

NEW ISSUE (BOOK-ENTRY ONLY)

Rating: S&P "AA-" - See "RATING" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of computing federal alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. See "TAX MATTERS" herein. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

**BOROUGH OF BERLIN
IN THE COUNTY OF CAMDEN
STATE OF NEW JERSEY**

**\$15,075,000*
GENERAL OBLIGATION BONDS, SERIES 2024**

Consisting of:

**\$6,255,000* General Improvement Bonds
\$2,398,000* Sewer Utility Bonds
\$6,422,000* Water Utility Bonds**

(NON-BANK QUALIFIED) (CALLABLE)

Dated: Date of Delivery

Due: March 15, as shown on the inside front cover

The \$15,075,000* aggregate principal amount of General Obligation Bonds, Series 2024 (the "Bonds"), are general obligations of the Borough of Berlin, in the County of Camden, State of New Jersey (the "Borough"), for which the full faith and credit of the Borough are pledged. The Bonds consist of: (i) \$6,255,000* General Improvement Bonds (the "General Improvement Bonds"); (ii) \$2,398,000* Sewer Utility Bonds (the "Sewer Utility Bonds"); and (iii) \$6,422,000* Water Utility Bonds (the "Water Utility Bonds"). The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 each, through book entries made on the books and records of DTC and its participants.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on the fifteenth day of March and September of each year, commencing September 15, 2024, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption, as applicable. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein). As long as DTC is acting as securities depository for the Bonds, the principal of and interest on the Bonds will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on February 8, 2024.

The proceeds of the Bonds will be used to provide for (i) the permanent financing of prior Bond Anticipation Notes issued on September 25, 2023 and maturing on March 27, 2024 in the principal amount of \$11,062,000; (ii) the permanent financing of various capital improvements in and for the Borough; and (iii) the costs associated with the issuance and sale of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading "Optional Redemption."

The Bonds are not debt or obligations, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

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

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner, P.C., Red Bank, New Jersey, Bond Counsel to the Borough, and certain other conditions. Certain legal matters will be passed upon for the Borough by its Attorney, Howard C. Long, Jr., of the law firm Wade, Long, Wood & Long, LLC. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about March 26, 2024.

ELECTRONIC BIDS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED UNTIL 11:00 A.M., PREVAILING NEW JERSEY TIME, ON MARCH 12, 2024, VIA THE PARITY ELECTRONIC BID SYSTEM OF I-DEAL LLC AT WWW.NEWISSUEHOME.I-DEAL.COM. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIUB.COM.

*Preliminary, subject to change.

**BOROUGH OF BERLIN
IN THE COUNTY OF CAMDEN, STATE OF NEW JERSEY**

\$15,075,000* GENERAL OBLIGATION BONDS, SERIES 2024

Consisting of:

\$6,255,000* General Improvement Bonds

\$2,398,000* Sewer Utility Bonds

\$6,422,000* Water Utility Bonds

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

<u>Year</u>	<u>General Improvement Bonds*</u>	<u>Sewer Utility Bonds*</u>	<u>Water Utility Bonds*</u>	<u>Total Principal Amount*</u>	<u>Interest Rate</u> %	<u>Yield</u> %	<u>CUSIP**</u>
2025	\$305,000	\$78,000	\$177,000	\$560,000			
2026	350,000	75,000	175,000	600,000			
2027	375,000	80,000	315,000	770,000			
2028	400,000	80,000	325,000	805,000			
2029	610,000	85,000	325,000	1,020,000			
2030	610,000	90,000	325,000	1,025,000			
2031	605,000	95,000	325,000	1,025,000			
2032	600,000	95,000	325,000	1,020,000			
2033	600,000	125,000	325,000	1,050,000			
2034	600,000	125,000	325,000	1,050,000			
2035	600,000	125,000	330,000	1,055,000			
2036	600,000	145,000	350,000	1,095,000			
2037	-	150,000	350,000	500,000			
2038	-	150,000	350,000	500,000			
2039	-	150,000	350,000	500,000			
2040	-	150,000	350,000	500,000			
2041	-	150,000	350,000	500,000			
2042	-	150,000	350,000	500,000			
2043	-	150,000	350,000	500,000			
2044	-	150,000	350,000	500,000			

*Preliminary, subject to change.

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

**BOROUGH OF BERLIN
IN THE COUNTY OF CAMDEN
STATE OF NEW JERSEY**

MAYOR

Rick Miller

BOROUGH COUNCIL

Jake Miller – President
Keith Hohing – Member
Carl Mascarenhas – Member
Len Badolato – Member
Millard Wilkinson – Member
Patricia Cummings – Member

BOROUGH CLERK

Rachel von der Tann, RMC

CHIEF FINANCIAL OFFICER

Michael T. Kwasizur

BOROUGH ATTORNEY

Howard C. Long, Jr., Esquire
Wade, Long, Wood & Long, LLC
Laurel Springs, New Jersey

INDEPENDENT AUDITORS

Bowman & Company LLP
Voorhees, New Jersey

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough of Berlin, in the County of Camden, State of New Jersey (the "Borough") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Borough, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Borough; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Borough, such information is not to be construed as a representation or warranty by the Borough.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The Borough has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein and may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial condition of other affairs of the Borough. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting there from may vary from the initial public offering prices or yields on the inside cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF BERLIN
IN THE COUNTY OF CAMDEN, STATE OF NEW JERSEY
RELATING TO
\$15,075,000* GENERAL OBLIGATION BONDS, SERIES 2024
Consisting of:
\$6,255,000* General Improvement Bonds
\$2,398,000* Sewer Utility Bonds
\$6,422,000* Water Utility Bonds**

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Berlin (the "Borough"), in the County of Camden (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$15,075,000* aggregate principal amount of General Obligation Bonds, Series 2024 (the "Bonds"), of the Borough. The Bonds consist of: (i) \$6,255,000* General Improvement Bonds (the "General Improvement Bonds"); (ii) \$2,398,000* Sewer Utility Bonds (the "Sewer Utility Bonds"); and (iii) \$6,422,000* Water Utility Bonds (the "Water Utility Bonds"). This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the Borough Council, and executed by and on behalf of the Borough by its Chief Financial Officer, to be distributed in connection with the sale of the Bonds.

This Official Statement contains specific information relating to the Bonds 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 Borough from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Borough.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the fifteenth day of March and September of each year (each an "Interest Payment Date") until maturity or earlier redemption, commencing September 15, 2024. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective March 1 and September 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Borough's Chief Financial Officer, as Registrar and Paying Agent.

*Preliminary, subject to change.

The Bonds will mature on March 15 in each of the years and in the respective principal amounts as set forth on the inside front cover page.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 each or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Borough as Paying Agent, or some other paying agent as may be designated by the Borough, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

The Bonds of this issue maturing prior to March 15, 2032 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after March 15, 2032 are subject to redemption at the option of the Borough, in whole or in part, on any date on or after March 15, 2031, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the Borough Council on February 8, 2024.

The bond ordinances authorizing the Bonds were published in full or in summary after final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could 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 all persons shall be

estopped from questioning their sale, execution or delivery by the Borough. Such estoppel period has concluded as of the date of this Official Statement.

Purpose of the Bonds

The proceeds of the Bonds will be used to provide for (i) the permanent financing of prior Bond Anticipation Notes issued on September 25, 2023 and maturing on March 27, 2024 in the principal amount of \$11,062,000; (ii) the permanent financing of various capital improvements in and for the Borough; and (iii) the costs associated with the issuance and sale of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by various duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of Bond proceeds to be used thereunder. The bond ordinances are:

General Improvement Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount of Issue
2019-06	Various Capital Improvements, Finally Adopted 5/16/19	\$604,000
2020-07	Various Capital Improvements, Finally Adopted 6/11/20	\$1,403,300
2021-08	Various Capital Improvements, Finally Adopted 6/10/21	\$1,525,700
2022-06	Various Capital Improvements, Finally Adopted 7/14/22	\$573,000
2023-08	Various 2023 Capital Improvements, Finally Adopted 6/8/23	<u>\$2,149,000</u>
TOTAL GENERAL IMPROVEMENT BOND PROCEEDS		<u>\$6,255,000</u>

Sewer Utility Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount of Issue
2019-08	Various Sewer Utility Improvements, Finally Adopted 5/16/19	\$420,000
2020-06	Various Sewer Utility Improvements, Finally Adopted 6/11/20	\$530,000
2022-07	Various Sewer Utility Improvements, Finally Adopted 7/14/22	<u>\$1,448,000</u>
TOTAL SEWER UTILITY BOND PROCEEDS		<u>\$2,398,000</u>

Water Utility Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount of Issue
2019-07	Various Water Utility Improvements, Finally Adopted 5/16/19	\$480,000
2020-05	Various Water Utility Improvements, Finally Adopted 6/11/20	\$1,055,000
2021-07	Various Water Utility Improvements, Finally Adopted 6/10/21	\$1,023,000
2022-08	Various Water Utility Improvements, Finally Adopted 7/14/22	<u>\$3,864,000</u>
TOTAL WATER UTILITY BOND PROCEEDS		<u>\$6,422,000</u>

Payment of Bonds

As hereinafter stated, the Bonds are general obligations of the Borough for which the full faith and credit of the Borough will be pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the Borough for which the full faith and credit of the Borough are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the Borough has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The Borough is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "Risk To Holders Of Bonds", including "Municipal Bankruptcy" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise of the State or any county, municipality or political subdivision thereof, other than the Borough.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Borough as of the date hereof.

MARKET PROTECTION

The Borough may issue additional bonds or bond anticipation notes, as necessary, during calendar year 2024.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, 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 rating of AA+ from S&P Global Ratings, a division of Standard & Poor's Financial Services LLC. 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name

of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or 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 Bonds 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 the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Paying Agent, 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, nor its nominee, Paying Agent or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an

equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough or Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Borough or Paying Agent for such purposes only upon the surrender thereof to the Borough or Paying Agent together with the duly executed assignment in form satisfactory to the Borough or Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Borough or Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on the Interest Payment Date to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The Borough has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Borough debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Borough is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Borough, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Borough Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Borough.

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Borough are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the Borough) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later

than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Borough, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Refunding Bonds may be issued without the approval of Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by 2/3 vote of the full membership of the governing body.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the Borough is permitted to authorize. The authorized bonded indebtedness of a Borough is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Borough for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Borough and that the proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of

the current fiscal year by the local unit for the payment of bonds or notes of any school district. As shown in APPENDIX A attached hereto, the Borough has not exceeded its debt limit.

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Generally, before the end of the first month (January 31) of each fiscal year of the Borough, unless otherwise extended by the Division, the Borough must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Borough Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Borough's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the Borough conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. 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 other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Borough does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Borough, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may 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 the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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 section of the 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.

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. The Borough adopted its 2023 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

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 two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (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 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 cash deficit.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding

years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes, including the Bonds.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Borough, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

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 three (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 and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -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 as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of 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 sets limits on the anticipation of delinquent tax collections and 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."

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides 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 requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\begin{array}{lcl} \text{Total of Local, County,} & & \\ \text{and School Levies} & - \text{ Anticipated Revenues} & = \text{Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & = & \text{Amount to be} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Raised by} \\ & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

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."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Borough's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Borough Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the

conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Borough, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the

assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four 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 as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county of school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Borough Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review or the 1st day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that

interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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

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

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

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the

original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

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

Bank Qualification

The Bonds will not be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3)(B) of the Code.

Additional Federal Income Tax Consequences of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can

be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

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

ADDITIONALLY, EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.

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

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE BOROUGH HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOROUGH EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, 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 BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Borough should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the Borough, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)

If the Borough defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Borough in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Borough is so in default. Once a judgment is entered by the Superior Court to the effect that the Borough is in default, the Municipal Finance Commission (the "Commission") would become operative in the Borough. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness

of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

COVID-19 DISCLOSURE

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, then President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread throughout the State and to all counties within the State. In response to the COVID-19 pandemic, federal and state legislation and executive orders were implemented to mitigate the spread of the disease and to provide relief to state and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities, to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the Borough have not been materially or adversely affected as a result of the COVID-19 pandemic. Nonetheless, the degree of any such impact to the Borough's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic. The continued spread of the outbreak could have a material adverse effect on the Borough and its economy.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic, which included \$350 billion in relief funds for state and local governments, such as the Borough. The deadline to spend the funds is December 31, 2024. The Borough intends to utilize the funding for public safety needs and to further mitigate the effects of Covid-19 both from a public health and economic standpoint.

CERTIFICATES OF THE BOROUGH

Upon the delivery of the Bonds, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Borough, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Borough from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to the respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C, attached hereto. Certain legal matters with respect to the Bonds will be passed on for the Borough by its Borough Attorney, Howard C. Long, Jr., Esquire, of the law firm Wade, Long, Wood & Long, LLC, Laurel Springs, New Jersey (the "Borough Attorney").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough's Chief Financial Officer, Michael Kwasizur, via telephone at (856) 767-7777 or via email to mkwasizur@berlinnj.org; or the Borough's Bond Counsel, Alexis B. Batten, Esq., Archer & Greiner P.C., via telephone at (856) 673-7139 or via email to abatten@archerlaw.com; or the Borough's Municipal Advisor, Sherry L. Tracey, Phoenix Advisors, LLC, via telephone at (609) 291-0130 or via email to stracey@muniadvisors.com.

LITIGATION

To the knowledge of the Borough Attorney there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority of a proceeding for the issuance of the Bonds or for the levy or collection of taxes to pay the principal of and interest on the Bonds, or any action contesting the corporate existence or boundaries of the Borough or the title of any of its present officers. Further, to the knowledge of the Borough Attorney, there is no litigation presently pending or threatened against the Borough that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. The original purchaser of the Bonds will receive a certificate of the Borough Attorney to such effect upon the closing of the Bonds.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The Borough has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Borough annually and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Disclosure Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in APPENDIX D attached hereto. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB"). This covenant is being made by the Borough to assist the purchaser of the Bonds in complying with the Rule.

The Borough has previously entered into continuing disclosure undertakings under the Rule. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in May of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the review of this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Bowman & Company LLP, Voorhees, New Jersey, the Auditor to the Borough, has participated in the preparation and review of this Official Statement and in the collection of financial, statistical or demographic information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. The Auditor does take responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Municipal Advisor (as defined herein) has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Borough Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P" or the "Rating Agency") has assigned the Bonds the rating of "AA-" based upon the creditworthiness of the Borough.

