.51	337,700.00

* - Includes 2024 contributions turned over in 2025

Note 13: Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation in 1993. The funds collected are used to acquire and maintain open space property in the Township. To date, \$10,968,636.29 has been collected in taxes and the balances in the Open Space Trust Fund at December 31, 2025 and 2024 were \$2,653,567.46 and \$2,754,039.85, respectively.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 14: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 15: Fixed Assets

The following schedule is a summarization of general fixed assets for the year ended December 31, 2025.

	Balance Dec. 31, 2024	Additions	Disposals	Balance Dec. 31, 2025
Land	\$ 17,025,241.00			\$ 17,025,241.00
Land Improvements	3,449,839.76			3,449,839.76
Buildings and Improvements	24,781,613.60	\$ 295,775.23		25,077,388.83
Equipment	30,951,716.97	2,300,788.10	\$ 173,476.00	33,079,029.07
	<u>\$ 76,208,411.33</u>	<u>\$ 2,596,563.33</u>	<u>\$ 173,476.00</u>	<u>\$ 78,631,498.66</u>
	Balance Dec. 31, 2023	Additions	Disposals	Balance Dec. 31, 2024
Land	\$ 17,025,241.00			\$ 17,025,241.00
Land Improvements	2,823,578.00	\$ 626,261.76		3,449,839.76
Buildings and Improvements	24,781,613.60			24,781,613.60
Equipment	30,582,757.17	751,207.79	\$ 382,247.99	30,951,716.97
	<u>\$ 75,213,189.77</u>	<u>\$ 1,377,469.55</u>	<u>\$ 382,247.99</u>	<u>\$ 76,208,411.33</u>

Note 16: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve, which it feels is sufficient, for this contingency in the amount of \$1,128,439.19.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

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

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

Contributions

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

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2023 through June 30, 2024. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense Related to OPEB

The Township has rolled forward the net OPEB liability as of June 30, 2024 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2024 OPEB information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this report.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense Related to OPEB (Cont'd)

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2024 was \$27,522,175. At June 30, 2024, the State's proportion related to the Township was 0.564% which was a decrease of 0.015% from its proportion measured as of June 30, 2023. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2024, the Township's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was \$2,666,434.

Actuarial Assumptions and Other Inputs

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

Salary Increases*:

Public Employees' Retirement System (PERS)

Rate for all future years 2.75% - 6.55%

Police and Firemen's Retirement System (PFRS)

Rate for all future years 3.25% to 16.25%

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

Pre-Retirement Healthy Mortality

Pre-retirement mortality rates for PERS were based on the PUB-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Preretirement mortality rates for PFRS were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Post-Retirement Healthy Mortality

Post-retirement mortality rates for Chapter 330 retirees were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates for other retirees is based on the PUB-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Disabled Retiree Mortality

Disabled retiree mortality rates for PERS future disabled retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for PFRS future disabled retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disabled retiree mortality rates for Chapter 330 current retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for other current retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend rate is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long term rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

TOWNSHIP OF MORRIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025
(Continued)

Note 18: Tax Abatements

As of December 31, 2025, the Township provides a tax abatement to The Collection, a luxury townhome community (the "Property") pursuant to the authority contained in the Redevelopment and Housing Law (N.J.S.A. 40A:12A-1) (the "Law") and agreements dated November 8, 2017 and amended on October 17, 2018. As of 12/31/2022, all 143 townhome units had been sold. In consideration of the full abatement of taxes, the entity is required to pay to the Township an annual service charge and an annual administrative fee. The annual service charge will be calculated in five stages. In 2025, the annual service charge was in stage one, which is 15% of the annual gross revenue. The annual administrative fee is 2% of the annual service charge. The Property shall be exempt from land taxes. The tax abatement provided under the agreement shall be terminated upon the 35th anniversary of the effective date, the 30th anniversary of the annual service charge commencement date or such other date pursuant to the terms hereof or pursuant to applicable Law, whichever is earlier.

As of December 31, 2025, the Township also provides a tax abatement to The Collection, a commercial/retail space and other site improvement pursuant to the authority contained in the Redevelopment and Housing Law (N.J.S.A. 40A:12A-1) (the "Law") and agreements dated November 8, 2017 and amended on October 17, 2018. As of 12/31/2025, all commercial/retail space is occupied. In consideration of the full abatement of taxes, the entity is required to pay to the Township an annual service charge and an annual administrative fee. The annual service charge will be calculated in five stages. In 2025, the annual service charge was in stage one, which is 2% of the Total Project Cost. The annual administrative fee is 2% of the annual service charge. The Entity, or its Transferee, shall be entitled to a credit against the Annual Service Charge for the amount, without interest, of the pro rata portion of the Land Tax payments made in the last four (4) preceding quarterly installments. The tax abatement provided under the agreement shall be terminated upon the 35th anniversary of the effective date, the 30th anniversary of the annual service charge commencement date or such other date pursuant to the terms hereof or pursuant to applicable Law, whichever is earlier.

The Township shall remit to the County of Morris 5% of the annual service charge received each year.

The Township recognized revenue in the amount of \$1,758,102.50 from these payments in lieu of taxes which is recorded as an anticipated miscellaneous revenue in the Current Fund. The taxes which would have been paid on these properties for 2025 without the abatement would have been \$3,158,453 of which \$829,736.00 would have been for local municipal tax, minimum library tax and municipal open space tax.

