

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2024

NEW ISSUE – BOOK-ENTRY-ONLY

**RATINGS: Moody's: "Aa1" (Bonds)
"MIG-1" (Note)
(See "RATINGS" herein.)**

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Obligations (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, interest on the Obligations and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF PEQUANNOCK, IN THE
COUNTY OF MORRIS, NEW JERSEY**

\$3,500,000*

**SEWER UTILITY BONDS, SERIES 2024,
CONSISTING OF:**

**\$1,400,000* GENERAL IMPROVEMENT SEWER UTILITY BONDS AND
\$2,100,000* SPECIAL ASSESSMENT SEWER UTILITY BONDS
(CALLABLE) (BANK-QUALIFIED)**

**DATED DATE: DATE OF DELIVERY
DUE: APRIL 1, AS SHOWN ON THE
INSIDE FRONT COVER PAGE**

\$3,200,000

**BOND ANTICIPATION NOTE, SERIES 2024
(NON-CALLABLE) (BANK-QUALIFIED)**

**DATED DATE: APRIL 3, 2024
MATURITY DATE: APRIL 3, 2025**

The \$3,500,000* Sewer Utility Bonds, Series 2024, consisting of the \$1,400,000* General Improvement Sewer Utility Bonds (the "General Improvement Sewer Utility Bonds") and the \$2,100,000* Special Assessment Sewer Utility Bonds (the "Special Assessment Sewer Utility Bonds"; and together with the General Improvement Sewer Utility Bonds, the "Bonds"), of the Township of Pequannock, in the County of Morris, New Jersey (the "Township"), will be issued in the form of one certificate for each maturity of each series of the Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York ("DTC"), which will act as securities depository. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or prior redemption, commencing on October 1, 2024. Principal of and interest due on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Bonds are subject to redemption prior to their stated maturities. See "THE OBLIGATIONS – Redemption" herein.

The \$3,200,000 Bond Anticipation Note, Series 2024 (the "Note"; and together with the Bonds, the "Obligations"), will be issued in the form of one certificate for the aggregate principal amount of the Note and, when issued, will be registered in the name of DTC, which will act as securities depository. See "THE OBLIGATIONS – Book-Entry-Only System" herein. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. Interest on the Note shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Note is a valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township without limitation as to rate or amount.

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

The Obligations are offered when, as and if issued and delivered to the Underwriters (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. NW Financial Group, LLC, Bloomfield, New Jersey, has served as Municipal Advisor in connection with the issuance of the Obligations. Delivery is anticipated to be via DTC in Brooklyn, New York, on or about April 3, 2024.

**ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY
UNTIL 11:00 A.M. ON MARCH 12, 2024. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

**ELECTRONIC SUBMISSIONS FOR THE NOTE WILL BE RECEIVED VIA PARITY
UNTIL 11:30 A.M. ON MARCH 12, 2024. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

* Preliminary, subject to change.

**TOWNSHIP OF PEQUANNOCK, IN THE
COUNTY OF MORRIS, NEW JERSEY**

**\$3,500,000* SEWER UTILITY BONDS, SERIES 2024,
CONSISTING OF:
\$1,400,000* GENERAL IMPROVEMENT SEWER UTILITY BONDS AND
\$2,100,000* SPECIAL ASSESSMENT SEWER UTILITY BONDS**

**MATURITIES, PRINCIPAL AMOUNTS*, INTEREST RATES,
YIELDS AND CUSIP NUMBERS**

Year (April 1)	Sewer Utility Bonds*	Special Assessment Bonds*	Combined Amounts*	Interest Rate	Yield	CUSIP◇
2025	\$ 50,000	\$105,000	\$155,000	%	%	
2026	50,000	105,000	155,000			
2027	50,000	105,000	155,000			
2028	55,000	105,000	160,000			
2029	55,000	105,000	160,000			
2030	55,000	105,000	160,000			
2031	60,000	105,000	165,000			
2032	60,000	105,000	165,000			
2033	65,000	105,000	170,000			
2034	65,000	105,000	170,000			
2035	70,000	105,000	175,000			
2036	70,000	105,000	175,000			
2037	75,000	105,000	180,000			
2038	80,000	105,000	185,000			
2039	80,000	105,000	185,000			
2040	85,000	105,000	190,000			
2041	90,000	105,000	195,000			
2042	90,000	105,000	195,000			
2043	95,000	105,000	200,000			
2044	100,000	105,000	205,000			

\$3,200,000 BOND ANTICIPATION NOTE, SERIES 2024

Interest Rate: ____% **Yield: ____%** **CUSIP◇: _____**

* Preliminary; subject to change.

◇ "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Obligations only at the time of issuance of the Obligations, and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Obligations as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or 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 Obligations.

**TOWNSHIP OF PEQUANNOCK, IN THE
COUNTY OF MORRIS, NEW JERSEY**

MAYOR

Ryan Herd

TOWNSHIP COUNCIL

John Driesse
Melissa Florance-Lynch
David Kohle
Kyle Russell

TOWNSHIP CLERK

Carol Marsh

CHIEF FINANCIAL OFFICER

Julie Kupilik

TOWNSHIP ATTORNEY

Robert H. Oostdyk, Jr., Esq.
Pompton Plains, New Jersey

INDEPENDENT AUDITORS

Nisivoccia LLP
Mount Arlington, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, Inc.
Bloomfield, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been provided by the Township and by other sources that the Township believes to be reliable, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Township. Certain information concerning DTC is contained in this Official Statement. Such information has been furnished by DTC. The Township has not confirmed the accuracy or completeness of any information relating to DTC, and the Township disclaims any responsibility for the accuracy or completeness thereof.

Any statements contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Obligations. This Official Statement is submitted in connection with the sale of the Obligations and may not be reproduced or used, in whole or in part, for any other purpose.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "*Official Statement*"), may be treated as a "Final Official Statement" with respect to the Obligations described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

Where the Constitution or statutes of the State of New Jersey are referred to, references should be made to such Constitution or statutes for a complete statement of the matters referred to. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof.

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE OBLIGATIONS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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OFFICIAL STATEMENT

RELATING TO

TOWNSHIP OF PEQUANNOCK, IN THE COUNTY OF MORRIS, NEW JERSEY

\$3,500,000* SEWER UTILITY BONDS, SERIES 2024, CONSISTING OF: \$1,400,000* GENERAL IMPROVEMENT SEWER UTILITY BONDS AND \$2,100,000* SPECIAL ASSESSMENT SEWER UTILITY BONDS

AND

\$3,200,000 BOND ANTICIPATION NOTE, SERIES 2024

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of Pequannock (the "*Township*"), in the County of Morris (the "*County*"), New Jersey (the "*State*"), in connection with the sale and issuance of its \$3,500,000* Sewer Utility Bonds, Series 2024, consisting of the \$1,400,000* General Improvement Sewer Utility Bonds (the "*General Improvement Sewer Utility Bonds*") and the \$2,100,000* Special Assessment Sewer Utility Bonds (the "*Special Assessment Sewer Utility Bonds*"; and together with the General Improvement Sewer Utility Bonds, the "*Bonds*"), and its \$3,200,000 Bond Anticipation Note, Series 2024 (the "*Note*"; and together with the Bonds, the "*Obligations*"). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Obligations described herein.

This Official Statement contains specific information relating to the Obligations, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety. All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources.

THE OBLIGATIONS

General Description

The Bonds will be dated their date of delivery, will bear interest from their dated date and will mature on April 1 in each of the years and in the principal amounts set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or prior redemption, commencing on October 1, 2024, at the rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "*Record Dates*" for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

* Preliminary; subject to change.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and records of The Depository Trust Company, Brooklyn, New York ("*DTC*"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co. (or any successor or assign), as nominee for DTC.

The Note is dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the inside front cover page hereof. Interest on the Note shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months. The Note will be issued in the form of one certificate for the aggregate principal amount of the Note and, when issued, shall be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity.

Book-Entry-Only System*

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Obligations, payment of principal of and interest and other payments due on the Obligations to Direct and Indirect Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and among DTC, Direct and Indirect Participants and Beneficial Owners is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations concerning these matters.

DTC will act as securities depository for the Obligations. The Obligations 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 certificate will be issued for each maturity of each series of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

* Source: The Depository Trust Company.