An explanation of the significance of the rating on the Bonds may be obtained from S&P at 55 Water Street, New York, New York 10041. Such rating reflects only the views of S&P and there is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely, if in the judgment of S&P circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Except as set forth in the Bond Disclosure Certificate, the Borough has not agreed to take any action with respect to any proposed rating changes or to bring the rating changes, if any, to the attention of the owners of the Bonds.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____ (the "Underwriter"), at a price of \$ _____. The purchase price of the Bonds reflects the par amount of Bonds plus a bid premium of \$ _____.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

FINANCIAL STATEMENTS

APPENDIX B to this Official Statement attached hereto contains the audited financial statements of the Borough for the years ending December 31, 2022, 2021, 2020, 2019 and 2018. The financial data was prepared by Bowman & Company LLP, Voorhees, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in APPENDIX B. The Auditor has not verified the accuracy, completeness or fairness of the information contained herein (except for the financial data appearing in APPENDIX B hereto) and accordingly, will express no opinion with respect thereto. See "APPENDIX B – FINANCIAL STATEMENTS OF THE BOROUGH OF BERLIN (Audited for years ending December 31, 2022, 2021, 2020, 2019 and 2018)".

MISCELLANEOUS

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

This Official Statement is not to be construed as a contract or an agreement between the Borough and any purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 have been no changes in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof.

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

BOROUGH OF BERLIN

MICHAEL KWASIZUR,
Chief Financial Officer

DATED: March __, 2024

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE BOROUGH OF BERLIN**

GENERAL INFORMATION REGARDING THE BOROUGH

History

The Borough of Berlin ("Borough"), New Jersey, is located in Camden County ("County") in the southwestern section of New Jersey. The Borough was incorporated on May 16, 1927, and covers 3.7 square miles.

The Borough is primarily a residential community, with approximately 2,346 single-family homes. Ninety percent (90%) of the homes are owner occupied.

Local Government

The Borough operates under a Mayor-Council form of government. The governing body is comprised of the Mayor and six governing body members. The Mayor is elected for a four-year term. The governing body members are elected to serve staggered three-year terms.

The day-to-day administrative duties are the responsibility of the Borough Administrator, who is appointed by the Borough Council. To that end, the Borough Administrator keeps the Borough Council informed as to the conduct of the Borough affairs, the condition of the Borough finances and the welfare and future needs of the Borough.

Transportation

Several highways link the Borough to other neighboring regions. Route 30 runs west to Philadelphia and east to Atlantic City. State Highway 73 runs east to the New Jersey shore area.

The Port Authority Transit Company's High Speed Line, with a station in nearby Lindenwold Borough, provides an important link to center city Philadelphia for both commuters and shoppers. New Jersey Transit provides public bus transportation and rail service through the Borough. The closest stop for rail service is in Atco, New Jersey, which runs east to Atlantic City and west to Philadelphia.

The Philadelphia International Airport is only 30 minutes away by automobile. In addition, Garden State Flying Service, located in nearby Winslow Township, offers daily flights between Albion Airport in the County and other cities.

Fire Protection and Emergency Services

Fire protection is provided by a 50 member volunteer fire department. Fire equipment is owned and maintained by the Borough. Present fire equipment includes a ladder truck, three pumpers, a rescue utility truck, a brush truck, a fire police car, a pick-up truck and a fire chief's car.

Ambulance service is provided to the Borough and the Township of Berlin by four volunteers, four full-time emergency medical technicians and twenty-five part-time emergency medical technicians. The Borough has two ambulances located in a facility within the Borough. A paging system is used through County communications for the volunteers.

Police

The Borough has a paid, full-time police department which consists of one Chief, two Lieutenants, four Sergeants, two Detectives and eleven full-time uniformed officers. A communications system operated by the County is manned by dispatchers on a twenty-four hour basis.

Library

The Marie Fleche Memorial Library was opened in 1957. In 1982 the library was expanded by an addition which is used for a children's room and multi-purpose room. The library houses approximately 26,000 volumes and has a staff of 35 volunteers and four part-time employees. The

library offers numerous programs including a literacy program, preschool program and a summer reading program.

Public Works

The Public Works Department ("Department"), with a full-time work force of approximately 16, is headed by a Superintendent, and consists of the following departments: Buildings and Grounds, Streets and Roads, Trash and Recycling and Water and Sewer.

Responsibilities of the Department include maintenance and upgrading of parks and recreational facilities, road repairs and maintenance, disposal of trash, collection of recyclable materials, operation of the plant and the water and sewer systems.

There is a continuous street improvement and maintenance program, part of which is performed by the Department. Independent contractors are also used for major projects under the Capital Improvement Program.

Recreation

The Borough is home to numerous sports and recreational facilities including softball/baseball fields, soccer fields, basketball courts, general activity fields and the County Park which includes family picnic areas.

Water Utility

The Borough owns and operates its own Water Utility and services nearly all Borough residents with water. Water rates are based on a tiered structure with increasing rates per thousand gallons of water used. Water rates vary from \$3.60 to \$6.10 per thousand gallons of water used. Additionally, there is a per quarter charge for the water meter based on it's size. The typical single-family dwelling with a 5/8" line is billed \$25.00 per quarter.

Sewer Utility

The Borough owns and operates its own Sewer Utility which is comprised of a collection system for nearly all Borough residents. On January 9, 1990, the Borough was connected to the Camden County Municipal Utility Authority ("CCMUA"), which is responsible for the treatment of all effluent. The CCMUA is an autonomous body, and has established an annual rate of \$352.00 per equivalent dwelling unit for 2018. The Borough is still responsible for the maintenance of the sewer lines. The Borough's annual sewer rate is \$248.00 for single-family dwellings in 2018.

Borough Employees

	<u>2023</u>	<u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>2020</u>	<u>2019</u>
Permanent	46	43	43	43	41
Part-Time	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>
Total	<u>72</u>	<u>69</u>	<u>69</u>	<u>69</u>	<u>67</u>

Employee Collective Bargaining Units

<u>Bargaining Unit</u>	<u>Employees Represented</u>	<u>Expiration of Contract</u>
PBA Local 362	19	December 31, 2025
CWA Local 1040	15	December 31, 2027
AFSCME	3	December 31, 2024

Compensated Absences

Borough employees are entitled to various levels of sick and vacation leave. For more information regarding compensated absences, see (Appendix B: Audited Financial Statements, Note 13 to Financial Statements).

Pension Plans

Those Borough employees who are eligible for pension coverage are enrolled in one of two pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, (see Appendix B: Audited Financial Statements, Note 9 to Financial Statements).

Population (1)

2020 Federal Census	7,489
2010 Federal Census	7,588
2000 Federal Census	6,149
1990 Federal Census	5,672
1980 Federal Census	5,786

Selected Census 2022 Data for the Borough(1)

Median household income	\$98,706
Per capita income	\$45,214

Labor Force (2)

The following table discloses current labor force data for the Borough, County and State.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Borough					
Labor Force	4,318	4,250	4,243	4,209	4,157
Employment	4,158	3,970	3,833	4,070	3,983
Unemployment	160	280	410	139	174
Unemployment Rate	3.7%	6.6%	9.7%	3.3%	4.2%
County					
Labor Force	270,737	266,980	265,237	263,859	259,331
Employment	259,883	248,194	239,598	253,460	247,693
Unemployment	10,854	18,786	25,639	10,399	11,638
Unemployment Rate	4.0%	7.0%	9.7%	3.9%	4.5%
State					
Labor Force	4,739,800	4,666,100	4,650,300	4,686,300	4,604,800
Employment	4,564,100	4,357,200	4,212,400	4,524,300	4,420,700
Unemployment	175,700	308,900	437,900	162,000	184,100
Unemployment Rate	3.7%	6.6%	9.4%	3.5%	4.0%

Business and Industry

There has been significant growth in the business community. Pre-Mix Industries established a manufacturing plant in the Borough in the early 80's. Spring Oaks, an assisted-living facility, opened in 2000, along with a new housing development. The Borough is also the home of the Berlin Farmers Market, which houses approximately 100 vendors.

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: New Jersey Department of Labor

PNC Bank, TD Bank, N.A., and Bank of America are financial institutions with branches located within the Borough.

Building, Zoning and Development Codes

The Borough, by ordinance, adopted development and zoning regulations pursuant to the Municipal Land Use Act in January 1977. The Municipal Land Use Act authorized the Borough to adopt an ordinance authorizing the Planning Board and Zoning Board of Adjustment to enforce the development and zoning regulations and in certain instances to grant variances therefrom. In this way, the Borough is able to oversee the use or development of land.

The Borough building codes conform to standards of the Uniform Construction Code of New Jersey. These codes and other municipal codes are codified as a basis for improved administration and regulations.

Building Permits (1)

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2024(2)	28	\$19,452
2023	325	144,636
2022	346	159,633
2021	455	314,387
2020	375	177,660
2019	710	10,534,609

EDUCATION(3)

The Board of Education of the Borough of Berlin (“Board” when referring to the governing body and “School District” when referring to the legal entity governed by the Board) is a type II school district, consisting of nine members who are elected at large for three-year terms. The Board is assisted by a Superintendent, Board Secretary/School Business Administrator and two full-time Principals.

The Board administers one school covering grades K through 8. The Board sends its public high school students to Eastern Camden County Regional High School located in Voorhees Township.

(1) Source: Borough Construction Official
(2) As of February 1, 2024
(3) Source: School District officials

**BOROUGH OF BERLIN SCHOOL DISTRICT
SCHOOL ENROLLMENTS(1)**

<u>Grade</u>	<u>2023</u>	<u>2022</u>	<u>October 15, 2021</u>	<u>2020</u>	<u>2019</u>
Pre-K (5)	9	8	10	9	10
K - Full day	75	75	80	68	70
1	79	83	67	68	75
2	80	73	76	74	59
3	69	82	75	56	68
4	88	78	65	71	78
5	81	68	78	80	83
6	75	81	83	88	71
7	78	88	91	76	104
8	93	89	82	107	84
Special Education	<u>121</u>	<u>125</u>	<u>110</u>	<u>103</u>	<u>115</u>
Total	<u><u>848</u></u>	<u><u>850</u></u>	<u><u>817</u></u>	<u><u>800</u></u>	<u><u>817</u></u>

Present School Facility, Enrollment and Capacity

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Enrollment Oct. 15, 2023</u>	<u>Functional Capacity</u>
Berlin Community School	1958	1965/1972/ 1999/2004/2023	<u>848</u>	<u>1,100</u>

**EASTERN CAMDEN COUNTY REGIONAL HIGH SCHOOL DISTRICT
SCHOOL ENROLLMENTS(2)(3)**

<u>Grade</u>	<u>2023</u>	<u>2022</u>	<u>October 15, Actual 2021</u>	<u>2020</u>	<u>2019</u>
9	93	88			
10	89	109	Not	Not	Not
11	104	93	Available	Available	Available
12	86	90			
Special Education (4)	<u>62</u>	<u>48</u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u><u>434</u></u>	<u><u>428</u></u>	<u> </u>	<u> </u>	<u> </u>

- (1) Source: Local School District officials
(2) Berlin Borough students only
(3) Source: Regional School District officials
(4) On-roll

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers"), a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. For the 2022-2023 school year, there were approximately 4,185 undergraduate students and 1,781 graduate students.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under the State Department of Higher Education. It is funded in part by the Camden County Board of Commissioners who appoint an eleven (11) member Board of Trustees. The College has three distinct campuses in Blackwood, Camden and Cherry Hill – along with its satellite locations in Lakeland, Sicklerville and elsewhere throughout the County.

As of the Spring of 2023, full time enrollment was 3,204 and part-time enrollment was 8,124 for a total of 11,328.

Camden County Technical Schools

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township. Beginning in 2012, the adult programs were operated by Camden County College as part of the Camden County shared services agreement.

For high school students, there are over 30 career programs from which to choose. For the 2022-2023 school year, 1,395 students are enrolled at the Gloucester Township Campus, and 735 at the Pennsauken Campus, including 230 Special Education Students between the two campuses. Seniors are offered the opportunity to participate in several of our school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education. Through Camden County College, high school juniors and seniors at CCTS have various opportunities to earn college credit for college level work completed while in high school. Students may bank the credits earned for future enrollment at colleges and universities.

In addition to the facilities mentioned above, Stockton University, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University, Drexel University and Rowan University are all within a commuting distance from the Borough.

CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	2023
		Assessed Valuation
Berlin Multi-Family LLC	Apartments	\$ 52,730,100
Berlin Farmers Market II, LLC	Stores & Outdoor Market	6,730,400
Berlin Residences, LLC	Assisted Living Facility	5,570,000
Evinos Corporation, Inc.	Catering Facility	5,123,000
Wawa	Convenience Store	3,400,000
Hasbro, LLC	Offices	3,200,000
Berlin Center LLC	Stores	3,200,000
Agree Eastern LLC	Convenience Store	3,154,200
DJW Berlin	Convenience Store	3,142,500
1892 Broadway Associates, Inc.	Retail Center	3,000,000

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>		<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
			<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2022	\$	26,747,081	\$ 26,335,699	98.46%	\$ 380,063	1.42%
2021		25,436,104	24,969,170	98.16%	373,276	1.47%
2020		24,950,760	24,490,182	98.15%	421,846	1.69%
2019		24,506,063	24,132,622	98.48%	348,321	1.42%
2018		24,198,850	23,841,028	98.52%	322,538	1.33%

DELINQUENT TAXES (2)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2022	\$ 389,695	\$ 1,972	\$ 372,561	95.12%	\$ -	\$ 913	\$ 18,192
2021	427,344	1,000	392,232	91.57%	267	19,626	16,218
2020	348,320	1,750	344,374	98.37%	169	29	5,498
2019	324,715	250	318,134	97.90%	6,830	1	-
2018	305,241	3,500	301,257	97.58%	1,688	3,619	2,177

(1) Source: Borough Tax Assessor

(2) Source: Annual Reports of Audit

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Added by</u> <u>Sales and</u> <u>Transfers</u>	<u>Collections</u>	<u>Balance</u> <u>Dec. 31</u>
2022	\$ 98,753	\$ 20,458	\$ 858	\$ 118,353
2021	78,595	20,711	553	98,753
2020	64,315	20,732	6,452	78,595
2019	34,179	30,136	-	64,315
2018	16,915	17,264	-	34,179

FORECLOSED PROPERTY (1) (2)

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Adjustments</u>	<u>Balance</u> <u>Dec. 31</u>
2022	\$ -	\$ -	\$ -
2021	-	-	-
2020	-	-	-
2019	-	-	-
2018	-	-	-

SEWER UTILITY LEVIES (1)

<u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Levy</u>	<u>Cash</u> <u>Collections</u>	<u>Percentage</u>
2022	\$ 171,019	\$ 946,829	\$ 983,230	87.96%
2021	90,794	918,051	837,392	83.00%
2020	87,909	901,247	898,030	90.79%
2019	85,144	860,562	857,425	90.67%
2018	98,338	861,364	870,013	90.65%

WATER UTILITY LEVIES (1)

<u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Levy</u>	<u>Cash</u> <u>Collections</u>	<u>Percentage</u>
2022	\$ 694,488	\$ 3,282,455	\$ 3,518,375	88.47%
2021	350,431	3,250,176	2,905,868	80.70%
2020	287,867	3,235,425	3,161,542	89.73%
2019	257,855	3,117,064	3,085,718	91.43%
2018	306,167	2,932,241	2,980,197	92.03%

(1) Source: Annual Reports of Audit

(2) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)

<u>Year</u>		<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>				
			<u>Total Tax Rate</u>	<u>Municipal(3)</u>	<u>County</u>	<u>Local School</u>	<u>Regional High School</u>
2023	\$	795,350,885	N/A	N/A	N/A	N/A	N/A
2022		771,544,825	\$ 3.381	\$ 0.858	\$ 0.788	\$ 1.090	\$ 0.645
2021		756,952,653	3.310	0.841	0.796	1.094	0.579
2020		738,536,794	3.290	0.826	0.794	1.110	0.560
2019		738,474,300	3.317	0.809	0.827	1.088	0.593

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA (4)

<u>Year</u>		<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita</u>
2023	\$	795,350,800	85.53%	\$ 929,908,570	\$ 124,170 (5)
2022		767,314,500	93.67%	819,167,823	109,383 (5)
2021		752,493,300	99.39%	757,111,681	101,096 (5)
2020		733,951,400	100.74%	728,560,056	97,284 (5)
2019		733,363,400	98.82%	742,120,421	97,802 (6)

REAL PROPERTY CLASSIFICATION (7)

<u>Year</u>	<u>Assessed Value of Land and Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farm</u>
2023	\$ 795,350,800	\$ 13,168,600	\$ 603,958,000	\$ 106,219,900	\$ 10,346,500	\$ 61,407,000	\$ 250,800
2022	767,314,500	12,658,400	600,192,300	106,640,400	10,346,500	37,226,100	250,800
2021	752,493,300	13,597,500	593,626,000	107,649,100	10,346,500	27,023,400	250,800
2020	733,951,400	16,045,900	592,271,100	106,358,700	10,346,500	8,676,900	252,300
2019	733,363,400	15,201,500	592,957,300	105,923,900	10,346,500	8,676,900	257,300

(1) Source: Borough's Tax Collector

(2) Per \$100 of assessed valuation

(3) Includes Local Open Space Tax.