Appendix C

FORM OF OPINION OF BOND COUNSEL

September __, 2026

Township of Morris
Convent Station, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of a \$23,005,000 Bond Anticipation Note, Series 2026 (the "Note") of the Township of Morris, a municipal corporation of the State of New Jersey (the "Township"). The Note is dated September __, 2026, matures on September __, 2027; is numbered 2026-1; and bears interest at the interest rate of __% per annum (computed on the basis of a 360-day year) payable at maturity. The Note is issued pursuant to the Local Bond Law of the State of New Jersey and is authorized by the following resolutions of the Township: Resolution No. 183-26 adopted on August 27, 2026 and the bond ordinances referred to therein, each in all respects duly approved and published as required by law; and Resolution No. 184-26 adopted on August 27, 2026 (the "Authorization Proceedings").

The Note is registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, the Authorization Proceedings have been validly adopted, executed and delivered, and are in full force and effect. The Note is a valid and legally binding general obligation of the Township, enforceable in accordance with its terms and the Authorization Proceedings, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights. The Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Township for the payment of the Note and the interest thereon without limitation as to rate or amount.

The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Internal Revenue Code of 1986, as amended (the "Code"). In the event that the Township continuously complies with its covenant, it is our opinion that interest on the Note is not includable in gross income for federal income tax purposes under Section 103 of the Code. It is also our opinion that interest on the Note is not an item of tax preference under Section 57 of the Code when calculating the federal alternative minimum tax. The Note is not a "private activity bond" as defined in the Code. We express no opinion regarding other federal tax consequences or other federal taxes arising with respect to the Note.

Further, in our opinion, interest on the Note, and any gain on the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.

Very truly yours,

Appendix D

FORM OF SECONDARY MARKET DISCLOSURE UNDERTAKING

SECONDARY MARKET DISCLOSURE UNDERTAKING

This UNDERTAKING is made as of September __, 2026 by the Township of Morris, a municipal corporation of the State of New Jersey (the "Issuer") in order to comply with the secondary market disclosure requirements contemplated by Rule 15c2-12 adopted by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"). Defined terms used in this UNDERTAKING shall have the definitions set forth in the Rule unless the context of this UNDERTAKING clearly indicates otherwise.

Section 1. This UNDERTAKING applies to the obligation of the Issuer described as follows:

\$23,005,000 Bond Anticipation Note, Series 2026 dated September __, 2026, maturing on September __, 2027, numbered 2026-1 and bearing interest at the rate of ___% per annum payable at maturity (the "Municipal Securities").

Section 2. The term of this UNDERTAKING is from the date of delivery of the Municipal Securities to the date of maturity of the Municipal Securities.

Section 3. The Issuer is the only Obligated Person with respect to the Municipal Securities.

Section 4. The Issuer undertakes to provide notices to the Municipal Securities Rulemaking Board in an electronic format to be filed with the Electronic Municipal Market Access system ("EMMA", www.emma.msrb.org) of the occurrence of any of the following events of which it has direct knowledge with respect to the Municipal Securities, within 10 days after such occurrence:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or of 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 Municipal Securities, or other material events affecting the tax status of the Municipal Securities;
- (7) Modifications to the rights of the holders of the Municipal Securities, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Municipal Securities, if material;
- (11) Rating changes of the Issuer, but not of a credit enhancement provider such as a Bond Insurer, if any, for the Municipal Securities, unless the Issuer has direct knowledge of such ratings changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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 Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer or Obligated Person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer or Obligated Person, any of which reflect financial difficulties.

The Issuer, from time to time, may choose to file notices with EMMA of the occurrence of any event, in addition to those listed above. Nevertheless, the Issuer does not undertake to file any such notice with EMMA of the occurrence of any event except those events set forth and enumerated (1) through (16) above. Notices filed with EMMA pursuant to this UNDERTAKING shall be drafted substantially in the form set forth in Appendix A hereto.

Section 5. This UNDERTAKING is made for the benefit of the holders or beneficial owners of the Municipal Securities and may be enforced by any such holder or beneficial owner. The sole remedy of any such holder or beneficial owner shall be for specific performance of this UNDERTAKING and not for money damages in any amount.

Section 6. The Issuer designates the Chief Financial Officer as the person charged with the responsibility to execute the obligations set forth in this UNDERTAKING. The Issuer, from time to time, may hereafter designate an Agent with such responsibility by resolution of its governing body.

Section 7. The Issuer may amend any provision of this UNDERTAKING if the Issuer's bond counsel issues an opinion supporting a determination that:

- (1) This UNDERTAKING, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Municipal Securities, after taking into account any amendments or interpretations of the Rule; and
- (2) The amendment does not materially impair the interests of the holders or beneficial owners of the Municipal Securities.

Notice of any amendment to this UNDERTAKING shall be filed with EMMA in a timely manner.

Section 8. The Issuer may rely on an opinion of its bond counsel when determining questions of materiality relating to any provision of this UNDERTAKING and the Rule.

IN WITNESS WHEREOF, the Township of Morris has caused this UNDERTAKING to be executed in its name by the Chief Financial Officer, and its official seal to be affixed hereon and attested to by the Clerk, all as of the date specified above.

[SEAL]

TOWNSHIP OF MORRIS

Suzanne V. Walsh
Clerk

By: _____
Sean Ferguson
Chief Financial Officer

Appendix A

FORM OF
NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE VIA
ELECTRONIC MUNICIPAL MARKET ACCESS

Name of Issuer/
Obligated Person: TOWNSHIP OF MORRIS

NOTICE IS HEREBY GIVEN that the Issuer/Obligated Person failed to file, in a timely manner,
as required pursuant to its prior secondary market disclosure undertakings: _____.
The Issuer/Obligated Person has subsequently filed the required information.

DATED: _____

TOWNSHIP OF MORRIS
STATE OF NEW JERSEY