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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Redemption proceeds, if applicable, and distributions on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or its paying agent, if any, on payable dates in accordance with their respective holdings shown on DTC's records.

Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct and Indirect Participant and not of DTC, the paying agent, if any, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or its paying agent, if any, disbursement of

such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township does not take any responsibility for the accuracy thereof.

THE TOWNSHIP AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT AND INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE OBLIGATIONS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE OBLIGATIONS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE OBLIGATIONS.

Discontinuation of Book-Entry-Only System

If the Township, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Obligations at any time, the Township will attempt to locate another qualified securities depository. If the Township fails to find such a securities depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry-only system.

Redemption

The Bonds

The Bonds maturing prior to April 1, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after April 1, 2033 are redeemable at the option of the Township, in whole or in part, on any date on or after April 1, 2032 upon notice as required herein at par, plus in each case unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than 30 days nor more than 60 days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed bond registrar. 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 Township determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Township. The Bonds to be

redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Township shall send redemption notices only to Cede & Co.

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 unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

The Note

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

AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS

General Improvement Sewer Utility Bonds

The General Improvement Sewer Utility Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "*Local Bond Law*"), the bond ordinance finally adopted by the Township referred to in the chart below and a resolution duly adopted by the Township on February 13, 2024 (the "*Resolution*").

Bond Ordinance Number	Description of Improvement and Date of Adoption of Ordinance	Amount Funded from Bond Proceeds
2023-12	Supplemental appropriation for the Route 23 Sewer Project, finally adopted July 11, 2023.	\$1,400,000

Proceeds from the sale and issuance of the General Improvement Sewer Utility Bonds will be used by the Township to: (i) provide \$1,400,000 in new money to finance the project set forth in the bond ordinance described above; and (ii) pay the costs incurred in connection with the authorization, sale and issuance of the General Improvement Sewer Utility Bonds.

Special Assessment Sewer Utility Bonds

The Special Assessment Sewer Utility Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law, the bond ordinance finally adopted by the Township referred to in the chart below and the Resolution.

Bond Ordinance Number	Description of Improvement and Date of Adoption of Ordinance	Amount Funded from Bond Proceeds
2017-01	Route 23 Sewer Project and Directing the Special Assessment of Part of the Cost Thereof, finally adopted February 14, 2017.	\$2,100,000

Proceeds from the sale and issuance of the Special Assessment Sewer Utility Bonds will be used by the Township to: (i) provide \$2,100,000 in new money to finance the project set forth in the bond ordinance described above; and (ii) pay the costs incurred in connection with the authorization, sale and issuance of the Special Assessment Sewer Utility Bonds.

The Note

The Note has been authorized by and is being issued pursuant to the Local Bond Law and Bond Ordinance #2021-07 of the Township finally adopted on April 27, 2021. Proceeds from the sale and issuance of the Note will be used by the Township to: (i) currently refund the \$3,200,000 Bond Anticipation Note, dated and issued on July 11, 2023 and maturing on April 4, 2024; and (ii) pay the costs incurred in connection with the authorization, sale and issuance of the Note.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Township is required by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

The Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township for the payment of the principal of and interest on the Note without limitation as to rate or amount.

INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC AND ONGOING CONCERNS

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

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

The Plan, signed into law on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Township has received \$1,566,364.92 from the Plan. The deadline to obligate the

funds is December 31, 2024, and such funds can only be spent on certain allowable uses as set forth in the Plan.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation, is \$3,177,213,480.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating. As of December 31, 2023, after taking into account the deductions referred to above, the statutory net debt of the Township as a percentage of average equalized valuation was 0.015%.

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

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue emergency notes and special emergency notes pursuant to the Local Budget Law. Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

The exceptions are certain enumerated quasi-capital projects ("*special emergencies*") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital

projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under legislation recently enacted to address the COVID-19 emergency, P.L. 2020, c. 74 (A3971), a local unit may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three months of the year to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate, subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the Township to pay debt service on its bonds or notes, including the Obligations.

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Township was last completed in 2023.

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

Tax bills are mailed annually in June by the Township. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. These interest rates and penalties are the highest permitted under New Jersey statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

Tax Appeals

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2022 for the Township is on file with the Township Clerk and is available for review during business hours.

TAX MATTERS

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

Assuming the Township observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("*Bond Counsel*") is of the opinion that, under existing law, interest on the Obligations is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Obligations 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 Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Obligations 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 Obligations, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Obligations 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 Obligations 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 Obligations.

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If an Obligation 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

The Note and 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 Obligations*"). The excess, if any, of the tax basis of the Premium Obligations to a purchaser (other than a purchaser who holds such Premium Obligations 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 Obligations 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 Obligations. Accordingly, an owner of a Premium Obligation may have taxable gain from the disposition of the Premium Obligation, even though the Premium Obligation is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Obligation. Bond premium amortizes over the term of the Premium Obligations under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Obligations 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 and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Obligations.

Additional Federal Income Tax Consequences of Holding the Obligations

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

Bank-Qualification

The Obligations **will** be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

Changes in Federal Tax Law Regarding the Obligations

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 Obligations. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Obligations will not have an adverse effect on the tax status of interest on the Obligations or the market value or marketability of the Obligations. 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 Obligations 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 Obligations and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE OBLIGATIONS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE OBLIGATIONS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of the Township Attorney, Robert H. Oostdyk, Jr., Esq., Pompton Plains, New Jersey (the "*Township Attorney*"), there is no litigation of any nature, now pending or threatened, restraining or enjoining the issuance or delivery of the Obligations, or the levy or collection of any taxes to pay the principal of or interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or collection of taxes, or contesting the corporate existence or boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

The Bonds

The Township, pursuant to the Resolution, has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "*Rule*"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Township shall provide:

(a) On or prior to September 30 of each year, beginning September 30, 2024, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("*EMMA*") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data, consisting of (i) the Township and overlapping indebtedness, including a schedule of outstanding debt issued by the Township, (ii) the Township's property valuation information and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds (herein "*Disclosure Events*"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Township;
- (13) The consummation of a merger, consolidation or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

The term "*Financial Obligation*" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In a timely manner to EMMA, notice of failure of the Township to provide required annual financial information on or before the date specified in the Resolution.

The Note

The Township has covenanted for the benefit of the holders and beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Rule. Specifically, for so long as the Note remains outstanding (unless the Note has been wholly defeased), the Township will provide in a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any Disclosure Events with respect to the Note.

The Obligations

In the event that the Township fails to comply with the above-described undertakings and covenants, the Township shall not be liable for any monetary damages, remedy of the beneficial owners of the Obligations being specifically limited in the undertakings to specific performance of the covenants.

The undertakings may be amended by the Township from time to time, without the consent of the holders or beneficial owners of the Obligations, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

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

The Township has previously entered into continuing disclosure undertakings under the Rule. The Township has previously failed to comply with prior undertakings to provide audited financial statements, financial information and operating data for the fiscal year ended December 31, 2018. In addition, the Township did not file in a timely manner notice of such failures to provide the audited financial statements, financial information and operating data for the fiscal year ended December 31, 2018, as well as financial obligation notices for the issuance of bond anticipation notes in 2021, 2022 and 2023. As of June 2020, NW Financial Group, LLC has been hired as Continuing Disclosure Agent/ Dissemination Agent to assist in the filing of certain information on EMMA as required under the Township's undertakings.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. §901 *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Obligations are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Obligations substantially in the forms set forth in Appendix C attached hereto. Certain legal matters will be passed upon for the Township by its Township Attorney.

UNDERWRITING

The Bonds

The Bonds have been purchased from the Township at a public sale by [Name of Winning Bidder] (the "*Bond Underwriter*") at a price of \$_____ (consisting of the par amount of the Bonds *plus* [net] original issue premium in the amount of \$_____ *minus* underwriter's discount in the amount of \$_____). The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

The Bond 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 Bond Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Bond 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 Bond Underwriter without prior notice.

The Note

The Note has been purchased from the Township at a public sale by [Name of Winning Bidder] (the "*Note Underwriter*"; and together with the Bond Underwriter, the "*Underwriters*") at a price of \$_____ (consisting of the par amount of the Note *plus* original issue premium in the amount of \$_____ *minus* underwriter's discount in the amount of \$_____).