(4) Source: State of New Jersey, Department of Treasury, Division of Taxation

(5) Based on 2020 Federal Census of 7,489

(6) Based on 2010 Federal Census of 7,588

(7) Source: Borough's Tax Assessor

**BOROUGH OF BERLIN
STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the Borough as of December 31, 2022 in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water Utility, Sewer Utility and debt of the Local and Regional School Districts. Deductions from gross debt to arrive at net debt included deductible school debt and debt considered to be self-liquidating. The resulting net debt of \$12,041,917 represents 1.481% of the average of equalized valuations for the Borough for the last three years, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	<u>Debt Issued</u>			<u>Authorized But Not Issued</u>	<u>Gross Debt</u>	<u>Deductions</u>		<u>Net Debt</u>
	<u>Bonds</u>	<u>Notes</u>	<u>Loans</u>			<u>School Debt</u>	<u>Self-Liquidating Debt</u>	
General	\$ 7,919,000	\$ 4,106,000	\$ 16,073	\$ 844	\$ 12,041,917	\$ -	\$ -	\$ 12,041,917
School - Local	495,000	-	-	19,699,285	20,194,285	20,194,285	-	-
School - Regional	1,105,767	-	-	-	1,105,767	1,105,767	-	-
Water Utility	1,538,000	4,558,000	570,196	1,866,146	8,532,342	-	8,532,342	-
Sewer Utility	1,113,000	2,398,000	-	1,546	3,512,546	-	3,512,546	-
	<u>\$ 12,170,767</u>	<u>\$11,062,000</u>	<u>\$ 586,269</u>	<u>\$ 21,567,821</u>	<u>\$ 45,386,857</u>	<u>\$21,300,052</u>	<u>\$ 12,044,888</u>	<u>\$ 12,041,917</u>

(1) Source: 2022 Annual Debt Statement

DEBT RATIOS AND VALUATIONS (1)

Average of Equalized Valuations of Real Property with Improvements for 2020, 2021 and 2022	\$	812,976,700
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2020, 2021 and 2022		1.481%
2023 Net Valuation Taxable	\$	795,350,885
2023 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$	929,908,655
Gross Debt (2)		
As a Percentage of 2023 Net Valuation Taxable		5.71%
As a Percentage of 2023 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		4.88%
Net Debt (2)		
As a Percentage of 2023 Net Valuation Taxable		1.51%
As a Percentage of 2023 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		1.29%
Gross Debt per Capita(3)	\$	6,060
Net Debt per Capita(3)	\$	1,608

(1) As of December 31, 2022

(2) Excluding overlapping debt

(3) Based on 2020 Federal Census of 7,489

BOROUGH BORROWING CAPACITY (1)

3.5% of Average (2020-22) Equalized Valuation of Real Property	
Including Improvements (\$812,976,700)	\$ 28,454,185
Net Debt	<u>12,041,917</u>
Remaining Borrowing Capacity	<u>\$ 16,412,268</u>

SCHOOL DISTRICT BORROWING CAPACITY (1)

3% of Average (2020-22) Equalized Valuation of Real Property	
Including Improvements (\$812,976,700)	\$ 24,389,301
Local School Debt	<u>20,194,285</u>
Remaining Borrowing Capacity	<u>\$ 4,195,016</u>

REGIONAL HIGH SCHOOL DISTRICT BORROWING CAPACITY (1)

3% of Average (2020-22) Equalized Valuation of Real Property	
Including Improvements (\$4,940,645,195)	\$ 148,219,356
Regional School Debt (2)	<u>6,720,000</u>
Remaining Borrowing Capacity	<u>\$ 141,499,356</u>

(1) As of December 31, 2022

(2) Debt portion allocated to the Borough is \$1,105,767

**BOROUGH OF BERLIN
OVERLAPPING DEBT
AS OF DECEMBER 31, 2022**

	DEBT ISSUED				
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	<u>Debt Auth. but not Issued</u>
County of Camden(1):					
General:					
Bonds	\$ 64,387,267	\$ 22,237,615 (2)	\$ 42,149,652	\$ 805,901 (4)	\$ 71,990,250
Notes	42,980,000	-	42,980,000	803,726 (4)	-
Loan Agreements	347,760,000	-	347,760,000	6,503,112 (4)	-
Bonds Issued by Other Public Bodies Guaranteed by the County	223,550,595	239,049,706 (3)		-	-
	<u>\$ 678,677,862</u>	<u>\$ 261,287,321</u>	<u>\$ 432,889,652</u>	<u>\$ 8,112,739</u>	<u>\$ 71,990,250</u>

(1) Source: County of Camden.

(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Refunding Bonds.

(3) Deductible in accordance with N.J.S. 40:37A-80.

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2022 Net Valuation on which County taxes are apportioned, which is 1.912%.

Camden County Municipal Utilities Authority

The Camden County Municipal Utilities Authority ("CCMUA") is a public body corporate and politic of the State and was originally created as the Camden County Sewerage Authority ("Sewerage Authority") by a resolution of the County adopted on December 5, 1967. The Sewerage Authority was reorganized in 1972 as a utilities authority and changed its name to the Camden County Municipal Utilities Authority pursuant to a resolution of the County adopted on April 13, 1972. The CCMUA operates under the supervision of nine commissioners who are appointed by the Board for five-year staggered terms. The County has entered into a deficiency agreement with the CCMUA ("Deficiency Agreement") whereby the County is obligated to pay to the CCMUA any annual charges equal to any deficits in CCMUA revenues necessary to pay or provide for: (i) operation and maintenance expenses of the CCMUA's regional sewer system, (ii) principal and interest payments on bonds and notes of the CCMUA in an aggregate principal amount not to exceed \$685,500,000, and (iii) the maintenance of reserves required under the bond resolution securing the CCMUA's bonds and notes. The obligation of the County pursuant to the provisions of the Deficiency Agreement is a direct and general obligation of the County, and any annual charges are ultimately payable by the County from the levy of *ad valorem* taxes on all the taxable real property within the jurisdiction of the County in amounts sufficient to enable the County to meet its obligations under the Deficiency Agreement. ***To date, no payments have been required to be made by the County pursuant to the Deficiency Agreement.*** The County and the CCMUA may agree to amend the Deficiency Agreement at any time to increase the obligations of the County thereunder.

The CCMUA owns and operates a sewage collection and treatment system which serves all County residents connected to local sewer collection systems. The CCMUA's system does not include the local sewage collection system of any CCMUA participant, but it owns and operates interceptor sewer lines connecting the local systems to the CCMUA's sewage treatment facilities.

The CCMUA is required to charge and collect service charges for the use of its facilities such that revenues of the CCMUA will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and notes of the CCMUA and to maintain reserves and sinking funds therefor as may be required by the terms of any agreements with the holders thereof.

The gross debt as of December 31, 2022 for the CCMUA was \$193,185,104 (unaudited). The County guarantees up to \$685,500,000 of debt issued by the CCMUA.

Camden County Improvement Authority

The Camden County Improvement Authority ("CCIA") is a public body corporate and politic of the State and was created by a resolution of the County Board. The CCIA operates under the supervision of a five (5) member Board who are appointed for five (5) year staggered terms by the County Board. The CCIA has from time to time issued its revenue bonds for projects involving the County and for which the County has a repayment obligation or guaranty. The CCIA also issues conduit debt from time to time which is not included in the overlapping debt as there is no obligation by the taxpayers to repay the associated debt service.

The amount of debt which the County has guaranteed or for which it has a repayment obligation as of December 31, 2022 was \$373,752,238.

BOROUGH OF BERLIN
SCHEDULE OF OUTSTANDING DEBT SERVICE
BONDED DEBT ONLY (1)

Year End <u>December 31</u>	<u>General</u>			<u>Water Utility</u>			<u>Sewer Utility</u>			<u>Grand Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total General Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Water Utility Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Sewer Utility Debt Service</u>	
2023	\$690,000	\$252,344	\$942,344	\$125,000	\$48,931	\$173,931	\$65,000	\$36,620	\$101,620	\$1,217,895
2024	715,000	231,125	946,125	125,000	45,113	170,113	70,000	34,620	104,620	1,220,858
2025	735,000	209,156	944,156	130,000	41,294	171,294	75,000	32,464	107,464	1,222,914
2026	725,000	186,594	911,594	145,000	37,319	182,319	80,000	30,158	110,158	1,204,071
2027	725,000	163,438	888,438	150,000	32,712	182,712	80,000	27,595	107,595	1,178,745
2028	729,000	140,281	869,281	148,000	27,944	175,944	80,000	25,033	105,033	1,150,257
2029	400,000	117,000	517,000	70,000	23,238	93,238	80,000	22,470	102,470	712,708
2030	400,000	104,000	504,000	70,000	20,963	90,963	85,000	19,645	104,645	699,608
2031	400,000	91,000	491,000	75,000	18,688	93,688	85,000	16,658	101,658	686,345
2032	400,000	78,000	478,000	75,000	16,250	91,250	93,000	13,670	106,670	675,920
2033	400,000	65,000	465,000	80,000	13,813	93,813	60,000	10,400	70,400	629,213
2034	400,000	52,000	452,000	80,000	11,213	91,213	60,000	8,450	68,450	611,663
2035	400,000	39,000	439,000	85,000	8,613	93,613	65,000	6,500	71,500	604,113
2036	400,000	26,000	426,000	90,000	5,850	95,850	65,000	4,388	69,388	591,238
2037	400,000	13,000	413,000	90,000	2,925	92,925	70,000	2,275	72,275	578,200
	<u>\$ 7,919,000</u>	<u>\$ 1,767,938</u>	<u>\$ 9,686,938</u>	<u>\$ 1,538,000</u>	<u>\$ 354,863</u>	<u>\$ 1,892,863</u>	<u>\$ 1,113,000</u>	<u>\$ 290,944</u>	<u>\$ 1,403,944</u>	<u>\$ 12,983,745</u>

(1) Source: Borough Auditor

**BOROUGH OF BERLIN
2023 MUNICIPAL BUDGET (1)**

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 750,000
Miscellaneous Revenues:	
Local Revenues	714,000
State Aid without Offsetting Appropriations	737,855
Dedicated Uniform Construction Code Fees	148,000
Public and Private Programs Offset With Appropriations	153,781
Other Special Items of Revenue	938,782
Receipts from Delinquent Taxes	357,726
Amount to be Raised by Taxation for Municipal Purposes	<u>6,725,827</u>
 Total Anticipated Revenues	 <u><u>\$ 10,525,971</u></u>
 Appropriations:	
Within CAPS:	
Operations	\$ 6,452,262
Deferred Charges and Statutory Expenditures	994,041
Excluded from CAPS:	
Other Operations	399,893
Public and Private Programs	153,781
Capital Improvements	938,782
Debt Service	1,143,348
Transferred to Board of Education	45,181
Reserve for Uncollected Taxes	<u>398,684</u>
 Total Appropriations	 <u><u>\$ 10,525,971</u></u>

OPEN SPACE FUND

Dedicated Revenues from Trust Fund:	
Amount to be Raised by Taxation	\$ 119,303
Interest Income	500
Reserve Funds	<u>374</u>
	<u><u>\$ 120,177</u></u>
 Appropriations:	
Maintenance of Lands for Recreation and Conservation:	
Salaries and Wages	\$ 93,000
Other Expenses	<u>27,177</u>
	<u><u>\$ 120,177</u></u>

(1) As adopted

**BOROUGH OF BERLIN
2023 MUNICIPAL BUDGET (1)**

WATER UTILITY FUND

Anticipated Revenues:

Fund Balance	\$ -
Rents	2,732,026
Fire Hydrant Service	641,000
Miscellaneous	<u>74,000</u>

Total Anticipated Revenues	<u><u>\$ 3,447,026</u></u>
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Appropriations

Operating	\$ 2,713,319
Capital Improvement Fund	-
Debt Service	599,894
Deferred Charges and Statutory Expenditures	<u>133,812</u>

Total Appropriations	<u><u>\$ 3,447,026</u></u>
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SEWER UTILITY FUND

Anticipated Revenues:

Fund Balance	\$ 182,727
Rents	983,000
Interest on Investment and Deposits	12,600
Miscellaneous	<u>13,400</u>

Total Anticipated Revenues	<u><u>\$ 1,191,727</u></u>
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Appropriations

Operating	\$ 853,896
Capital Improvements	50,000
Debt Service	218,923
Deferred Charges and Statutory Expenditures	<u>74,908</u>

Total Appropriations	<u><u>\$ 1,197,727</u></u>
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(1) As adopted

**BOROUGH OF BERLIN
CAPITAL BUDGET
PROJECTS SCHEDULED FOR THE YEARS 2023 - 2028 (1)**

<u>Project Title</u>	<u>Estimated Total Cost</u>	<u>Current Year 2023</u>	<u>Capital Improvement Fund</u>	<u>Grants-in- Aid and Other Funds</u>	<u>Bonds and Notes</u>	
					<u>General</u>	<u>Self- Liquidating</u>
General Improvements:						
Various Roads	\$ 300,000		\$ 15,000		\$ 285,000	
Stormwater Infrastructure	200,000		10,000		190,000	
Various Park Improvements	1,700,000		85,000		1,615,000	
Police Vehicles	500,000		500,000			
Automated Trash Truck	400,000		20,000		380,000	
Water Improvements:						
Infrastructure Upgrades	1,750,000					\$ 1,750,000
Utility Body Truck	60,000					60,000
Sewer Improvements:						
Infrastructure Upgrades	650,000					650,000
Equipment	25,000					25,000
<hr/>						
Totals - All Projects	\$ 5,585,000	\$ -	\$ 630,000	\$ -	\$ 2,470,000	\$ 2,485,000

(1) As adopted

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH OF BERLIN

(Audited for years ending December 31, 2022, 2021, 2020, 2019 and 2018)

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Berlin
Berlin, New Jersey 08009

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Berlin, in the County of Camden, State of New Jersey, as of December 31, 2022, 2021, 2020, 2019 and 2018, and the related statements of operations and changes in reserve for future use and fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the Borough's basic 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 assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Berlin, in the County of Camden, State of New Jersey, as of December 31, 2022, 2021, 2020, 2019 and 2018, and the results of its operations and changes in reserve for future use and fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America* section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the Borough of Berlin, in the County of Camden, State of New Jersey, as of December 31, 2022, 2021, 2020, 2019 and 2018, or the results of its operations and changes in reserve for future use and fund balance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions on Regulatory Basis of Accounting

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in note 1 to the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in note 1 to the financial statements, during the year ended December 31, 2022, the Borough adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The adoption of this new accounting principle resulted in material note disclosure. As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Consistency of Financial Statements

Because of the implementation of GASB Statement No. 87, the Borough has determined that certain disclosures relating to capital leases in the prior year are now disclosed as financed purchases (note 15). In addition, the Borough has determined that lease agreements in which they are the lessor have now been disclosed in accordance with the Statement (note 7). Our opinions are not modified with respect to this matter.

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 of Local Government Services, Department of Community Affairs, State 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in the United States of America 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Daniel M. DiGangi

Daniel M. DiGangi
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
September 26, 2023

BOROUGH OF BERLIN
CURRENT FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--
Regulatory Basis

ASSETS	As of December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Regular Fund:					
Cash and Investments	\$ 7,055,941	\$ 5,876,669	\$ 5,393,227	\$ 4,529,169	\$ 3,832,283
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	398,255	389,695	427,344	348,321	324,715
Tax Title Lien Receivable	118,353	98,753	78,595	64,315	34,179
Revenue Accounts Receivable	24,852	30,851	41,484	43,770	53,527
Interfunds Receivable	8,310	1	27,399	27,399	130,574
Deferred Charges:					
Special Emergency Authorizations (40A:4-55)	-	-	17,000	34,000	51,000
	<u>7,605,711</u>	<u>6,395,968</u>	<u>5,985,049</u>	<u>5,046,975</u>	<u>4,426,278</u>
Federal and State Grant Fund:					
Cash and Investments	968,047	606,049	208,463	355,121	
Federal and State Grant Funds Receivable	462,606	403,030	238,434	231,449	396,150
	<u>1,430,652</u>	<u>1,009,079</u>	<u>446,897</u>	<u>586,570</u>	<u>396,150</u>
Total Assets	<u>\$ 9,036,363</u>	<u>\$ 7,405,046</u>	<u>\$ 6,431,946</u>	<u>\$ 5,633,545</u>	<u>\$ 4,822,428</u>
 LIABILITIES, RESERVES AND FUND BALANCE					
Regular Fund:					
Appropriation Reserves	\$ 620,208	\$ 762,130	\$ 892,043	\$ 629,364	\$ 501,254
Reserve for Encumbrances	113,193	160,987	147,318	91,693	102,092
Prepaid Taxes	205,714	284,786	333,282	341,884	284,977
Tax Overpayments	1,905	1,142			191
County Taxes Payable		90,000			
Due County for Added and Omitted Taxes	152,024	86,964	156,610	27,064	32,900
Due to State of New Jersey	16,781	15,428	23,314	16,094	54,565
Due to Library		4,164			
Other Reserves	61,459	25,116	25,116	26,672	35,267
Accounts Payable			3,187		
Local School District Taxes Payable	848,209	797,485	728,200	660,163	591,929
Regional High School Taxes Payable	776,077	488,607	347,926	474,505	383,382
Interfunds Payable	313,284	187,360	384,781	272,819	318,799
Reserve for Receivables and Other Assets	549,770	519,299	574,823	483,805	542,995
Fund Balance	3,947,087	2,972,500	2,368,449	2,022,912	1,577,927
	<u>7,605,711</u>	<u>6,395,968</u>	<u>5,985,049</u>	<u>5,046,975</u>	<u>4,426,278</u>
Federal and State Grant Fund:					
Unappropriated Reserves	797,164	426,838	12,422	18,116	5,392
Appropriated Reserves	623,338	546,977	416,832	264,018	238,638
Reserve for Grant Encumbrances	10,150	12,422	17,407	4,200	4,266
Grant Contracts Payable		22,841		300,000	17,043
Interfunds Payable			236	236	130,811
	<u>1,430,652</u>	<u>1,009,079</u>	<u>446,897</u>	<u>586,570</u>	<u>396,150</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,036,363</u>	<u>\$ 7,405,046</u>	<u>\$ 6,431,946</u>	<u>\$ 5,633,545</u>	<u>\$ 4,822,428</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
CURRENT FUND
Statements of Operations and Changes in Fund Balance--
Regulatory Basis

	For the Years Ended December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue Realized:					
Current Tax Collections	\$ 26,335,699	\$ 24,968,970	\$ 24,490,182	\$ 24,132,622	\$ 23,841,028
Delinquent Tax Collections	373,419	392,785	350,826	318,134	301,257
Total Taxes	26,709,118	25,361,755	24,841,008	24,450,756	24,142,285
Miscellaneous Revenues Anticipated	2,941,376	2,335,598	2,161,792	2,567,438	2,694,500
Non-Budget and Other Income	891,774	1,061,849	837,444	866,972	597,755
Fund Balance Utilized	855,000	987,000	987,000	857,000	840,000
Total Income	31,397,268	29,746,202	28,827,244	28,742,166	28,274,540
Expenditures and Encumbrances:					
Operating	7,655,330	6,486,458	6,277,572	6,141,873	6,229,088
Capital Improvements	125,000	125,000	125,000	50,000	55,000
Debt Service	1,016,048	1,458,220	1,725,209	1,724,896	1,388,071
Deferred Charges and Statutory Expenditures	957,261	882,345	853,905	820,039	742,862
Transfer to Local School Districts	44,496	44,690	44,599	44,207	43,554
Regional High School Tax	4,977,153	4,386,919	4,136,262	4,374,096	4,191,390
County Taxes	6,223,532	6,112,098	6,016,952	6,111,699	6,212,308
Local School Tax	8,410,662	8,279,715	8,199,728	8,034,773	7,899,416
Municipal Open Space Tax	118,666	115,215	113,730	110,949	111,490
Creation of Reserve for Receivable	8,310			27,399	130,574
Other Expenditures	31,225	264,492	1,750	250	3,500
Total Expenditures and Encumbrances	29,567,681	28,155,151	27,494,706	27,440,182	27,007,252
Statutory Excess to Fund Balance	1,829,587	1,591,050	1,332,538	1,301,984	1,267,288
Balance January 1	2,972,500	2,368,449	2,022,912	1,577,927	1,150,640
	4,802,087	3,959,500	3,355,449	2,879,912	2,417,927
Decreased by:					
Utilized as Revenue	855,000	987,000	987,000	857,000	840,000
Fund Balance December 31	\$ 3,947,087	\$ 2,972,500	\$ 2,368,449	\$ 2,022,912	\$ 1,577,927

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
TRUST FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--
Regulatory Basis

ASSETS	As of December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 2,142,602	\$ 3,184,204	\$ 2,522,745	\$ 2,965,783	\$ 1,921,968
Interfund Loans Receivable	313,284	187,360	298,645	186,684	249,499
Other Accounts Receivable	56,805	22,512	38,909	26,203	11,399
	<u>\$ 2,512,691</u>	<u>\$ 3,394,076</u>	<u>\$ 2,860,299</u>	<u>\$ 3,178,669</u>	<u>\$ 2,182,866</u>
 LIABILITIES, RESERVES AND FUND BALANCE					
Interfund Loans Payable			\$ 50,000	\$ 50,000	\$ 50,000
Reserve for Special Funds	<u>\$ 2,512,691</u>	<u>\$ 3,394,076</u>	<u>2,810,299</u>	<u>3,128,669</u>	<u>2,132,866</u>
	<u>\$ 2,512,691</u>	<u>\$ 3,394,076</u>	<u>\$ 2,860,299</u>	<u>\$ 3,178,669</u>	<u>\$ 2,182,866</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
GENERAL CAPITAL FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--
Regulatory Basis

ASSETS	As of December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 2,760,971	\$ 1,694,964	\$ 198,080	\$ 1,015,925	\$ 1,568,813
Other Accounts Receivable	23,531	23,531	23,531	23,531	23,531
Interfunds Receivable			115,808	115,808	115,808
Deferred Charges to Future Taxation:					
Funded	7,935,073	8,656,744	9,799,910	11,161,345	12,474,180
Unfunded	4,106,844	3,533,514	2,007,814	604,450	250
Total Assets	<u>\$ 14,826,420</u>	<u>\$ 13,908,753</u>	<u>\$ 12,145,144</u>	<u>\$ 12,921,059</u>	<u>\$ 14,182,583</u>
 LIABILITIES, RESERVES AND FUND BALANCE					
General Serial Bonds	\$ 7,919,000	\$ 8,609,000	\$ 9,721,119	\$ 11,052,119	\$ 12,335,119
Green Acres Loan Payable	16,073	47,744	78,791	109,226	139,061
Bond Anticipation Notes	4,106,000	2,007,300			
Improvement Authorizations:					
Funded	732,515	781,755	861,447	1,009,267	1,212,312
Unfunded	1,180,159	920,062	842,451	217,987	250
Contracts Payable	431,177	1,138,628	4,031	181,809	336,593
Capital Improvement Fund	226,533	130,203	85,503	34,364	16,164
Reserve for Encumbrances	90,775	191,962	484,137	248,620	75,417
Fund Balance	124,188	82,099	67,666	67,666	67,666
Total Liabilities, Reserves and Fund Balance	<u>\$ 14,826,420</u>	<u>\$ 13,908,753</u>	<u>\$ 12,145,144</u>	<u>\$ 12,921,059</u>	<u>\$ 14,182,583</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
WATER UTILITY FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--
Regulatory Basis

ASSETS	As of December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Fund:					
Cash	\$ 2,582,018	\$ 1,846,024	\$ 1,813,225	\$ 1,680,136	\$ 1,528,579
Interfunds Receivable			20,563	20,563	2,243
Receivables with Full Reserves:					
Water Rents Receivable	416,452	536,421	319,597	264,134	242,015
Fire Hydrant & Sprinkler Rents Receivable	35,870	158,067	30,834	23,733	15,840
Total Operating Fund	3,034,340	2,540,512	2,184,219	1,988,566	1,788,677
Capital Fund:					
Cash	4,139,215	1,672,315	331,683	464,485	1,069,546
Fixed Capital	17,779,642	17,779,642	17,779,642	17,779,642	17,779,642
Fixed Capital Authorized and Uncompleted	10,309,705	6,251,705	5,228,705	4,173,705	3,693,705
Total Capital Fund	32,228,563	25,703,663	23,340,031	22,417,833	22,542,894
Total Assets	\$ 35,262,902	\$ 28,244,175	\$ 25,524,250	\$ 24,406,399	\$ 24,331,571
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Appropriation Reserves	\$ 327,316	\$ 387,219	\$ 284,352	\$ 375,514	\$ 335,862
Water Rent Overpayments	10,469	5,012	7,748	10,574	18,502
Interfunds Payable	16				
Accrued Interest on Bonds/Notes	66,134	20,399	19,043	24,013	20,324
Reserve for Receivables	452,322	694,488	350,431	287,867	257,855
Reserve for Encumbrances	112,268	88,473	15,660	19,510	12,827
Fund Balance	2,065,814	1,344,921	1,506,985	1,271,088	1,143,308
Total Operating Fund	3,034,340	2,540,512	2,184,219	1,988,566	1,788,677
Capital Fund:					
Serial Bonds	1,538,000	1,663,000	1,773,000	2,193,000	2,622,881
Bond Anticipation Notes	4,558,000	1,535,000			
New Jersey Environmental Trust Loan	570,196	781,674	988,351	1,189,866	1,394,223
Accrued Interest Bonds and Notes					8,989
Capital Improvement Fund	266,877	410,116	160,116	106,916	81,916
Interfunds Payable	8,310				
Contracts Payable	1,044,258	288,825	35,581	166,415	
Improvement Authorizations:					
Funded	68,670	81,800	110,433	159,258	653,447
Unfunded	4,176,663	1,502,667	926,127	217,086	
Reserve to Pay Bonds	273,275	273,275	273,275	273,275	273,275
Reserve for Amortization	19,201,574	18,865,096	18,548,419	17,926,904	17,292,666
Reserve for Deferred Amortization	355,432	162,193	162,193	162,193	162,193
Reserve for Encumbrances	92,584	112,015	345,571	5,955	36,339
Fund Balance	74,725	28,002	16,966	16,966	16,966
Total Capital Fund	32,228,563	25,703,663	23,340,031	22,417,833	22,542,894
Total Liabilities, Reserves and Fund Balance	\$ 35,262,902	\$ 28,244,175	\$ 25,524,250	\$ 24,406,399	\$ 24,331,571

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
WATER UTILITY FUND
Statements of Operations and Changes in Operating Fund Balance--
Regulatory Basis

	For the Years Ended December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue Realized:					
Operating Surplus Anticipated	\$ 560,000	\$ 582,058	\$ 690,000	\$ 697,011	\$ 542,700
Rents	2,876,852	2,514,391	2,705,995	2,606,957	2,518,834
Miscellaneous	74,124	40,664	124,571	141,513	114,966
Fire Hydrant and Sprinkler Service	641,522	391,477	455,547	478,761	461,363
Reserve for Payment of Debt					30,000
Other Income	385,259	224,951	385,096	334,846	285,301
Total Income	<u>4,537,757</u>	<u>3,753,541</u>	<u>4,361,208</u>	<u>4,259,088</u>	<u>3,953,163</u>
Expenditures and Encumbrances:					
Operating	2,657,695	2,575,242	2,562,300	2,562,800	2,498,100
Capital Improvements	50,000	250,000	53,200	25,000	25,000
Debt Service	415,414	385,298	699,312	732,456	670,362
Deferred Charges and Statutory Expenditures	133,755	123,007	120,500	114,040	112,500
Total Expenditures and Encumbrances	<u>3,256,864</u>	<u>3,333,547</u>	<u>3,435,312</u>	<u>3,434,296</u>	<u>3,305,962</u>
Statutory Excess to Fund Balance	1,280,893	419,994	925,897	824,791	647,201
Fund Balance, January 1	<u>1,344,921</u>	<u>1,506,985</u>	<u>1,271,088</u>	<u>1,143,308</u>	<u>1,038,807</u>
	2,625,814	1,926,979	2,196,985	1,968,099	1,686,008
Less: Utilized as Revenue:					
Water Utility Fund	<u>560,000</u>	<u>582,058</u>	<u>690,000</u>	<u>697,011</u>	<u>542,700</u>
Fund Balance, December 31	<u>\$ 2,065,814</u>	<u>\$ 1,344,921</u>	<u>\$ 1,506,985</u>	<u>\$ 1,271,088</u>	<u>\$ 1,143,308</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
SEWER UTILITY FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--
Regulatory Basis