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

RATINGS

Moody's Investors Service, Inc. (the "*Rating Agency*") has assigned a rating of "Aa1" to the Bonds and a short-term rating of "MIG-1" to the Note based upon the creditworthiness of the Township. The ratings reflect only the views of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency. The Township furnished to the Rating Agency certain information and materials concerning the Obligations and the Township. There can be no assurance that the ratings will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Obligations.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Bloomfield, New Jersey (the "*Municipal Advisor*"), serves as Municipal Advisor to the Township with respect to the issuance of the Obligations and has assisted in matters relating to the planning, structuring and issuance of the Obligations. However, the Municipal Advisor has not audited or participated in the preparation of the financial or statistical information

contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion or other assurance with respect thereto.

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the Underwriters by a certificate signed by the Mayor and the Chief Financial Officer that, to their knowledge, such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

Nisivoccia LLP assisted in the preparation of information contained in this Official Statement and takes responsibility for the financial statements to the extent specified in its Independent Auditors' Report.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Julie Kupilik, Chief Financial Officer, Township of Pequannock, 530 Newark-Pompton Turnpike, Pequannock, New Jersey 07444, telephone (973) 835-5700, or to the Municipal Advisor, NW Financial Group, LLC, 522 Broad Street, Bloomfield, New Jersey 07003, telephone (201) 656-0115.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Township, the Underwriters and the holders of any of the Obligations. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Obligations made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Township since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

TOWNSHIP OF PEQUANNOCK

By: _____
Julie Kupilik
Chief Financial Officer

Dated: March __, 2024

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE TOWNSHIP OF PEQUANNOCK, IN THE COUNTY OF MORRIS, NEW JERSEY

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GENERAL INFORMATION OF THE TOWNSHIP OF PEQUANNOCK

Recorded history of the Township dates to 1695 when the area was originally settled. The Township of Pequannock was incorporated in 1740, making it older than our nation itself. The Township is a political subdivision of the State of New Jersey and encompasses two communities; Pequannock and Pompton Plains, each served by their own post office. The Township is primarily residential with a population of 15,571 residents (estimate of the 2020 US. Bureau of the Census) and covers a land area of just under 7 square miles.

The Township of Pequannock is located in Eastern Morris County, along State Highway Route 23, approximately 5 miles north of the interchange of Route 23 with Interstate Route 80 and U.S Route 46. Interstate Route 287 crosses the northwest corner of the Township, making travel to and from the Township accessible for residents, guests, and visitors. The Township's transportation needs are well served by both major east-west arteries into New York City, which is just under 25 miles away. Railroad passenger service is provided from nearby Lincoln Park into New York City via NJ Transit and PATH. Bus service is available along the NJ TRANSIT lines extending along the Newark-Pompton Turnpike through the Township to Newark and New York. Local transportation needs for Senior Citizen and disabled residents are provided by a Regional Dial-A-Ride service administered by Pequannock Township.

The Township operates under a Council-Manager form of government (Faulkner Act, Council-Manager Plan E) which was instituted in 1957. The voters elect five councilpersons who in turn elect one of their number to serve as Mayor. The Township Council employs a professional public manager to serve as the Township Manager; the Township Manager is the Chief Executive and Administrative Officer of the Township.

Key among a full range of municipal services is a 32-member police department which has been demonstratively effective in routine police services. In addition innovative law enforcement programs have had measurable success in mitigation and crime prevention. Fire protection is provided by two Volunteer Fire Companies whose operating efficiency enabled the Township to obtain a three (3) fire insurance rating. A volunteer First Aid & Rescue Squad also serves the Township with weekday emergency EMS services provided by Atlantic Heath System.

Development in the Township has been guided by a Planning Board which was created in 1945, and a Master Plan which includes strong development controls. During 1972, a full time Planning Department was established which enables the Township to update its Master Plan and all other developmental ordinances and regulations, and oversee their implementation on a professional and on-going basis.

Commercial development includes two well-defined local business centers, Pompton Plains and Pequannock, as well as regionally-oriented commercial corridor along Route 23. Municipal sewers have been constructed through both local business districts which has already spurred some redevelopment of that area.

An updated Sewer Master Plan was completed in November 2019. Construction is currently underway for a sanitary sewer line through the heavily traveled commercial zone that runs along Route 23. This project will certainly increase the ratable base of the Township and attract new commercial businesses to the existing corridor on the heavily traveled Route 23. The project is anticipated to serve 46 properties, 32 commercial and 14 residential. The Township is a member of the Two Bridges Sewer Authority (Pequannock, Lincoln Park and Fairfield Sewage Authority) which has a modern treatment plant, located in the adjacent Borough of Lincoln Park, which properly handles all of the sewage from member communities.

The Township of Pequannock provides a full range of municipal services to its residents, including a water utility and a growing sewer utility system. The Township owns and operates its Water Utility, which was significantly upgraded in the mid 1980's. A water mixing facility has been constructed in 2009 in order to decrease the hardness of the primarily well water supply and an elevated storage facility was completed in 2018 to provide storage capacity and reduce wear on the wells.

In October of 2023, Township completed its re-certification with FEMA's National Flood Insurance Program (NFIP) Community Rating System (CRS). It maintained a CRS rating of five (5), which places it in the top 6% of CRS communities and yields a twenty-five percent (25%) discount on flood insurance NFIP policies for residents. This rating is confirmed by FEMA on an annual basis, with a full re-certification audit every 5 years. The rating is based on proactive flood mitigation measures, extensive mapping, enhanced community outreach, and stricter floodplain ordinances.

The Township enjoys a fine reputation for its extensive recreational facilities and programs which are supported by a full-time program and maintenance staff. The park system includes swimming and fishing/boating lakes, a 320 acre natural Mountainside Park, Greenvue Park and 9 others throughout the community. The Township continues its commitment to the local park system with a Recreation Master Plan. Key among improvements is a River Walk and natural area, with the land and easement acquisition to be funded from the Township's Open Space Trust Fund. Morris County's Sunset Valley Gold Course is also located in the Township. Other community services include Chilton Memorial Hospital and the Pequannock Valley Regional Mental Health Center, now known as Newbridge Services. Twelve houses of worship of all faiths are also located here.

The Pequannock Public Schools provides three K-5 neighborhood elementary schools, a centralized middle school, serving grades 6-8 and a modern high school for grades 9-12. The Board of Education has adopted, during the 2018- 2019 school year, a five-year plan to make the district one of the best in the state. The School District was ranked 99th out of 476 school districts by US News and World Report in 2023-2024. Two parochial schools, grades K-8, are located in the Township and serve local and regional needs.

Pequannock Township is a safe and vibrant community; a great place to live, work, and play!

Major Employers

The five largest employers located in the Township of Pequannock based upon estimated of the number of employees as provided by each employer, are listed below.

<u>Employer</u>	<u>Employees</u>
1. Chilton Medical Center	1,350
2. Pequannock Township Board of Education	325
3. Cedar Crest Village	150
4. Morris Industries, Inc	150
5. Township of Pequannock	93

Source: Google

Employment and Unemployment Comparison

For the years 2018 to 2022, the New Jersey Department of Labor and Workforce Development reported the following annual average employment information for the Township of Pequannock, County of Morris and the State of New Jersey:

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township of Pequannock:</u>				
2022	7,917	7,665	252	3.2%
2021	7,759	7,341	418	5.4%
2020	7,721	7,128	593	7.7%
2019	7,910	7,693	217	2.7%
2018	7,864	7,605	259	3.3%
<u>County of Morris:</u>				
2022	268,713	260,558	8,155	3.0%
2021	263,377	249,549	13,828	5.3%
2020	261,858	242,323	19,535	7.5%
2019	267,808	260,524	7,284	2.7%
2018	263,771	255,475	8,296	3.1%
<u>State of New Jersey:</u>				
2022	4,739,800	4,564,100	175,700	3.7%
2021	4,666,100	4,357,200	308,900	6.6%
2020	4,650,300	4,212,400	437,900	9.4%
2019	4,683,300	4,524,300	162,000	3.5%
2018	4,604,800	4,420,700	184,100	4.0%

Source: New Jersey Department of Labor, Division of Planning & Research. Office of Demographics and & Economic Analysis; Bureau of Labor Force Statistics; Local Area Unemployment Statistics.

Population:

CENSUS HISTORY:

2020	2010	2000	1990	1980	1970
15,571	15,540	13,888	12,844	13,776	14,380

Source: Population Estimate, U.S. Bureau of the Census, Washington, DC.

INTERCENSAL ESTIMATES:

2022	2021	2020	2019	2018	2017	2016	2015
15,576	15,552	15,572	15,538	15,286	15,499	15,504	15,550

Source: Population Estimate, U.S. Bureau of the Census, ACS Demographic and Housing Estimates.

BUILDING PERMITS

Year	Permits Issued	Value of Construction
2023	791	\$ 22,838,677
2022	971	\$ 24,526,424
2021	1,034	\$ 21,960,113
2020	1,029	\$ 18,671,007
2019	1,095	\$ 20,457,809

LARGEST TAXPAYERS:

The ten largest commercial taxpayers in the Township of Pequannock and their 2023 assessed valuations are listed below:

	Taxpayer	2023 Assessed Valuation
1.	Point View Campus, LLC	\$374,745,100
2.	Plaza Twenty Three Station, LLC	46,108,700
3.	ABN Realty	22,000,000
4.	West End Road Associates	16,010,400
5.	101 Alexander Ave NJ, LLC	15,256,900
6.	Perrin Associates, LLC	14,224,400
7.	Pequannock Joint Venture, LLC	11,558,800
8.	Pompton Realty	9,717,500
9.	Kent Place Holdings, LLC	7,261,900
10.	Romont Corporation	6,993,200

Source: Tax Field Book

ANALYSIS OF TAX RATES PER \$100:

	2023*	2022	2021	2020	2019	2018
Apportionment of Tax Rate						
Municipal**	0.428	0.594	0.584	0.575	0.560	0.544
County***	0.243	0.327	0.316	0.315	0.304	0.284
School District	1.167	1.624	1.597	1.575	1.521	1.467
Total Tax Rate	1.838	2.545	2.497	2.465	2.385	2.295

*Unaudited

** Includes Municipal Open Space Tax & Minimum Library

***Includes County Tax & County Open Space

Source: Current Tax Collections from AFS or Tax Expenditures from audit, divided by Total Assessed Valuation and NJ Division of Taxation: General Tax Rates by County and Municipality

TOTAL ASSESSED VALUATION OF TAXABLE PROPERTY:

2023	3,364,133,200
2022	2,369,974,700
2021	2,362,977,200
2020	2,350,397,900
2019	2,386,220,100
2018	2,406,453,500

Source: NJ Division of Taxation, Table of Equalized Valuations

COMPARISONS OF TAX LEVIES AND COLLECTIONS:

Year	Tax Levy	Cash Collection	Percentage
2023*	\$61,865,060	\$61,492,253	99.40%
2022	60,486,331	60,203,325	99.53%
2021	59,089,093	58,866,276	99.62%
2020	58,212,930	57,922,444	99.50%
2019	56,998,436	56,724,483	99.52%
2018	55,563,766	55,259,484	99.45%

Source: Financial Statements, Township of Pequannock

*Unaudited

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

At Close of Tax Year	Value of Property Acquired
2023*	\$1,203,650
2022	941,050
2021	941,050
2020	941,050
2019	941,050
2018	941,050

Source: Financial Statements, Township of Pequannock

*Unaudited

ASSESSED VALUATION OF REAL AND BUSINESS PERSONAL PROPERTY, BY CLASSIFICATION

<u>Year</u>	Vacant Land (# of Parcels)	Taxable <u>Value</u>	Residential (# of Parcels)	Taxable <u>Value</u>	Apartments (# of Parcels)	Taxable <u>Value</u>	Commercial (# of Parcels)	Taxable <u>Value</u>
2022	112	\$14,857,200	4,731	\$1,791,941,000	3	245,016,500	219	\$250,339,600
2021	108	13,703,900	4,728	1,786,362,900	3	245,016,500	218	250,073,500
2020	105	12,691,000	4,731	1,780,350,400	3	245,016,500	218	244,519,600
2019	107	13,516,200	4,731	1,774,659,800	3	266,516,500	217	263,760,100
2018	102	12,721,700	4,731	1,768,695,900	3	303,516,500	219	253,901,300

<u>Year</u>	Industrial (# of Parcels)	Taxable <u>Value</u>	Total Real <u>Property</u>	Personal <u>Property</u>	<u>Farm</u>	Total <u>Property</u>
2022	34	\$56,845,400	\$2,358,999,700	100	\$10,975,000	2,369,974,700
2021	34	56,845,400	2,352,002,200	100	10,873,500	2,362,977,200
2020	34	56,845,400	2,339,422,900	100	10,975,000	2,350,397,900
2019	34	56,845,400	2,375,298,100	100	10,922,100	2,386,220,200
2018	34	56,695,400	2,395,530,800	100	10,922,600	2,406,453,400

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

COMPARATIVE AGGREGATE EQUALIZED VALUATION

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$3,360,772,503	\$3,175,207,362	\$2,995,660,851	\$2,882,862,627	\$2,865,986,188	\$2,779,777,521

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

COMPARATIVE SCHEDULE OF FUND BALANCES:**Current Fund**

Year	Balance Dec. 31	Utilized in Budget of Succeeding Year
2023*	\$7,639,671	N/A
2022	7,136,671	3,093,340
2021	5,926,123	1,945,000
2020	4,844,942	2,119,500
2019	3,945,958	1,856,000
2018	2,784,699	1,500,000

Water Utility Operating Fund

2023*	\$1,697,670	N/A
2022	1,078,907	150,000
2021	1,034,845	285,000
2020	1,056,996	285,142
2019	297,432	176,500
2018	258,298	195,000

Sewer Utility Operating Fund

2023*	\$471,697	N/A
2022	350,219	25,000
2021	337,390	151,000
2020	383,853	150,143
2019	623,935	307,800
2018	499,621	345,000

Solid Waste Utility Operating Fund

2023*	\$381,698	N/A
2022	255,597	155,000
2021	346,942	170,080
2020	427,031	161,970
2019	604,000	272,895
2018	701,964	202,000

Recreation Utility Operating Fund:

2023	0	N/A
2022	0	0
2021	407,196	336,950
2020	121,514	0
2019	85,778	44,300
2018	94,315	44,000

Source: *Financial Statements, Township of Pequannock*
*Unaudited

DEBT LIMIT OF THE TOWNSHIP OF PEQUANNOCK

Average Equalized Valuation Basis

1. 2021	\$2,995,660,751
2. 2022	\$3,175,207,262
3. 2023	\$3,360,772,428

Equalized Valuation Basis: average of 1, 2 and 3 above = \$3,177,213,480

Permitted Debt Limitation (3 ½%) \$111,202,471

Net Debt Issued and Outstanding as of December 31, 2023 = \$491,489

Remaining Borrowing Power = \$110,710,982

Percentage of Net Debt to Average Equalized
Valuation as of December 31, 2023 = 0.015%

TOWNSHIP INDEBTEDNESS

Annual Debt Statement December 31, 2023

School Indebtedness	
Outstanding	\$7,035,000
Authorized	
Township Indebtedness	
Bonds & Loans Outstanding	\$22,245,000
Authorized but not issued	\$ 8,768,505
BAN's Outstanding	\$ 3,200,000
Authorized, but not issued	\$ 4,293,538
Sub-total Direct Debt	\$45,542,043
Less: Self Liquidating Debt and other	\$45,050,554
Net Debt	\$ 491,489

Source: 2023 Annual Debt Statement, Township of Pequannock

OVERLAPPING DEBT:

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Pequannock Twp School District	\$7,035,000	100.00%	\$7,035,000
County of Morris	\$434,368,438	2.90%	\$12,596,684
Subtotal Overlapping Debt			\$19,631,684
Pequannock Township Direct Net Debt	\$491,489		\$491,489
Total Direct and Overlapping Debt			\$20,123,173

APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF PEQUANNOCK,
IN THE COUNTY OF MORRIS, NEW JERSEY**

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APPENDIX B

TOWNSHIP OF PEQUANNOCK

FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2022, 2021, AND 2020

TOWNSHIP OF PEQUANNOCK
FINANCIAL STATEMENTS
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Pequannock
Pompton Plains, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Township of Pequannock, in the County of Morris (the "Township") as of and for the years ended December 31, 2022, 2021, and 2020 and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Township as of December 31, 2022, 2021, and 2020 and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Township as of December 31, 2022, 2021, and 2020 or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