	As of December 31,				
ASSETS	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Fund:					
Cash	\$ 801,875	\$ 670,427	\$ 621,711	\$ 478,179	\$ 304,509
Interfunds Receivable	16				1,484
Receivables with Full Reserve:					
Sewer Rents Receivable	134,618	171,019	90,794	87,909	85,144
Sewer Liens Receivable	265	265	1,438	1,020	746
Total Operating Fund	936,774	841,710	713,943	567,108	391,884
Capital Fund:					
Cash	2,500,933	1,095,764	407,404	781,303	809,484
Fixed Capital	3,998,702	3,998,702	3,998,702	3,668,702	3,668,702
Fixed Capital Authorized and Uncompleted	3,735,980	2,214,980	2,214,980	2,014,980	1,594,980
Total Capital Fund	10,235,614	7,309,446	6,621,085	6,464,985	6,073,165
Total Assets	\$ 11,172,388	\$ 8,151,156	\$ 7,335,029	\$ 7,032,093	\$ 6,465,050
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Appropriation Reserves	\$ 141,922	\$ 128,034	\$ 132,419	\$ 98,069	\$ 73,959
Interfunds Payable	1	1	27,399	27,399	
Overpayment/Prepayment Sewer Rents	1,859	1,616	1,090	24,301	1,189
Accrued Interest on Bonds and Notes	37,664	12,409	10,415	10,849	3,299
Reserve for Receivables	134,898	171,284	92,232	88,929	85,891
Reserve for Encumbrances	5,080	5,150	5,056	2,412	5,787
Fund Balance	615,349	523,217	445,333	315,148	221,760
Total Operating Fund	936,774	841,710	713,943	567,108	391,884
Capital Fund:					
Serial Bonds	1,113,000	1,178,000	1,238,000	1,298,000	1,407,000
Bond Anticipation Notes	2,398,000	950,000			
Capital Improvement Fund	53,268	697	697	697	697
Improvement Authorizations--					
Funded	509,620	542,920	731,944	789,925	784,958
Unfunded	1,610,829	343,320	343,320	15,975	975
Accrued Interest on Bonds and Notes					8,446
Contracts Payable	203,586	178,476	50,000	50,000	
Reserve for Encumbrances	92,993	23,725	231,647	344,911	14,613
Deferred Reserve for Amortization	150,834	78,405	78,405	78,405	78,405
Reserve for Amortization	4,071,302	4,006,302	3,946,302	3,886,302	3,777,302
Fund Balance	32,182	7,601	771	771	771
Total Capital Fund	10,235,614	7,309,446	6,621,085	6,464,985	6,073,165
Total Liabilities, Reserves and Fund Balance	\$ 11,172,388	\$ 8,151,156	\$ 7,335,029	\$ 7,032,093	\$ 6,465,050

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
SEWER UTILITY FUND
Statements of Operations and Changes in Operating Fund Balance--
Regulatory Basis

	For the Years Ended December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue Realized:					
Fund Balance Utilized	\$ 232,000	\$ 88,166	\$ 87,100	\$ 74,571	\$ 44,270
Rents	983,230	837,392	898,030	857,425	870,013
Interest on Deposits	12,626	3,233	2,621	11,932	4,521
Miscellaneous	13,416	16,203	33,272	29,114	7,236
Other Income	133,304	123,150	99,427	75,092	58,538
Total Income	<u>1,374,577</u>	<u>1,068,144</u>	<u>1,120,450</u>	<u>1,048,134</u>	<u>984,578</u>
Expenditures and Encumbrances:					
Operating	734,510	729,842	736,410	665,000	667,600
Capital Improvements	125,000				
Debt Service	116,049	102,414	101,786	153,815	116,245
Deferred Charges and Statutory Expenditures	74,870	69,838	64,970	61,360	60,260
Creation of Reserve for Receivables	16				
Total Expenditures and Encumbrances	<u>1,050,445</u>	<u>902,094</u>	<u>903,166</u>	<u>880,175</u>	<u>844,105</u>
Statutory Excess to Fund Balance	324,132	166,050	217,284	167,959	140,473
Fund Balance, January 1	<u>523,217</u>	<u>445,333</u>	<u>315,148</u>	<u>221,760</u>	<u>125,557</u>
	847,349	611,383	532,433	389,719	266,030
Less: Utilized as Revenue:					
Sewer Utility Fund	<u>232,000</u>	<u>88,166</u>	<u>87,100</u>	<u>74,571</u>	<u>44,270</u>
Fund Balance, December 31	<u>\$ 615,349</u>	<u>\$ 523,217</u>	<u>\$ 445,333</u>	<u>\$ 315,148</u>	<u>\$ 221,760</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF BERLIN
Notes to Financial Statements
For the Year Ended December 31, 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Berlin was incorporated in January, 1927 and is located in southwest New Jersey approximately twenty miles southeast of the City of Philadelphia. The population according to the 2020 census is 7,489.

The Borough operates under a Mayor-Council form of government. The Mayor is the chief executive officer of the Borough and is elected by the public at the general election for a four-year term. The Council is the Legislative body of the Borough and consists of six members elected by popular vote to three-year terms. Executive and administrative responsibility rests with the Mayor, who is assisted by the Borough Administrator.

Component Units - The financial statements of the component unit of the Borough is not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended had been complied with, the financial statements of the following component unit would have been either blended or discretely presented with the financial statements of the Borough, the primary government:

Marie Fleche Memorial Library
49 South White Horse Pike
Berlin, New Jersey 08009

Annual financial reports may be inspected directly at the office of this component unit during regular business hours.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Borough contain all funds and account groups in accordance with the *Requirements of Audit* (the "*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the Borough accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

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

Trust Funds - The various trust funds account for receipts, custodianship, and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

In accordance with the *Requirements*, the Borough accounts for its financial transactions through the use of separate funds and an account group which are described as follows (Cont'd):

Water Utility Operating and Capital Funds - The water utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned water utility.

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

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its current, municipal open space, water utility and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval, and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Borough requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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 costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund balances included in the current fund, water utility operating fund and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the County of Camden, the Marie Fleche Memorial Library, the Borough of Berlin School District, and the Eastern Regional High School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Borough is responsible for levying, collecting, and remitting school taxes for the Borough of Berlin School District and the Eastern Regional High School District. For the local school district and regional high school district, operations is charged for the Borough's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2021 and decreased by the amount deferred at December 31, 2022.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Camden. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Library Taxes - The municipality is responsible for levying, collecting and remitting library taxes for the Marie Fleche Memorial Library. The amount of the library tax is a separate local levy tax and is remitted to the Library through the municipal budget.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediately preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

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

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local improvement", i.e., assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The Borough implemented the following GASB Statement for the year ended December 31, 2022:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to measure and disclose a lease liability and a lessor is required to measure and disclose a lease receivable; thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only required financial statement disclosures. There exists no impact on the financial statements of the Borough. Because of the implementation of GASB Statement No. 87, the Borough has determined that lease agreements in which they are the lessor are now disclosed in accordance with the Statement (note 7). In addition, the Borough has determined that certain disclosures relating to capital leases in the prior year are now disclosed as financed purchase obligations (note 15).

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following statements that have effective dates that may affect future financial presentations:

Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Statement will become effective for the Borough's year ending December 31, 2023. As a result of the regulatory basis of accounting previously described in note 1, this Statement will have no impact on the financial statements of the Borough, however management is currently evaluating whether or not this Statement will have an impact on the financial statement disclosures of the Borough.

Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Borough in the year ending December 31, 2024. As a result of the regulatory basis of accounting previously described in note 1, this Statement will have no impact on the financial statements of the Borough, however management is currently evaluating whether or not this Statement will have an impact on the financial statement disclosures of the Borough.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits might not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2022, the Borough's bank balances of \$22,767,118.74 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 22,280,304.40
Uninsured and Uncollateralized	<u>486,814.34</u>
Total	<u>\$ 22,767,118.74</u>

Note 3: PROPERTY TAXES

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years:

Comparative Schedule of Tax Rates

	<u>Year Ended</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax Rate	<u>\$ 3.381</u>	<u>\$ 3.310</u>	<u>\$ 3.290</u>	<u>\$ 3.317</u>	<u>\$ 3.256</u>
Apportionment of Tax Rate:					
Municipal	\$.858	\$.841	\$.826	\$.809	\$.784
County	.788	.796	.794	.827	.836
Regional School	.645	.579	.560	.593	.567
Local School	1.090	1.094	1.110	1.088	1.069

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2022	\$ 771,544,825.00
2021	756,952,653.00
2020	738,536,794.00
2019	738,474,300.00
2018	739,391,168.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2022	\$ 26,747,081.40	\$ 26,335,699.10	98.46%
2021	25,436,104.47	24,969,169.54	98.16%
2020	24,950,759.95	24,490,181.11	98.15%
2019	24,506,063.14	24,132,622.29	98.48%
2018	24,198,849.83	23,841,027.85	98.52%

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2022	\$ 118,352.54	\$ 398,255.19	\$ 516,607.73	1.93%
2021	98,752.64	389,494.61	488,247.25	1.92%
2020	78,594.90	427,344.02	505,938.92	2.03%
2019	64,315.09	348,320.70	412,635.79	1.68%
2018	34,179.32	324,714.83	358,894.15	1.48%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2022	2
2021	3
2020	3
2019	3
2018	2

Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The Borough has no property acquired by liquidation of tax title liens as of December 31, 2022 or the previous four years.

Note 5: WATER UTILITY SERVICE CHARGES

The following is a five-year comparison of water utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2022	\$ 694,488.40	\$ -	\$ 3,282,455.06	\$ 3,976,943.46	\$ 3,518,374.62
2021	350,431.31	-	3,250,176.12	3,600,607.43	2,905,867.93
2020	287,866.84	-	3,235,424.57	3,523,291.41	3,161,541.62
2019	257,855.31	-	3,117,063.80	3,374,919.11	3,085,717.76
2018	306,166.69	-	2,932,240.68	3,238,407.37	2,980,196.75

Note 6: SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of sewer utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2022	\$ 171,018.97	\$ 264.79	\$ 946,829.00	\$ 1,118,112.76	\$ 983,230.46
2021	90,794.39	1,437.60	918,050.96	1,010,282.95	837,392.38
2020	87,908.90	1,020.00	901,247.28	990,176.18	898,029.88
2019	85,144.43	746.49	860,561.63	946,452.55	857,425.16
2018	98,337.90	-	861,363.66	959,701.56	870,013.43

Note 7: LEASES RECEIVABLE

The Borough, as lessor, has entered into the following leases which meet the requirements of GASB 87:

Office Lease - On November 1, 2016, the Borough entered into a five-year lease agreement with the United States Postal Service for the lease of a building with an incremental borrowing rate of 2.00%. Based on this agreement, the Borough is receiving payments of \$1,666.67 on a monthly basis through October 31, 2026.

On August 1, 2017, the Borough entered into a five-year lease agreement with PNC Bank for the lease of a building with an incremental borrowing rate of 2.00%. Based on this agreement, the Borough is receiving payments of \$927.42, compounded annually at 3.00%, on a monthly basis through July 31, 2027.

Cell Towers Lease - On January 1, 2019, the Borough entered into a four-year lease agreement, with two optional, additional four-year terms, with AT&T for the lease of cell towers with an incremental borrowing rate of 2.00%. Based on this agreement, the Borough is receiving monthly payments of \$2,285.28, compounded at the beginning of each new lease term at 15.00%, on a monthly basis through December 31, 2031.

On September 1, 2020, the Borough entered into a five-year lease agreement, with four optional, additional five-year terms, with Verizon for the lease of cell towers with an incremental borrowing rate of 2.00%. Based on this agreement, the Borough is receiving payments of \$2,709.17, compounded annually at 3.00%, on a monthly basis through August, 31, 2025.

On September 1, 2012, the Borough entered into a five-year lease agreement, with two optional, additional five-year terms, with Verizon for the lease of cell towers with an incremental borrowing rate of 2.00%. Based on this agreement, the Borough is receiving payments of \$2,433.31, compounded annually at 4.00%, on a monthly basis through August 31, 2027.

Under the provisions of GASB 87, as of December 31, 2022, the balance of the lease's receivable is \$710,425.61. As a result of the regulatory basis of accounting previously described in note 1, such balance is not recorded on the Statements of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis of the current fund.

Note 7: LEASES RECEIVABLE (CONT'D)

The following is a summary of the leases as of December 31, 2022:

<u>Lease Description</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Office Lease	\$ 147,893.81	\$ 30,396.24	\$ 2,965.00
Cell Towers	562,531.80	94,881.72	12,167.02
	<u>\$ 710,425.61</u>	<u>\$ 125,277.96</u>	<u>\$ 15,132.02</u>

Under the provisions of GASB 87, for the year ended December 31, 2022, the Borough would have recognized \$101,042.28 in a reduction of lease receivable and \$15,132.02 in interest revenue related to the leases. In addition, \$125,277.96 would have been recognized as both lease revenue and a reduction in deferred inflows of resources related to leases.

As a result of the regulatory basis of accounting previously described in note 1, the rental payments collected of \$116,174.30 were reported as revenue in the current fund.

Note 8: FUND BALANCES APPROPRIATED

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2022	\$ 3,947,086.51	\$ 750,000.00	19.00%
2021	2,972,699.65	855,000.00	28.76%
2020	2,368,449.43	987,000.00	41.67%
2019	2,022,911.55	987,000.00	48.79%
2018	1,577,927.11	857,000.00	54.31%

Note 8: FUND BALANCES APPROPRIATED CONT'D)

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets (Cont'd):

Water Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2022	\$ 2,065,814.44		0.00%
2021	1,344,921.10	\$ 560,000.00	41.64%
2020	1,506,984.97	582,058.00	38.62%
2019	1,271,088.26	690,000.00	54.28%
2018	1,143,307.94	697,011.00	60.96%

Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2022	\$ 615,348.53	\$ 182,726.94	29.69%
2021	523,216.67	232,000.00	44.34%
2020	445,332.52	88,166.00	19.80%
2019	315,148.17	87,100.00	27.64%
2018	221,759.74	74,571.00	33.63%

Note 9: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2022:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 8,310.27	\$ 313,283.91
Trust - Open Space	233,881.16	
Trust - Other	79,402.75	
Water Utility Operating		15.94
Water Utility Capital		8,309.64
Sewer Utility Operating	15.94	0.63
	<u>\$ 321,610.12</u>	<u>\$ 321,610.12</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2023, the Borough expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 10: PENSION PLANS

A substantial number of the Borough's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, certain Borough employees may be eligible to participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Empower (formerly Prudential Financial) for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plans' fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Borough, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Borough. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of P.L. 2007, c. 92 and P.L. 2007, c. 103, and expanded under the provisions of P.L. 2008, c. 89 and P.L. 2010, c. 1. The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

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

The following represents the membership tiers for PERS:

Tier Definition

- 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

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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more 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.