June 16, 2023
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCIA LLP

TOWNSHIP OF PEQUANNOCK
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	\$ 10,579,455.49	\$ 9,492,344.50	\$ 8,811,336.36
Change Fund	360.00	360.00	360.00
	<u>10,579,815.49</u>	<u>9,492,704.50</u>	<u>8,811,696.36</u>
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions	123,077.15	130,073.73	121,598.38
	<u>10,702,892.64</u>	<u>9,622,778.23</u>	<u>8,933,294.74</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	244,922.62	213,742.27	256,205.65
Tax Title Liens Receivable	21,975.97	29,117.22	19,691.65
Property Acquired for Taxes - Assessed Valuation	941,050.00	941,050.00	941,050.00
Due from Federal and State Grant Fund			53.54
Due from General Capital Fund	3,890.62	638.00	1,135.63
Due from Other Trust Fund	937.46	156.73	180.21
Due from Animal Control Trust Fund	14.77	1.11	3.24
Due from Open Space Trust Fund		5.36	
Due from Payroll Account	465.59	45.95	38.94
Due from Pequannock Public Library	120,562.74	60,838.87	52,984.99
Revenue Accounts Receivable	35,780.51	37,869.35	5,459.91
	<u>1,369,600.28</u>	<u>1,283,464.86</u>	<u>1,276,803.76</u>
Total Receivables and Other Assets with Full Reserves			
Deferred Charges:			
Special Emergency Authorizations	80,000.00	160,000.00	240,000.00
Special Emergency Authorizations - COVID 19			185,000.00
Total Deferred Charges	<u>80,000.00</u>	<u>160,000.00</u>	<u>425,000.00</u>
Total Regular Fund	<u>12,152,492.92</u>	<u>11,066,243.09</u>	<u>10,635,098.50</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	534,809.10	828,638.95	200,703.40
Due from Open Space Trust Fund	4,723.00		83,083.00
Due from Current Fund	25,166.93	1,578.92	
Grants Receivable	1,264,785.08	1,094,609.78	979,073.50
	<u>1,829,484.11</u>	<u>1,924,827.65</u>	<u>1,262,859.90</u>
Total Federal and State Grant Fund			
TOTAL ASSETS	<u>\$ 13,981,977.03</u>	<u>\$ 12,991,070.74</u>	<u>\$ 11,897,958.40</u>

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

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

	December 31,		
	2022	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	\$ 484,395.23	\$ 396,821.04	\$ 430,434.84
Unencumbered	1,887,782.53	1,558,160.39	2,019,207.96
	<u>2,372,177.76</u>	<u>1,954,981.43</u>	<u>2,449,642.80</u>
Accounts Payable - Vendors	14,552.36	6,300.00	16,788.95
Due to Open Space Trust Fund	404.91		27.10
Due to Sewer Utility Operating Fund	12,417.87	19,900.51	21,591.98
Due to Sewer Utility Assessment Trust Fund	70,971.10	163,626.66	88,453.00
Due to Water Utility Operating Fund			18.44
Due to Water Utility Capital Fund			17,000.00
Due to Federal and State Grant Fund	25,166.93	1,578.92	
Due State of New Jersey:			
Marriage License Fees		515.00	405.00
Building Surcharge Fees	7,246.00	7,188.00	9,332.00
County Taxes Payable	21,888.69	10,842.36	17,721.22
School Taxes Payable	102,704.00	94,594.00	190,673.00
Prepaid Taxes	233,992.17	313,370.39	327,153.88
Tax Overpayments	12,092.56	4,643.18	64,431.65
Reserve for:			
Codification of Ordinances			7,000.00
Pending Tax Appeals	482,846.35	813,113.05	773,113.05
County PILOT Taxes	43,415.00	22,394.85	15,619.00
Tax Map			32,695.13
Flood Expenses		43,455.99	68,455.99
Revaluation	183,000.00	400,000.00	400,000.00
Municipal Relief Aid	63,346.40		
Master Plan		150.00	13,230.00
	<u>3,646,222.10</u>	<u>3,856,654.34</u>	<u>4,513,352.19</u>
Reserve for Receivables and Other Assets	1,369,600.28	1,283,464.86	1,276,803.76
Fund Balance	<u>7,136,670.54</u>	<u>5,926,123.89</u>	<u>4,844,942.55</u>
Total Regular Fund	<u>12,152,492.92</u>	<u>11,066,243.09</u>	<u>10,635,098.50</u>
Federal and State Grant Fund:			
Appropriated Reserves	342,532.07	905,184.98	829,734.50
Unappropriated Reserves	1,082,853.25	784,844.48	32,097.30
Encumbrances Payable	404,098.79	234,798.19	400,974.56
Due to Current Fund			53.54
	<u>1,829,484.11</u>	<u>1,924,827.65</u>	<u>1,262,859.90</u>
Total Federal and State Grant Fund	<u>1,829,484.11</u>	<u>1,924,827.65</u>	<u>1,262,859.90</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 13,981,977.03</u>	<u>\$ 12,991,070.74</u>	<u>\$ 11,897,958.40</u>

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

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

	Year Ended December 31,		
	2022	2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 1,945,000.00	\$ 2,119,500.00	\$ 1,856,000.00
Miscellaneous Revenue Anticipated	10,337,239.41	4,917,536.31	4,794,997.83
Receipts from:			
Delinquent Taxes	229,061.31	256,965.85	263,307.56
Current Taxes	60,203,325.35	58,866,276.41	57,922,444.12
Nonbudget Revenue	394,208.74	124,853.24	177,132.22
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,484,805.18	1,963,944.52	776,805.45
Cancellations:			
Federal and State Grant Fund Appropriated Reserves	97,944.66	44,953.19	192,821.26
Unappropriated Grant Reserves	0.02	1.48	2.21
Master Plan	150.00		
Sewer Line		107,585.79	
Group Health		36,540.55	
Reserve for Insurance	0.99		
Accounts Payable Cancelled	810.00	4,650.00	38,315.50
Police Programs			540.00
Interfunds Returned	61,686.02	54,396.55	120,727.61
Total Income	74,754,231.68	68,497,203.89	66,143,093.76
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes	25,051,553.99	19,682,547.71	18,804,525.83
County Taxes	7,760,001.31	7,460,934.39	7,385,836.14
Local School District Taxes	38,487,783.00	37,731,696.00	37,003,997.00
Municipal Open Space Tax	142,603.40	142,013.58	141,389.94
Prior Year Veteran and Senior Citizens' Disallowed	3,321.92	2,500.00	6,278.09
Cancellation of Grants Receivable	27,550.23	30,144.85	176,685.90
Cancellation of Special Emergency Authorization		185,000.00	
Interfunds Advanced	125,871.18	61,686.02	54,396.55
Total Expenditures	71,598,685.03	65,296,522.55	63,573,109.45
Excess in Revenue	3,155,546.65	3,200,681.34	2,569,984.31
Adjustments to Excess Before Fund Balance:			
Included Above Which is by Statute a Deferred Charge to Budgets of Succeeding Years			185,000.00
Statutory Excess to Fund Balance	3,155,546.65	3,200,681.34	2,754,984.31
<u>Fund Balance</u>			
Balance January 1	5,926,123.89	4,844,942.55	3,945,958.24
	9,081,670.54	8,045,623.89	6,700,942.55
Decreased by:			
Utilized as Anticipated Revenue	1,945,000.00	2,119,500.00	1,856,000.00
Balance December 31	\$ 7,136,670.54	\$ 5,926,123.89	\$ 4,844,942.55

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

TOWNSHIP OF PEQUANNOCK
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2022		2021		2020	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 1,945,000.00	\$ 1,945,000.00	\$ 2,119,500.00	\$ 2,119,500.00	\$ 1,856,000.00	\$ 1,856,000.00
Miscellaneous Revenue Anticipated	10,123,714.00	10,337,239.41	4,849,532.71	4,917,536.31	4,866,108.83	4,794,997.83
Receipts from Delinquent Taxes	213,000.00	229,061.31	255,000.00	256,965.85	255,000.00	263,307.56
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes	12,938,572.00	13,978,669.64	12,710,047.00	13,734,964.44	12,448,999.00	13,600,178.04
Local Tax for Municipal Library	998,553.00	998,553.00	960,953.00	960,953.00	955,328.00	955,328.00
Nonbudget Revenue		394,208.74		124,853.24		177,132.22
	<u>\$ 26,218,839.00</u>	<u>\$ 27,882,732.10</u>	<u>\$ 20,895,032.71</u>	<u>\$ 22,114,772.84</u>	<u>\$ 20,381,435.83</u>	<u>\$ 21,646,943.65</u>

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

TOWNSHIP OF PEQUANNOCK

B-62020

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

TOWNSHIP OF PEQUANNOCK
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 29,837.35	\$ 22,267.71	\$ 19,120.02
	<u>29,837.35</u>	<u>22,267.71</u>	<u>19,120.02</u>
Other Trust Funds:			
Cash and Cash Equivalents	2,747,123.02	2,325,596.15	1,916,721.42
Due From Recreation Utility Operating Fund		10,106.00	
Grants Receivable - FEMA Elevation	247,591.78	16,566.88	2,144,202.92
	<u>2,994,714.80</u>	<u>2,352,269.03</u>	<u>4,060,924.34</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	597,326.01	467,720.06	545,983.20
Due From Current Fund	404.91		27.10
	<u>597,730.92</u>	<u>467,720.06</u>	<u>546,010.30</u>
 TOTAL ASSETS	 <u>\$ 3,622,283.07</u>	 <u>\$ 2,842,256.80</u>	 <u>\$ 4,626,054.66</u>
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due Current Fund	\$ 14.77	\$ 1.11	\$ 3.24
Due State of New Jersey	711.40	10.80	81.60
Reserve for Animal Control Expenditures	17,240.18	9,361.80	7,115.18
Prepaid Dog Licenses - Municipal Fees	11,264.40	12,210.00	11,294.80
Prepaid Dog Licenses - State Fees	606.60	684.00	625.20
	<u>\$ 29,837.35</u>	<u>\$ 22,267.71</u>	<u>\$ 19,120.02</u>

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

TOWNSHIP OF PEQUANNOCK
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
Other Trust Funds:			
Due Current Fund	\$ 937.46	\$ 156.73	180.21
Due to General Capital Fund	247,591.78	16,566.88	1,759,202.92
Due to Sewer Utility Capital Fund			385,000.00
Due to Interlocal Towns	20,427.00	39,447.00	38,377.00
Reserve for:			
Developers Deposits - Affordable Housing	101,785.11	53,919.12	53,644.00
Developers Deposits - Escrow	1,029,261.24	947,163.31	213,021.30
Environmental Donations			
Unemployment Insurance Fund	142,040.57	132,611.25	115,866.42
Tax Sale Premiums	289,617.22	217,432.19	142,582.09
Youth Development	27,776.49	27,990.68	21,929.75
Refundable Permits	34,033.53	33,985.37	33,957.34
Sewer Line			107,585.79
Storm Recovery	229,845.08	229,067.30	204,775.17
Insurance Refund	488,223.59	487,122.68	82,053.15
Parking Offenses Adjudication Act	798.47	802.56	800.74
Recreation	282,151.65	63,485.17	
FEMA Elevation Escrow	40.00	40.00	936.26
Self Insurance			797,028.82
Fire Safety	12,360.91	12,319.06	12,290.92
Payroll Section 125 Trust	6,091.96	6,969.65	7,065.09
Public Defender	56,649.77	57,862.32	59,357.48
Dial-A-Ride (D.A.R.) Bequests	25,082.97	25,327.76	25,269.89
	<u>2,994,714.80</u>	<u>2,352,269.03</u>	<u>4,060,924.34</u>
Open Space Trust Fund:			
Due To Current Fund		5.36	
Due To Federal & State Grant Fund	4,723.00		83,083.00
Reserve for Open Space Expenditures	593,007.92	467,714.70	462,927.30
	<u>597,730.92</u>	<u>467,720.06</u>	<u>546,010.30</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 3,622,283.07</u>	<u>\$ 2,842,256.80</u>	<u>\$ 4,626,054.66</u>

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

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

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 6,087,680.99	\$ 7,480,167.17	\$ 4,526,002.36
Investments	250,000.00		
FEMA Grants Receivable:			
Flood Mitigation	7,002,049.00	7,685,133.00	8,891,225.00
Due from:			
Other Trust Fund	247,591.78	16,566.88	1,759,202.92
Recreation Utility Capital Fund		53,947.00	58,947.08
Deferred Charges to Future Taxation:			
Unfunded	7,937,127.60	14,736,081.60	11,360,081.60
TOTAL ASSETS	<u>\$ 21,524,449.37</u>	<u>\$ 29,971,895.65</u>	<u>\$ 26,595,458.96</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	3,752,000.00	5,200,000.00	5,390,000.00
Due to Current Fund		638.00	1,135.63
Improvement Authorizations:			
Funded	1,812,810.59	1,553,977.28	1,250,634.47
Unfunded	7,101,404.00	8,742,659.50	9,204,791.41
Due to Current Fund	3,890.62		
Capital Improvement Fund	512,710.30	360,995.30	260,436.88
Reserve for:			
DPW Equipment		12,000.00	70,500.00
Data Processing /Office Equipment			35,000.00
Road Resurfacing			20,000.00
Vehicle Replacement			188,824.00
Fire Apparatus	945,398.00	775,000.00	625,000.00
Flood Control Improvements	81,000.00	143,000.00	168,000.00
FEMA Flood Mitigation Grant Receivables	7,002,049.00	7,685,133.00	8,891,225.00
FEMA Administrative Cost	61,030.53	83,041.68	
Payment of Debt Service		5,200,820.00	324,041.00
Fund Balance	252,156.33	214,630.89	165,870.57
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 21,524,449.37</u>	<u>\$ 29,971,895.65</u>	<u>\$ 26,595,458.96</u>

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

TOWNSHIP OF PEQUANNOCK
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance January 1,	\$ 214,630.89	\$ 165,870.57	\$ 108,623.51
Increased by:			
Improvement Authorizations Canceled		10,951.54	28,148.62
Premium on Bond Anticipation Notes Issued	36,705.44	37,808.78	84,397.73
Cancellation of Reserve for Payment of Debt Service	<u>820.00</u>		<u>0.71</u>
	37,525.44	48,760.32	112,547.06
Decrease by:			
Appropriated to Finance Improvement Authorizations			<u>55,300.00</u>
Balance December 31,	<u><u>\$ 252,156.33</u></u>	<u><u>\$ 214,630.89</u></u>	<u><u>\$ 165,870.57</u></u>

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

TOWNSHIP OF PEQUANNOCK
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 1,946,336.18	\$ 1,606,222.70	\$ 1,350,818.34
Change Fund	60.00	60.00	60.00
	<u>1,946,396.18</u>	<u>1,606,282.70</u>	<u>1,350,878.34</u>
Due from Sewer Operating Fund	181,800.20	104,723.03	84,282.24
Due from Water Utility Capital Fund	164.41	21.40	10.43
Due from Current Fund			18.44
	<u>181,964.61</u>	<u>104,744.43</u>	<u>84,311.11</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	<u>883,571.78</u>	<u>806,052.41</u>	<u>769,615.88</u>
Total Receivables with Full Reserves	<u>883,571.78</u>	<u>806,052.41</u>	<u>769,615.88</u>
Total Operating Fund	<u>3,011,932.57</u>	<u>2,517,079.54</u>	<u>2,204,805.33</u>
Assessment Trust Fund:			
Prospective Assessment Funded (Ordinance 2014-29)	<u>260,000.00</u>	<u>260,000.00</u>	<u>260,000.00</u>
Total Assessment Trust Fund	<u>260,000.00</u>	<u>260,000.00</u>	<u>260,000.00</u>
Capital Fund:			
Cash and Cash Equivalents	257,352.40	251,599.38	24,564.26
Due from Current Fund			17,000.00
Fixed Capital	18,583,652.01	18,487,245.43	15,416,131.96
Fixed Capital Authorized and Uncompleted	<u>5,290,921.06</u>	<u>599,535.67</u>	<u>6,178,535.67</u>
Total Capital Fund	<u>24,131,925.47</u>	<u>19,338,380.48</u>	<u>21,636,231.89</u>
TOTAL ASSETS	<u>\$ 27,403,858.04</u>	<u>\$ 22,115,460.02</u>	<u>\$ 24,101,037.22</u>