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four 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

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.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:15A, 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. One of such legislations, which legally obligate the State, is Chapter 133, P.L. 2001. This legislation increased the accrual rate from 1/60 to 1/55. In addition, it lowered the age required for a veteran benefit equal to 1/55 of highest 12-month compensation for each year of service from 60 to 55. Chapter 133, P.L. 2001 also established the Benefit Enhancement Fund (BEF) to fund the additional annual employer normal contribution due to the State's increased benefits. If the assets in the BEF are insufficient to cover the normal contribution for the increased benefits for a valuation period, the State will pay such amount for both the State and local employers.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - *Special Funding Situation Component (Cont'd)* - 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 specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Borough's contractually required contribution rate for the year ended December 31, 2022 was 17.09% of the Borough's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2022, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2022 is \$256,748.00, and is payable by April 1, 2023. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2021, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2021 was \$256,192.00, which was paid on April 1, 2022.

Employee contributions to the Plan for the year ended December 31, 2022 were \$122,657.07.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Borough, under Chapter 133, P.L. 2001, for the year ended December 31, 2022 was .43% of the Borough's covered payroll.

Based on the most recent PERS measurement date of June 30, 2022, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Borough, to the pension plan for the year ended December 31, 2022 was \$6,465.00, and is payable by April 1, 2023.

Police and Firemen's Retirement System - The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 10.0% of base salary. 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 cost and unfunded accrued liability.

Special Funding Situation Component - 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 specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - The Borough's contractually required contribution rate for the year ended December 31, 2022 was 34.51% of the Borough's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2022, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2022 is \$555,368.00, and is payable by April 1, 2023. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2021, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2021 was \$535,275.00, which was paid on April 1, 2022.

Employee contributions to the Plan for the year ended December 31, 2022 were \$164,552.70.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Borough, for the year ended December 31, 2022 was 6.73 % of the Borough's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2022, the State's contractually required contribution, on-behalf of the Borough, to the pension plan for the year ended December 31, 2022 was \$108,298.00, and is payable by April 1, 2023. For the prior year measurement date of June 30, 2021, the State's contractually required contribution, on-behalf of the Borough, to the pension plan for the year ended December 31, 2021 was \$82,017.00, which was paid on April 1, 2022.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Borough contributes 3% of the employees' base salary, for each pay period.

The Borough did not have any employees enrolled into the DCRP for the year ended December 31, 2022.

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**Public Employees' Retirement System**

Pension Liability - As of December 31, 2022, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Borough's proportionate share of the PERS net pension liability was \$3,072,588.00. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2022 measurement date, the Borough's proportion was .0203598908%, which was a decrease of .0015159909% from its proportion measured as of June 30, 2021.

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

Pension (Benefit) Expense - For the year ended December 31, 2022, the Borough's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2022 measurement date was (\$266,564.00). This (benefit) expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2022, the Borough's contribution to PERS was \$256,192.00, and was paid on April 1, 2022.

For the year ended December 31, 2022, the State's proportionate share of the PERS pension (benefit) expense, associated with the Borough, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2022 measurement date, was \$6,465.00. This on-behalf (benefit) expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1.

Police and Firemen's Retirement System

Pension Liability - As of December 31, 2022, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Proportionate Share of Net Pension Liability	\$ 4,887,873.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Employer	869,898.00
	<u>\$ 5,757,771.00</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2022 measurement date, the Borough's proportion was .0427024400%, which was a decrease of .0032256072% from its proportion measured as of June 30, 2021. Likewise, at June 30, 2022, the State of New Jersey's proportion, on-behalf of the Borough, was .0427024100%, which was a decrease of .0032256770% from its proportion, on-behalf of the Borough, measured as of June 30, 2021.

Pension (Benefit) Expense - For the year ended December 31, 2022, the Borough's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2022 measurement date was \$45,329.00. This (benefit) expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2022, the Borough's contribution to PFRS was \$535,275.00, and was paid on April 1, 2022.

For the year ended December 31, 2022, the State's proportionate share of the PFRS pension (benefit) expense, associated with the Borough, calculated by the Plan as of the June 30, 2022 measurement date, was \$100,363.00. This on-behalf (benefit) expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1.

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - As of December 31, 2022, the Borough had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 22,177.00	\$ 221,238.00	\$ 243,415.00	\$ 19,557.00	\$ 299,449.00	\$ 319,006.00
Changes of Assumptions	9,520.00	13,396.00	22,916.00	460,088.00	615,287.00	1,075,375.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	127,172.00	447,586.00	574,758.00	-	-	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	119,534.00	477,513.00	597,047.00	336,981.00	556,465.00	893,446.00
Contributions Subsequent to the Measurement Date	128,374.00	277,684.00	406,058.00	-	-	-
	<u>\$ 406,777.00</u>	<u>\$ 1,437,417.00</u>	<u>\$ 1,844,194.00</u>	<u>\$ 816,626.00</u>	<u>\$ 1,471,201.00</u>	<u>\$ 2,287,827.00</u>

Deferred outflows of resources in the amounts of \$128,374.00 and \$277,684.00 for PERS and PFRS, respectively, will be included as a reduction of the net pension liability during the year ending December 31, 2023. These amounts were based on an estimated April 1, 2024 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2022 to the Borough's year end of December 31, 2022.

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Borough will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2017	5.48	-	5.59	-
June 30, 2018	-	5.63	5.73	-
June 30, 2019	5.21	-	-	5.92
June 30, 2020	5.16	-	5.90	-
June 30, 2021	-	5.13	-	6.17
June 30, 2022	-	5.04	6.22	
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2017	-	5.48	-	5.59
June 30, 2018	-	5.63	-	5.73
June 30, 2019	-	5.21	-	5.92
June 30, 2020	-	5.16	-	5.90
June 30, 2021	5.13	-	6.17	-
June 30, 2022	-	5.04		6.22
Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2018	5.00	-	5.00	-
June 30, 2019	5.00	-	5.00	-
June 30, 2020	5.00	-	5.00	-
June 30, 2021	5.00	-	5.00	-
June 30, 2022	5.00	-	5.00	-
Changes in Proportion				
Year of Pension Plan Deferral:				
June 30, 2017	5.48	5.48	5.59	5.59
June 30, 2018	5.63	5.63	5.73	5.73
June 30, 2019	5.21	5.21	5.92	5.92
June 30, 2020	5.16	5.16	5.90	5.90
June 30, 2021	5.13	5.13	6.17	6.17
June 30, 2022	5.04	5.04	6.22	6.22

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2023	\$ (295,792.00)	\$ (220,196.00)	\$ (515,988.00)
2024	(205,770.00)	(181,983.00)	(387,753.00)
2025	(120,762.00)	(183,555.00)	(304,317.00)
2026	86,704.00	336,550.00	423,254.00
2027	(2,603.00)	(50,179.00)	(52,782.00)
Thereafter	-	(12,105.00)	(12,105.00)
	<u>\$ (538,223.00)</u>	<u>\$ (311,468.00)</u>	<u>\$ (849,691.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:	2.75% - 6.55%	3.25% - 16.25%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2018 - June 30, 2021	July 1, 2018 - June 30, 2021

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)****Public Employees' Retirement System**

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

Police and Firemen's Retirement System

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

For both PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2022) 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. Best estimates of arithmetic rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2022 are summarized in the table that follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-US Developed Markets Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	<u>100.00%</u>	

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)****Discount Rate -**

Public Employees' Retirement System - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

Police and Firemen's Retirement System - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

Public Employees' Retirement System (PERS) - The following presents the Borough's proportionate share of the net pension liability as of the June 30, 2022 measurement date, calculated using a discount rate of 7.00%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	<u>\$ 3,947,375.00</u>	<u>\$ 3,072,588.00</u>	<u>\$ 2,328,108.00</u>

Note 10: PENSION PLANS (CONT'D)**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Borough's annual required contribution. As such, the net pension liability as of the June 30, 2022 measurement date, for the Borough and the State of New Jersey, calculated using a discount rate of 7.00%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	\$ 6,706,690.00	\$ 4,887,873.00	\$ 3,373,700.00
State of New Jersey's Proportionate Share of Net Pension Liability	<u>1,193,594.00</u>	<u>869,898.00</u>	<u>600,420.00</u>
	<u>\$ 7,900,284.00</u>	<u>\$ 5,757,771.00</u>	<u>\$ 3,974,120.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 10: PENSION PLANS (CONT'D)**Supplementary Pension Information**

In accordance with GASBS 68, the following information is also presented for the PERS and PFRS pension plans. These schedules are presented to illustrate the requirements to show information for 10 years.

Schedule of the Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Ten Plan Years)

	Measurement Date Ended June 30,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net Pension Liability	0.0203598908%	0.0218758817%	0.0216846378%	0.0225725067%	0.0207840351%
Proportionate Share of the Net Pension Liability	\$ 3,072,588.00	\$ 2,591,526.00	\$ 3,536,197.00	\$ 4,067,223.00	\$ 4,092,273.00
Covered Payroll (Plan Measurement Period)	\$ 1,528,764.00	\$ 1,466,304.00	\$ 1,512,420.00	\$ 1,567,188.00	\$ 1,459,976.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	200.99%	176.74%	233.81%	259.52%	280.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.91%	70.33%	58.32%	56.27%	53.60%
	Measurement Date Ended June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability	0.0216620761%	0.0216620761%	0.0213332808%	0.0212087650%	0.0213959350%
Proportionate Share of the Net Pension Liability	\$ 5,042,585.00	\$ 6,397,157.00	\$ 4,788,894.00	\$ 3,970,861.00	\$ 4,089,188.00
Covered Payroll (Plan Measurement Period)	\$ 1,504,996.00	\$ 1,473,228.00	\$ 1,472,736.00	\$ 1,452,744.00	\$ 1,468,828.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	335.06%	434.23%	325.17%	273.34%	278.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note 10: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Contributions - Public Employees' Retirement System (PERS) (Last Ten Years)***

	Year Ended December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 256,748.00	\$ 256,192.00	\$ 237,219.00	\$ 219,564.00	\$ 206,734.00
Contribution in Relation to the Contractually Required Contribution	(256,748.00)	(256,192.00)	(237,219.00)	(219,564.00)	(206,734.00)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 1,502,617.00	\$ 1,433,358.00	\$ 1,388,229.00	\$ 1,523,621.00	\$ 1,560,763.00
Contributions as a Percentage of Covered Payroll	17.09%	17.87%	17.09%	14.41%	13.25%
	Year Ended December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 200,676.00	\$ 191,887.00	\$ 183,409.00	\$ 174,842.00	\$ 161,214.00
Contribution in Relation to the Contractually Required Contribution	(200,676.00)	(191,887.00)	(183,409.00)	(174,842.00)	(161,214.00)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 1,484,565.00	\$ 1,454,363.00	\$ 1,478,185.00	\$ 1,486,366.00	\$ 1,457,961.00
Contributions as a Percentage of Covered Payroll	13.52%	13.19%	12.41%	11.76%	11.06%

Note 10: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Ten Plan Years)***

	Measurement Date Ended June 30,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net Pension Liability	0.0427024400%	0.0459280472%	0.0421495063%	0.0446373894%	0.0439998132%
Proportionate Share of the Net Pension Liability	\$ 4,887,873.00	\$ 3,356,951.00	\$ 5,446,272.00	\$ 5,462,643.00	\$ 5,953,900.00
State's Proportionate Share of the Net Pension Liability	869,898.00	944,142.00	845,237.00	862,562.00	808,739.00
Total	<u>\$ 5,757,771.00</u>	<u>\$ 4,301,093.00</u>	<u>\$ 6,291,509.00</u>	<u>\$ 6,325,205.00</u>	<u>\$ 6,762,639.00</u>
Covered Payroll (Plan Measurement Period)	\$ 1,517,328.00	\$ 1,739,568.00	\$ 1,454,364.00	\$ 1,512,900.00	\$ 1,459,716.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	322.14%	192.98%	374.48%	361.07%	407.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.33%	77.26%	63.52%	65.00%	62.48%
	Measurement Date Ended June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability	0.0415760820%	0.0393696822%	0.0382377656%	0.0415476959%	0.0400302780%
Proportionate Share of the Net Pension Liability	\$ 6,418,543.00	\$ 7,520,616.00	\$ 6,369,079.00	\$ 5,226,315.00	\$ 5,321,664.00
State's Proportionate Share of the Net Pension Liability	718,931.00	631,545.00	558,547.00	562,786.00	496,044.00
Total	<u>\$ 7,137,474.00</u>	<u>\$ 8,152,161.00</u>	<u>\$ 6,927,626.00</u>	<u>\$ 5,789,101.00</u>	<u>\$ 5,817,708.00</u>
Covered Payroll (Plan Measurement Period)	\$ 1,416,340.00	\$ 1,314,808.00	\$ 1,210,920.00	\$ 1,248,724.00	\$ 1,256,288.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	453.18%	571.99%	525.97%	418.53%	423.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.31%	62.41%	58.70%

Note 10: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Contributions - Police and Firemen's Retirement System (PFRS) (Last Ten Years)***

	Year Ended December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 555,368.00	\$ 535,275.00	\$ 470,882.00	\$ 450,887.00	\$ 430,163.00
Contribution in Relation to the Contractually Required Contribution	(555,368.00)	(535,275.00)	(470,882.00)	(450,887.00)	(430,163.00)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll (Calendar Year)	\$ 1,609,069.00	\$ 1,544,105.00	\$ 1,611,325.00	\$ 1,511,852.00	\$ 1,482,918.00
Contributions as a Percentage of Covered Payroll	34.51%	34.67%	29.22%	29.82%	29.01%
	Year Ended December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 367,956.00	\$ 320,997.00	\$ 310,816.00	\$ 319,115.00	\$ 292,052.00
Contribution in Relation to the Contractually Required Contribution	(367,956.00)	(320,997.00)	(310,816.00)	(319,115.00)	(292,052.00)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll (Calendar Year)	\$ 1,444,950.00	\$ 1,392,017.00	\$ 1,319,038.00	\$ 1,238,509.00	\$ 1,204,055.00
Contributions as a Percentage of Covered Payroll	25.46%	23.06%	23.56%	25.77%	24.26%

Other Notes to Supplementary Pension Information***Public Employees' Retirement System (PERS)*****Changes in Benefit Terms**

The June 30, 2022 measurement date included three changes to the plan provisions, only one of which had an impact on the Total Pension Liability (TPL). Chapter 226, P.L. 2021 reopened the Prosecutors Part of PERS and made membership in the Prosecutors Part of PERS mandatory for all prosecutors.

Note 10: PENSION PLANS (CONT'D)**Other Notes to Supplementary Pension Information (Cont'd)*****Public Employees' Retirement System (PERS) (Cont'd)*****Changes in Assumptions**

The discount rate and long-term expected rate of return used as of June 30 measurement date are as follows:

<u>Discount Rate</u>				<u>Long-term Expected Rate of Return</u>			
<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	5.00%	2022	7.00%	2017	7.00%
2021	7.00%	2016	3.98%	2021	7.00%	2016	7.65%
2020	7.00%	2015	4.90%	2020	7.00%	2015	7.90%
2019	6.28%	2014	5.39%	2019	7.00%	2014	7.90%
2018	5.66%			2018	7.00%		

The underlying demographic and economic assumptions were updated as a result of the Experience Study covering the period of July 1, 2018 - June 30, 2021.

Police and Firemen's Retirement System (PFRS)**Changes in Benefit Terms**

None.

Changes in Assumptions

The discount rate and long-term expected rate of return used as of June 30 measurement date are as follows:

<u>Discount Rate</u>				<u>Long-term Expected Rate of Return</u>			
<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	6.14%	2022	7.00%	2017	7.00%
2021	7.00%	2016	5.55%	2021	7.00%	2016	7.65%
2020	7.00%	2015	5.79%	2020	7.00%	2015	7.90%
2019	6.85%	2014	6.32%	2019	7.00%	2014	7.90%
2018	6.51%			2018	7.00%		

The underlying demographic and economic assumptions were updated as a result of the Experience Study covering the period of July 1, 2018 - June 30, 2021.

Note 11: ON-BEHALF PAYMENTS FOR PENSION COSTS

Certain Marie Fleche Memorial Library employees are members of the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. The Library participates in PERS as part of the Borough of Berlin. The Borough does not require the Library to pay any portion of required employer contributions.

Note 11: ON-BEHALF PAYMENTS FOR PENSION COSTS (CONT'D)

Payments made by the Borough of Berlin, on-behalf of the Library, for the Library's share of employer contributions during the year ended December 31, 2022 totaled \$9,707.40. Due to the basis of accounting described in note 1, revenues and expenses for this on-behalf payment have not been recorded in the financial statements of the Library.

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

In June of 2023, the New Jersey Division of Local Government Services issued Local Finance Notice 2023-10 which allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pension's reporting on GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As of the date of this report, the information for the measurement period ended June 30, 2022 was not available; therefore, the information from the measurement period June 30, 2021 is disclosed below.

General Information about the State Health Benefit Local Government Retired Employees Plan

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

The Plan provides medical and prescription drug 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.

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****General Information about the State Health Benefit Local Government Retired Employees Plan (Cont'd)**

Plan Description and Benefits Provided (Cont'd) - 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.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Borough was billed monthly by the Plan and paid \$350,157.75, for the year ended December 31, 2021, representing 11.76% of the Borough's covered payroll. During the year ended December 31, 2021, retirees were required to contribute \$5,146.44 to the Plan.

OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At December 31, 2021, the Borough's proportionate share of the net OPEB liability was \$11,738,458.00.

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021.

The Borough's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. For the June 30, 2021 measurement date, the Borough's proportion was .065214%, which was a decrease of .004620% from its proportion measured as of the June 30, 2020 measurement date.

OPEB (Benefit) Expense - At December 31, 2021, the Borough's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2021 measurement date, is \$157,118.00. This (benefit) expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2021, the Borough made contributions to the Plan totaling \$350,157.75.

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2021, the Borough had deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 263,396.74	\$ 2,455,859.00
Changes of Assumptions	1,688,612.63	2,074,910.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	5,613.00	-
Changes in Proportion	1,947,075.00	1,836,702.00
Contributions Subsequent to the Measurement Date	<u>174,426.00</u>	<u>-</u>
	<u>\$ 4,079,123.37</u>	<u>\$ 6,367,471.00</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Deferred outflows of resources in the amount of \$174,426.00 will be included as a reduction of the Borough's net OPEB liability during the year ending December 31, 2022. The Borough will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-
June 30, 2021	-	7.82
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-
June 30, 2021	7.82	-
Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
Changes in Proportion		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05
June 30, 2020	7.87	7.87
June 30, 2021	7.82	7.82

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Year Ending <u>Dec. 31,</u>	
2022	\$ (672,256.00)
2023	(673,178.00)
2024	(674,020.00)
2025	(436,289.00)
2026	(105,261.00)
Thereafter	<u>98,230.37</u>
	<u><u>\$ (2,462,773.63)</u></u>

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021, used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
PERS:	
Initial Fiscal Year Applied:	
Rate through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Rate for all Future Years	3.25% to 15.25%

* salary increases are based on years of service within the respective Plan

PERS mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****Actuarial Assumptions (Cont'd)**

All of the Plan's investments are in the State of New Jersey Cash Management Fund (the "CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. government and agency obligations, commercial paper, corporate obligations and certificates of deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) at the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB liability at June 30, 2021 was 2.16%. 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.

Health Care Trend Assumptions - The health care trend assumptions used is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Rate of Increase</u>			
	<u>Medical Trend</u>			<u>Prescription Drug Trend</u>
	<u>Pre-65</u>	<u>PPO Post-65</u>	<u>HMP Post-65</u>	
2021	5.65%	13.08%	13.76%	6.75%
2022	5.55%	3.34%	3.22%	6.50%
2023	5.45%	0.52%	0.17%	6.25%
2024	5.35%	7.56%	7.79%	6.00%
2025	5.20%	14.43%	15.23%	5.50%
2026	5.00%	12.55%	13.19%	5.00%
2027	4.75%	8.95%	9.29%	4.75%
2028	4.50%	5.92%	6.04%	4.50%
2029	4.50%	5.38%	5.46%	4.50%
2030	4.50%	4.86%	4.89%	4.50%
2031	4.50%	4.55%	4.56%	4.50%
2032 and Later	4.50%	4.50%	4.50%	4.50%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability, calculated using a discount rate of 2.16%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used, is as follows:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 13,813,818.00</u>	<u>\$ 11,738,377.00</u>	<u>\$ 10,093,545.00</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The net OPEB liability, using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 9,793,760.00</u>	<u>\$ 11,738,377.00</u>	<u>\$ 14,275,862.00</u>

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Supplementary OPEB Information

In accordance with GASBS No. 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Last Five Plan Years)

	<u>Measurement Date Ended June 30,</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Borough's Proportion of the Net OPEB Liability	0.065214%	0.069834%	0.060671%	0.066465%	0.062795%
Borough's Proportionate Share of the Net OPEB Liability	\$ 11,738,458.00	\$ 12,532,861.00	\$ 8,218,599.00	\$ 10,412,856.00	\$ 12,820,187.00
Borough's Covered Payroll (Plan Measurement Period)	\$ 3,094,081.00	\$ 3,079,952.00	\$ 2,971,169.00	\$ 2,959,667.00	\$ 2,779,848.00
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	379.38%	406.92%	276.61%	351.83%	461.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.28%	0.91%	1.98%	1.97%	1.03%

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**A. STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (CONT'D)****Supplementary OPEB Information (Cont'd)****Schedule of the Borough's Contributions (Last Five Years)**

	Year Ended December 31,				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Borough's Required Contributions	\$ 350,157.75	\$ 322,544.73	\$ 340,011.20	\$ 551,208.88	\$ 564,559.91
Borough's Contributions in Relation to the Required Contribution	<u>(350,157.75)</u>	<u>(322,544.73)</u>	<u>(340,011.20)</u>	<u>(551,208.88)</u>	<u>(564,559.91)</u>
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 2,977,463.00	\$ 2,999,554.00	\$ 3,060,404.00	\$ 2,985,933.00	\$ 2,874,527.00
Borough's Contributions as a Percentage of Covered Payroll	11.76%	10.75%	11.11%	18.46%	19.64%

Other Notes to Supplementary OPEB Information

Changes in Benefit Terms - The actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021, included changes due to employers adopting and /or changing Chapter 48 provisions.

Changes in Assumptions - The discount rate used as of the June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	2.16%	2018	3.87%
2020	2.21%	2017	3.58%
2019	3.50%		

The expected investment rate of return is based on guidance provided by the State. These expected rates of return are the same as the discount rates listed above.

In addition to changes in the discount rate, other factors that affected the valuation of the net OPEB liability included changes in the trend and updated mortality improvement assumptions.

In October 2021, the Society of Actuaries (SOA) released an updated set of life expectancy mortality improvement assumptions, Scale MP-2021. The MP-2021 scale reflects more recent mortality data for the U.S. population.

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**B. BOROUGH OF BERLIN POSTEMPLOYMENT BENEFIT PLAN (CONT'D)****Changes in Total OPEB Liability**

Balance at December 31, 2021		\$ 1,089,755.00
Changes for the Year:		
Service Cost	\$ -	
Interest Cost	24,013.00	
Benefit Payments	(45,000.00)	
Changes in Assumptions	8,929.00	
Difference between Expected and Actual Experience	(192,633.00)	
Net Changes		<u>(204,691.00)</u>
Balance at December 31, 2022		<u>\$ 885,064.00</u>

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.25% at December 31, 2021 to 4.31% at December 31, 2022.

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

	<u>December 31, 2022</u>		
	<u>1.00% Decrease (3.31%)</u>	<u>Current Discount Rate (4.31%)</u>	<u>1.00% Increase (5.31%)</u>
Total OPEB Liability	<u>\$ 972,265.00</u>	<u>\$ 885,064.00</u>	<u>\$ 808,288.00</u>

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

	<u>December 31, 2022</u>		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 812,620.00</u>	<u>\$ 885,064.00</u>	<u>\$ 965,396.00</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**B. BOROUGH OF BERLIN POSTEMPLOYMENT BENEFIT PLAN (CONT'D)**

OPEB (Benefit) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2022, the Borough recognized OPEB (benefit) expense of \$(159,691.00). As of December 31, 2022, the Borough reported no deferred outflows of resources and no deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ -
Difference Between Expected and Actual Experience	-	-
	<u>\$ -</u>	<u>\$ -</u>

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

**Year Ending
Dec 31,**

2022	
2023	
2024	
2025	
2026	
Thereafter	_____
	<u>\$ -</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**B. BOROUGH OF BERLIN POSTEMPLOYMENT BENEFIT PLAN (CONT'D)****Supplementary OPEB Information**

In accordance with GASB No. 75, the following information is also presented for the Borough's OPEB Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of Changes in the Borough's Total OPEB Liability and Related Ratios (Last Five Years):

	Plan Measurement Date December 31,				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Cost	24,013.00	20,627.00	27,523.00	32,208.00	31,501.00
Benefit Payments	(45,000.00)	(39,991.00)	(30,686.00)	(25,662.00)	(15,180.00)
Changes in Assumptions	8,929.00	64,187.00	232,280.00	(44,609.00)	8,341.00
Difference Between Expected and Actual Experience	(192,633.00)	(43,798.00)	-	-	-
Net Change in Total OPEB Liability	(204,691.00)	1,025.00	229,117.00	(38,063.00)	24,662.00
Total OPEB Liability - Beginning of Year	1,089,755.00	1,088,730.00	859,613.00	897,676.00	873,014.00
Total OPEB Liability - End of Year	<u>\$ 885,064.00</u>	<u>\$ 1,089,755.00</u>	<u>\$ 1,088,730.00</u>	<u>\$ 859,613.00</u>	<u>\$ 897,676.00</u>
Covered-Employee Payroll	\$ 3,848,258.79	\$ 3,549,442.48	\$ 3,551,617.33	\$ 3,567,968.25	\$ 3,388,701.19
Total OPEB Liability as a Percentage of Covered Payroll	23.00%	30.70%	30.65%	24.09%	26.49%

Other Notes to Supplementary OPEB Information

Changes of Benefit Terms:

None

Changes of Assumptions:

The discount rate changed from 2.25% as of December 31, 2021 to 4.31% as of December 31, 2022.

Note 13: COMPENSATED ABSENCES

Unused vacation may not be accumulated and carried forward to the subsequent year for any employees except for police officers.

Police officers who are enrolled in the Berlin Police Association are entitled to unlimited sick days, therefore, no accumulation is required and at no time is compensation paid in lieu of sick days. Police officers may be compensated for unused vacation and holiday time upon retirement.

Public works employees who have been employed for 6 months are entitled to 10 sick days per year. They may accumulate no more than 120 unused days and the Borough compensates employees for unused sick leave upon termination or retirement.

Borough employees who are members of AFSCME and have been employed for a minimum of six months are entitled to 10 sick days per year. Unused sick days can accumulate at a rate not to exceed 5 days per year up to a maximum of 80 days. Employees may be compensated for unused sick leave upon termination or retirement.

The Police Chief is entitled to 25 sick days per year. Unused sick days can accumulate at a rate not to exceed 8 days per year up to a maximum of 85 days. The Police Chief may be compensated for unused sick leave upon termination or retirement.

The Borough does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2022, accrued benefits for compensated absences are valued at \$315,541.98.

Note 14: DEFERRED COMPENSATION SALARY ACCOUNT

The Borough offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

Note 15: FINANCED PURCHASE OBLIGATIONS

The Borough, as lessee, has entered into the following leases which meet the requirements of GASB 87:

Copier - As of December 31, 2022, the Borough is financing one (1) copier with a total cost of \$6,423.50. The monthly payments are \$114.00. The agreement is for a term of five (5) years with an interest rate of 2.500%. The final maturity of the financed purchase is July 15, 2026.

The following is an analysis of the financed purchase obligation liability:

<u>Description</u>	<u>Balance at December 31,</u>	
	<u>2022</u>	<u>2021</u>
Copiers	\$ 4,684.19	\$ 5,918.31
	<u>\$ 4,684.19</u>	<u>\$ 5,918.31</u>

The following schedule represents the remaining future minimum payments under the financed purchase obligations, and the present value of the net minimum payments as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,265.33	\$ 102.67	\$ 1,368.00
2024	1,297.33	70.67	1,368.00
2025	1,330.14	37.86	1,368.00
2026	791.39	6.61	798.00
Total	<u>\$ 4,684.19</u>	<u>\$ 217.81</u>	<u>\$ 4,902.00</u>

Under the provisions of GASB 87, for the year ended December 31, 2022, the Borough would have reported assets in the amount of \$6,423.50 and a financed purchase obligation in the amount of \$4,684.19. In addition, for the year ended December 31, 2022, the Borough would have recognized a reduction of the financed purchase obligation of \$1,234.12 and interest expense of \$133.88.

As a result of the regulatory basis of accounting previously described in note 1, the above noted cost of the assets, along with the financed purchase obligation liability, have not been recorded on the Statements of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis of the current fund, instead, the annual payment of the financed purchase obligation of \$1,234.12 was budgeted and paid from the current fund. In addition, the assets have been recorded in the general fixed asset group of accounts at historical cost at the inception of each finance purchase agreement.