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

TOWNSHIP OF PEQUANNOCK
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2022	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 352,323.51	\$ 141,261.97	\$ 94,748.15
Encumbered	229,353.42	458,585.22	121,560.91
	<u>581,676.93</u>	<u>599,847.19</u>	<u>216,309.06</u>
Due to Solid Waste Utility Operating Fund		9.95	173.92
Accounts Payable	394,919.00	347.59	9,710.00
Accrued Interest on Bonds	72,857.56	75,977.35	152,000.00
	<u>1,049,453.49</u>	<u>676,182.08</u>	<u>378,192.98</u>
Reserve for Receivables	883,571.78	806,052.41	769,615.88
Fund Balance	1,078,907.30	1,034,845.05	1,056,996.47
	<u>3,011,932.57</u>	<u>2,517,079.54</u>	<u>2,204,805.33</u>
Total Operating Fund			
Assessment Trust Fund:			
Reserve for Prospective Assessments Unfunded	<u>260,000.00</u>	<u>260,000.00</u>	<u>260,000.00</u>
Total Assessment Trust Fund	<u>260,000.00</u>	<u>260,000.00</u>	<u>260,000.00</u>
Capital Fund:			
Serial Bonds Payable	6,490,000.00	6,440,000.00	6,640,000.00
Improvement Authorizations:			
Funded	94,085.12	201,695.47	2,774,267.12
Unfunded	4,810,000.00	275,535.67	275,535.67
Due to Water Operating Fund	164.41	21.40	10.43
Capital Improvement Fund	153,050.04	118,749.09	127,978.34
Reserve for Payment of Debt Service	231,950.66	231,950.66	4,125.61
Reserve for Amortization	12,008,157.55	11,671,750.97	11,394,637.50
Deferred Reserve for Amortization	259,385.39	318,000.00	339,000.00
Fund Balance	<u>85,132.30</u>	<u>80,677.22</u>	<u>80,677.22</u>
Total Capital Fund	<u>24,131,925.47</u>	<u>19,338,380.48</u>	<u>21,636,231.89</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 27,403,858.04</u>	<u>\$ 22,115,460.02</u>	<u>\$ 24,101,037.22</u>

TOWNSHIP OF PEQUANNOCK
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2022	2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 285,000.00	\$ 285,142.00	\$ 176,500.00
Water Rents	3,351,974.99	3,143,494.09	3,154,539.97
Miscellaneous Revenue Anticipated	32,187.18	23,002.86	42,222.84
Water Rents - Rate Increase	35,000.00	42,000.00	67,295.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	132,552.49	119,129.76	257,864.68
Accounts Payable Cancelled	347.59	8,000.00	
Cancellation of Accrued Interest on Notes			39,436.95
Total Income	3,837,062.25	3,620,768.71	3,737,859.44
<u>Expenditures</u>			
Operating	2,814,713.01	2,630,093.00	2,328,559.00
Capital Improvements	76,548.00	205,000.00	105,000.00
Debt Service	362,648.99	297,746.13	152,000.00
Deferred Charges and Statutory Expenditures	254,090.00	224,939.00	216,236.00
Total Expenditures	3,508,000.00	3,357,778.13	2,801,795.00
Excess in Revenues/Statutory Excess to Fund Balance	329,062.25	262,990.58	936,064.44
<u>Fund Balance</u>			
Balance January 1	1,034,845.05	1,056,996.47	297,432.03
	1,363,907.30	1,319,987.05	1,233,496.47
Decreased by:			
Utilized as Anticipated Revenue:			
Water Utility Operating Budget	285,000.00	285,142.00	176,500.00
Balance December 31	\$ 1,078,907.30	\$ 1,034,845.05	\$ 1,056,996.47

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

TOWNSHIP OF PEQUANNOCK
WATER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance January 1,	\$ 80,677.22	\$ 80,677.22	\$ 60,677.22
Increased by:			
Improvement Authorizations Cancelled	4,455.08		
Water Assessment Collected			3,000.00
Water Assessment Collected - Due from Current Fund			17,000.00
	<u>4,455.08</u>		<u>20,000.00</u>
Balance December 31,	<u>\$ 85,132.30</u>	<u>\$ 80,677.22</u>	<u>\$ 80,677.22</u>

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

TOWNSHIP OF PEQUANNOCK
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2022		2021		2020	
	Budget	Realized	Budget	Realized	Budget	Realized
Operating Fund Balance Anticipated	\$ 285,000.00	\$ 285,000.00	\$ 285,142.00	\$ 285,142.00	\$ 176,500.00	\$ 176,500.00
Water Rents	3,165,000.00	3,351,974.99	3,100,890.00	3,143,494.09	2,600,000.00	3,154,539.97
Miscellaneous Revenue	23,000.00	32,187.18	25,000.00	23,002.86	25,000.00	42,222.84
Water Rents - Rate Increase	35,000.00	35,000.00	42,000.00	42,000.00	67,295.00	67,295.00
	<u>\$ 3,508,000.00</u>	<u>\$ 3,704,162.17</u>	<u>\$ 3,453,032.00</u>	<u>\$ 3,493,638.95</u>	<u>\$ 2,868,795.00</u>	<u>\$ 3,440,557.81</u>

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

TOWNSHIP OF PEQUANNOCK
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,				2020			
	2022		2021		2020		2020	
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Unexpended Balance Cancelled
Operating:								
Salaries and Wages	\$ 860,300.00	\$ 664,724.80	\$ 195,575.20	\$ 784,700.00	\$ 665,627.12	\$ 49,072.88	\$ 760,610.00	
Other Expenses	1,935,063.01	1,787,989.70	147,073.31	1,935,393.00	1,823,203.91	92,189.09	1,567,949.00	\$ 64,320.52
Salary Adjustments	19,350.00	9,675.00	9,675.00					21,483.85
Capital Improvements:								
Capital Improvement Fund	76,548.00	76,548.00		205,000.00	205,000.00		55,000.00	
Capital Outlay							50,000.00	8,943.78
Debt Service:								
Interest on Bonds	200,000.00	200,000.00		200,000.00	200,000.00		152,000.00	
Interest on Notes	162,648.99	162,648.99		103,000.00	97,746.13		67,000.00	67,000.00
Deferred Charges:								
Ordinance 2007-14	40,000.00	40,000.00		40,000.00	40,000.00		40,000.00	
Statutory Expenditures:								
Public Employees' Retirement System	114,030.00	114,030.00		88,849.00	88,849.00		83,036.00	
Contribution to Social Security System (O.A.S.I.)	65,820.00	65,820.00		63,090.00	63,090.00		61,250.00	
Paid Time Off (PTO) Buyback	32,240.00	32,240.00		31,000.00	31,000.00		30,000.00	
Unemployment Compensation Insurance	2,000.00	2,000.00		2,000.00	2,000.00		1,950.00	
	\$ 3,508,000.00	\$ 3,155,676.49	\$ 352,323.51	\$ 3,453,032.00	\$ 3,216,516.16	\$ 141,261.97	\$ 2,868,795.00	\$ 94,748.15
							\$ 2,707,046.85	\$ 67,000.00

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

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

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	\$ 1,115,787.26	\$ 1,014,045.61	\$ 993,387.25
Due from Sewer Utility Capital Fund	1,982.95	259.18	635.55
Due Sewer Utility Assessment Fund	1,055.88	105.81	211.35
Due from Current Fund	12,417.87	19,900.51	21,591.98
	15,456.70	20,265.50	22,438.88
Receivables with Full Reserves:			
Consumer Accounts Receivable	935,052.43	980,092.12	884,121.81
Total Receivables with Full Reserves	935,052.43	980,092.12	884,121.81
Total Operating Fund	2,066,296.39	2,014,403.23	1,899,947.94
Assessment Trust Fund:			
Cash and Cash Equivalents	1,662,697.12	1,248,125.69	834,367.27
Assessments Receivable	2,293,448.29	2,864,414.09	3,600,986.71
Assessments Liens Receivable	110,143.85	110,143.85	112,608.85
Due Current Fund	70,971.10	163,626.66	88,453.00
Prospective Assessments Funded	4,600,000.00	4,600,000.00	4,600,000.00
Total Assessment Trust Fund	8,737,260.36	8,986,310.29	9,236,415.83
Capital Fund:			
Cash and Cash Equivalents	3,113,631.20	3,049,760.58	2,498,274.86
Due Other Trust Funds			385,000.00
Fixed Capital	31,049,668.65	31,049,668.65	31,049,668.65
Fixed Capital Authorized and Uncompleted	6,155,000.00	6,155,000.00	6,155,000.00
Total Capital Fund	40,318,299.85	40,254,429.23	40,087,943.51
TOTAL ASSETS	\$ 51,121,856.60	\$ 51,255,142.75	\$ 51,224,307.28