Note 16: CAPITAL DEBT**General Improvement Bonds**

General, Water and Sewer Improvement Bonds, Series 2013 - On October 15, 2013, the Borough issued \$3,854,000.00 of general improvement bonds, \$973,000.00 of water improvement bonds and \$503,000.00 of sewer improvement bonds, with interest rates ranging from 3.0% to 4.0%. The purpose of the bonds is to fund various capital ordinances, specifically 2008-12, 2009-08, 2009-15, 2010-08, 2011-05, 2012-06 and 2013-03. The final maturity of the bonds is November 1, 2032.

General, Water and Sewer Improvement Bonds, Series 2018 - On August 29, 2018, the Borough issued \$7,288,000.00 of general improvement bonds, \$1,270,000.00 of water improvement bonds and \$965,000.00 of sewer improvement bonds, with interest rates ranging from 3.00% to 3.25%. The purpose of the bonds is to fund various capital ordinances, specifically 2014-02, 2014-06, 2014-12, 2015-10, 2015-17, 2016-05, 2017-06, 2017-07, 2017-10 and 2018-12. The final maturity of the bonds is September 15, 2037.

The following schedule represents the remaining debt service, through maturity, for the general improvement bonds:

Year	General		Water Utility	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 690,000.00	\$ 252,343.76	\$ 125,000.00	\$ 48,931.26
2024	715,000.00	231,125.02	125,000.00	45,112.52
2025	735,000.00	209,156.26	130,000.00	41,293.76
2026	725,000.00	186,593.76	145,000.00	37,318.76
2027	725,000.00	163,437.50	150,000.00	32,712.50
2028-2032	2,329,000.00	530,281.26	438,000.00	107,081.26
2033-2037	2,000,000.00	195,000.00	425,000.00	42,412.50
	<u>\$ 7,919,000.00</u>	<u>\$ 1,767,937.56</u>	<u>\$ 1,538,000.00</u>	<u>\$ 354,862.56</u>

	Sewer Utility		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 65,000.00	\$ 36,620.00	\$ 1,217,895.02
2024	70,000.00	34,620.00	1,220,857.54
2025	75,000.00	32,463.76	1,222,913.78
2026	80,000.00	30,157.00	1,204,069.52
2027	80,000.00	27,595.00	1,178,745.00
2028-2032	423,000.00	97,475.00	3,924,837.52
2033-2037	320,000.00	32,012.50	3,014,425.00
	<u>\$ 1,113,000.00</u>	<u>\$ 290,943.26</u>	<u>\$ 12,983,743.38</u>

Note 16: CAPITAL DEBT (CONT'D)**General Debt - New Jersey Environmental Infrastructure Loans**

On November 9, 2006, the Borough entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,907,200.00, at no interest, from the fund loan, and \$1,910,000.00 at interest rates ranging from 4.0% to 5.0% from the trust loan. The proceeds were used to fund the upgrading of water utility system. Semiannual debt payments are due February 1st and August 1st through 2026.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Environmental Infrastructure loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 216,106.53	\$ 2,700.53	\$ 218,807.06
2024	84,245.43	7,622.03	91,867.46
2025	132,703.66	10,793.78	143,497.44
2026	137,140.31	5,485.62	142,625.93
	<u>\$ 570,195.93</u>	<u>\$ 26,601.96</u>	<u>\$ 596,797.89</u>

General Debt - New Jersey Green Acres Loans

In 2005, the Borough entered into a loan agreement with the New Jersey Department of Environmental Protection to provide \$500,000.00, at an interest rate of 2.0%. The proceeds were used to fund the Franklin Avenue Recreation Fields. Semiannual debt payments are due June 1st and December 1st through 2023.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Green Acres loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 16,073.29</u>	<u>\$ 160.73</u>	<u>\$ 16,234.02</u>

Note 16: CAPITAL DEBT (CONT'D)

The following schedule represents the Borough's summary of debt for the current and two previous years:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 12,041,073.29	\$ 10,664,044.02	\$ 9,799,909.72
Water Utility:			
Bonds, Loans and Notes	6,666,195.93	3,979,673.73	3,309,385.00
Sewer Utility:			
Bonds and Notes	3,511,000.00	2,128,000.00	1,238,000.00
Total Issued	<u>22,218,269.22</u>	<u>16,771,717.75</u>	<u>14,347,294.72</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	844.00	1,526,214.00	2,007,814.00
Water Utility:			
Bonds and Notes	1,866,146.00	1,024,385.00	988,351.27
Sewer Utility:			
Bonds and Notes	1,546.00	975.00	950,975.00
Total Authorized but not Issued	<u>1,868,536.00</u>	<u>2,551,574.00</u>	<u>3,947,140.27</u>
Total Issued and Authorized but not Issued	<u>24,086,805.22</u>	<u>19,323,291.75</u>	<u>18,294,434.99</u>
<u>Deductions</u>			
Self-Liquidating Debt	<u>12,044,887.93</u>	<u>7,133,033.73</u>	<u>6,486,711.27</u>
Net Debt	<u>\$ 12,041,917.29</u>	<u>\$ 12,190,258.02</u>	<u>\$ 11,807,723.72</u>

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of 1.481%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 20,194,285.00	\$ 20,194,285.00	
Regional School District	1,105,767.20	1,105,767.20	
Water Utility	8,532,341.93	8,532,341.93	
Sewer Utility	3,512,546.00	3,512,546.00	
General	12,041,917.29		\$ 12,041,917.29
	<u>\$ 45,386,857.42</u>	<u>\$ 33,344,940.13</u>	<u>\$ 12,041,917.29</u>

Net debt \$12,041,917.29 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$812,976,700.00, equals 1.481%.

Note 16: CAPITAL DEBT (CONT'D)**Summary of Statutory Debt Condition - Annual Debt Statement****Borrowing Power Under N.J.S.A. 40A:2-6 as Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 28,454,184.50
Less: Net Debt	<u>12,041,917.29</u>
Remaining Borrowing Power	<u>\$ 16,412,267.21</u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$ 4,158,282.98
Deductions:	
Operating and Maintenance Costs	\$ 2,791,449.98
Debt Service per Water Fund	<u>415,384.38</u>
Total Deductions	<u>3,206,834.36</u>
Excess in Revenue	<u>\$ 951,448.62</u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$ 1,246,234.72
Deductions:	
Operating and Maintenance Costs	\$ 809,380.00
Debt Service per Sewer Fund	<u>116,049.28</u>
Total Deductions	<u>925,429.28</u>
Excess in Revenue	<u>\$ 320,805.44</u>

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

Note 17: SCHOOL TAXES

The Borough of Berlin Local School Tax and Eastern Regional High School tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

Local School District:

	<u>Balance December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance of Tax	\$ 4,219,873.42	\$ 4,169,148.90
Deferred	<u>3,371,664.00</u>	<u>3,371,664.00</u>
	<u>\$ 848,209.42</u>	<u>\$ 797,484.90</u>

Regional School District:

	<u>Balance December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance of Tax	\$ 2,496,283.42	\$ 2,208,813.94
Deferred	<u>1,720,206.54</u>	<u>1,720,206.54</u>
	<u>\$ 776,076.88</u>	<u>\$ 488,607.40</u>

Note 18: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Insurance Pool - The Borough of Berlin is a member of the Camden County Municipal Insurance Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation including Employer's Liability
 Liability other than Motor Vehicles
 Property Damage other than Motor Vehicles
 Motor Vehicles

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

The Fund provides the Borough with the following coverage:

Property - Blanket Building and Grounds
 Boiler and Machinery
 General and Automobile Liability
 Public Official Bonds
 Excess Liability
 Environmental and Employment Practices Liability
 Workers Compensation Liability

Note 18: RISK MANAGEMENT (CONT'D)

Joint Insurance Pool (Cont'd) - Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Borough's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2022, which can be obtained from:

Camden County Municipal Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, New Jersey 07054

Note 19: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST

On November 4, 2008, pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the Borough authorized the establishment of the Borough of Berlin Open Space, Recreation and Farmland Preservation Trust Fund effective January 1, 2010, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space. Overall, as a result of the referendum, the Borough levies a tax not to exceed two cents per one hundred dollars of equalized valuation. Amounts raised by taxation are assessed, levied and collected in the same manner and at the same time as other taxes. Future increases in the tax rate or to extend the authorization must be authorized by referendum. All revenue received is accounted for in a trust fund dedicated by rider (N.J.S.A. 40A:4-39) for the purposed stated. Interest earned on the investment of these funds is credited to the Borough of Berlin Open Space, Recreation and Farmland Preservation Trust Funds.

Note 20: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Borough expects such amount, if any, to be immaterial.

Litigation - The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Borough, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 21: CONCENTRATIONS

The Borough depends on financial resources flowing from, or associated with, both the Federal government and the State of New Jersey. As a result of this dependency, the Borough is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Note 22: SUBSEQUENT EVENTS

Authorization of Debt - Subsequent to December 31, the Borough authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Authorization</u>
General Improvements	June 8, 2023	\$ 3,149,250.00

COVID-19 - On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Borough’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Borough is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for calendar year 2023.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS



ARCHER & GREINER, P.C.
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

March __, 2024

Mayor and Borough Council of the
Borough of Berlin
Berlin, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery \$15,075,000 aggregate principal amount of General Obligation Bonds, Series 2024, consisting of \$6,255,000 General Improvement Bonds, Series 2024, \$2,398,000 Sewer Utility Bonds, Series 2024, and \$6,422,000 Water Utility Bonds, Series 2024 (collectively, the "Bonds"), of the Borough of Berlin, in the County of Cape May (the "Borough"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council and published and approved as required by law, and by a resolution duly adopted by the Borough Council on February 8, 2024.

The Bonds are being issued to: (i) permanently finance prior Bond Anticipation Notes of the Borough, issued on September 25, 2023 and maturing on March 27, 2024 in the principal amount of \$11,062,000; (ii) the permanently finance various capital improvements in and for the Borough; and (iii) finance the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of March and September (each an "Interest Payment Date"), commencing September 15, 2024, in each year until maturity or prior redemption, as applicable. The Bonds shall mature on March 15 in each of the years, in the principal amounts and at the interest rates as follows:

General Improvement Bonds, Series 2024

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2025	\$305,000	%	2031	\$605,000	%
2026	350,000		2032	600,000	
2027	375,000		2033	600,000	
2028	400,000		2034	600,000	
2029	610,000		2035	600,000	
2030	610,000		2036	600,000	

Sewer Utility Bonds, Series 2024

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2025	\$78,000	%	2035	\$125,000	%
2026	75,000		2036	145,000	
2027	80,000		2037	150,000	
2028	80,000		2038	150,000	
2029	85,000		2039	150,000	
2030	90,000		2040	150,000	
2031	95,000		2041	150,000	
2032	95,000		2042	150,000	
2033	125,000		2043	150,000	
2034	125,000		2044	150,000	

Water Utility Bonds, Series 2024

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2025	\$177,000	%	2035	\$330,000	%
2026	175,000		2036	350,000	
2027	315,000		2037	350,000	
2028	325,000		2038	350,000	
2029	325,000		2039	350,000	
2030	325,000		2040	350,000	
2031	325,000		2041	350,000	
2032	325,000		2042	350,000	
2033	325,000		2043	350,000	
2034	325,000		2044	350,000	

The Bonds are subject to optional redemption prior to their stated maturities as set forth therein.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, and (iii) the Borough has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Borough will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough with the requirements of the Code described in the preceding paragraph, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owner of the Bonds pursuant to section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Bonds do not constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of each of the Bonds, as executed by the Borough, and, in our opinion, the form of such Bond and its execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of March ___, 2024 (the "Disclosure Certificate") is executed and delivered by the Borough of Berlin, in the County of Camden, State of New Jersey (the "Borough" or the "Issuer"), in connection with the issuance of its \$15,075,000 aggregate principal amount of General Obligation Bonds, Series 2024, consisting of \$6,255,000 General Improvement Bonds, Series 2024, \$2,398,000 Sewer Utility Bonds, Series 2024, and \$6,422,000 Water Utility Bonds, Series 2024 (collectively, the "Bonds"), all such Bonds being dated March ___, 2024. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Borough Council and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the Borough Council on February 8, 2024. The Borough covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borough for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The Borough acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Borough pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"Dissemination Agent" shall mean, initially, the Borough or any Dissemination Agent subsequently designated in writing by the Borough which has filed with the Borough a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The Borough or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final

official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Borough shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2024, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Borough may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Borough are not available by September 1 of each year, the Borough shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Borough, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Borough.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2024, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Borough does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Borough (if the Dissemination Agent is not the Borough).

(d) Each year the Dissemination Agent shall file a report with the Borough (if the Dissemination Agent is not the Borough), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the Borough changes, the Borough shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Borough, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The Borough's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Borough (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. Certain financial information and operating data of the Borough consisting of (i) the Borough's indebtedness, (ii) the Borough's most current adopted budget, (iii) the Borough's property valuation information, and (iv) the Borough's tax rate, levy and collection data, as applicable.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borough is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borough shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the Borough (Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a) (12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough.);
13. The consummation of a merger, consolidation, or acquisition involving the Borough or the sale

of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the 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 a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The Borough shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the Borough may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Borough has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the Borough shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the Borough (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Borough is not the Dissemination Agent) and the Borough shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Borough determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the

Dissemination Agent is not the Borough) and the Dissemination Agent (if the Dissemination Agent is not the Borough) shall be instructed by the Borough not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the Borough (if the Dissemination Agent is not the Borough). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Borough's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an "Obligated Person" (as defined in the Rule). The Borough shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. Except for as specifically disclosed in the Official Statement, the Borough has had no existing continuing disclosure obligations in the past 5 years.

SECTION 8. Dissemination Agent; Compensation. The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Borough. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borough may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Borough to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Borough, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of

Beneficial Owners of the Bonds at the time of the amendment. The Borough shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borough shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Borough shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borough to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Borough to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Borough agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Borough) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities

due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Borough further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Borough under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borough, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Borough

Mr. Michael T. Kwasizur
Chief Financial Officer
Borough of Berlin
59 South White Horse Pike
Berlin, New Jersey 08009

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Borough and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Borough and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

BOROUGH OF BERLIN

MICHAEL T. KWASIZUR,
Chief Financial Officer

Acknowledged and Accepted by:

PHOENIX ADVISORS, LLC,
as Dissemination Agent

SHERRY L. TRACEY,
Senior Managing Director

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Berlin, in the County of Camden,
State of New Jersey

Name of Bond Issue: \$15,057,000 aggregate principal amount of General
Obligation Bonds, Series 2024, consisting of \$6,255,000
General Improvement Bonds, Series 2024, \$2,398,000 Sewer
Utility Bonds, Series 2024, and \$6,422,000 Water Utility
Bonds, Series 2024 (collectively, the "Bonds")
Dated March __, 2024
(CUSIP Number _____)

Date of Issuance: March __, 2024

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of March __, 2024 executed by the Borough.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Borough)

cc: Borough of Berlin