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

TOWNSHIP OF PEQUANNOCK
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2022	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 41,555.38	\$ 19,300.37	\$ 34,722.54
Encumbered	8,963.01	12,136.09	347.60
	<u>50,518.39</u>	<u>31,436.46</u>	<u>35,070.14</u>
Due to Water Utility Operating Fund	181,800.20	104,723.03	84,282.24
Due Solid Waste Utility Operating Fund	388,834.92	384,448.53	324,016.52
Accrued Interest on Bonds	159,871.88	171,312.47	183,603.99
Reserve for Maintenance Bond		5,000.00	5,000.00
	<u>781,025.39</u>	<u>696,920.49</u>	<u>631,972.89</u>
Reserve for Receivables	935,052.43	980,092.12	884,121.81
Fund Balance	<u>350,218.57</u>	<u>337,390.62</u>	<u>383,853.24</u>
Total Operating Fund	<u>2,066,296.39</u>	<u>2,014,403.23</u>	<u>1,899,947.94</u>
Assessment Trust Fund:			
Due Sewer Utility Operating Fund	1,055.88	105.81	211.35
Reserve for Prospective Assessments Funded	4,600,000.00	4,600,000.00	4,600,000.00
Reserve for Assessments and Liens	2,403,592.14	2,974,557.94	3,713,595.56
Fund Balance	<u>1,732,612.34</u>	<u>1,411,646.54</u>	<u>922,608.92</u>
Total Assessment Trust Fund	<u>8,737,260.36</u>	<u>8,986,310.29</u>	<u>9,236,415.83</u>
Capital Fund:			
Serial Bonds Payable	17,415,000.00	18,795,000.00	20,130,000.00
Improvement Authorizations:			
Funded	3,441,083.73	3,509,968.88	3,641,991.79
Unfunded	2,100,000.00	2,100,000.00	2,100,000.00
Capital Improvement Fund		105,685.20	53,685.20
Due Sewer Utility Operating Fund	1,982.95	259.18	635.55
Reserve for Amortization	17,196,905.83	15,685,873.83	14,103,988.83
Deferred Reserve for Amortization	55,000.00	55,000.00	55,000.00
Fund Balance	<u>108,327.34</u>	<u>2,642.14</u>	<u>2,642.14</u>
Total Capital Fund	<u>40,318,299.85</u>	<u>40,254,429.23</u>	<u>40,087,943.51</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 51,121,856.60</u>	<u>\$ 51,255,142.75</u>	<u>\$ 51,224,307.28</u>

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

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

	Year Ended December 31,		
	2022	2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 151,000.00	\$ 150,143.00	\$ 307,800.00
Sewer User Charges	4,163,638.83	3,829,029.34	2,994,772.56
Miscellaneous Revenue Anticipated	141,685.60	279,969.07	234,705.57
Sewer Assessment Surplus	250,000.00	250,000.00	650,000.00
Sewer Rents - New Users	30,000.00	359,970.00	900,765.00
American Rescue Plan Grant	220,000.00		
Other Credits to Income:			
Cancelled Accounts Payable	5,000.00		
Unexpended Balance of Appropriation Reserves	17,820.45	34,946.97	14,395.76
Total Income	4,979,144.88	4,904,058.38	5,102,438.89
<u>Expenditures</u>			
Operating	2,531,893.00	2,340,413.00	2,534,317.00
Capital Improvements		52,000.00	55,000.00
Capital Outlay		10,000.00	
Debt Service	2,044,871.93	2,053,421.00	2,051,163.00
Deferred Charges and Statutory Expenditures	238,552.00	344,544.00	393,085.00
Refund of Prior Year Revenue			1,155.98
Total Expenditures	4,815,316.93	4,800,378.00	5,034,720.98
Excess in Revenues/Statutory Excess to Fund Balance	163,827.95	103,680.38	67,717.91
<u>Fund Balance</u>			
Balance January 1	337,390.62	383,853.24	623,935.33
	501,218.57	487,533.62	691,653.24
Decreased by:			
Utilized as Anticipated Revenue:			
Sewer Utility Operating Budget	151,000.00	150,143.00	307,800.00
Balance December 31	\$ 350,218.57	\$ 337,390.62	\$ 383,853.24

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

TOWNSHIP OF PEQUANNOCK
SEWER UTILITY ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2022	2021	2020
Balance January 1,	\$ 1,411,646.54	\$ 922,608.92	\$ 813,844.86
Increased by:			
Collection of Unpledged Assessments	570,965.80	739,037.62	758,764.06
	<u>1,982,612.34</u>	<u>1,661,646.54</u>	<u>1,572,608.92</u>
Decreased by:			
Surplus Anticipated in Sewer Utility Operating Fund	250,000.00	250,000.00	650,000.00
	<u>250,000.00</u>	<u>250,000.00</u>	<u>650,000.00</u>
Balance December 31,	<u><u>\$ 1,732,612.34</u></u>	<u><u>\$ 1,411,646.54</u></u>	<u><u>\$ 922,608.92</u></u>

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

TOWNSHIP OF PEQUANNOCK
SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance December 31,	\$ 2,642.14	\$ 2,642.14	\$ 2,642.14
Increased by:			
Cancellation of Capital Improvement Fund	<u>105,685.20</u>	<u></u>	<u></u>
Balance December 31,	<u>\$ 108,327.34</u>	<u>\$ 2,642.14</u>	<u>\$ 2,642.14</u>

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

TOWNSHIP OF PEQUANNOCK
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2022		2021		2020	
	Budget	Realized	Budget	Realized	Budget	Realized
Fund Balance Anticipated	\$ 151,000.00	\$ 151,000.00	\$ 150,143.00	150,143.00	\$ 307,800.00	307,800.00
Sewer Service Charges	4,000,000.00	4,163,638.83	3,895,265.00	3,829,029.34	3,000,000.00	2,994,772.56
Miscellaneous	175,000.00	141,685.60	175,000.00	279,969.07	175,000.00	234,705.57
Sewer Assessment Surplus	250,000.00	250,000.00	250,000.00	250,000.00	650,000.00	650,000.00
American Rescue Plan Grant	220,000.00	220,000.00				
Rate Increase	30,000.00	30,000.00	359,970.00	359,970.00	900,765.00	900,765.00
Grand Total	\$ 4,826,000.00	\$ 4,956,324.43	\$ 4,830,378.00	\$ 4,869,111.41	\$ 5,033,565.00	\$ 4,780,243.13

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

TOWNSHIP OF PEQUANNOCK
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,					
	2022			2021		
	Budget After Modification	Paid or Charged	Unexpended Balance Cancelled	Budget After Modification	Paid or Charged	Unexpended Balance Cancelled
Operating:						
Salaries and Wages	\$ 154,400.00	\$ 129,124.60	\$ 25,275.40	\$ 360,200.00	\$ 330,527.46	\$ 23,800.00
Other Expenses	385,215.00	369,935.02	15,279.98	375,627.00	365,999.17	6,200.00
Two Bridges Sewerage Authority	1,765,598.00	1,764,598.00	1,000.00	1,634,586.00	1,634,586.00	
Salaries and Wages - American Rescue Plan	220,000.00	220,000.00				
Salary Adjustments	13,360.00	6,680.00	6,680.00			
Capital Improvements:						
Capital Outlay				10,000.00		
Capital Improvement Fund				52,000.00		
Debt Service:						
Payment of Bond Principal	1,380,000.00	1,380,000.00		1,335,000.00		
Interest on Bonds	664,875.00	664,871.93	3.07	718,421.00		
Deferred Charges and Statutory Expenditures:						
Deferred Charges to Future Revenue						
Ordinance 2006-14	131,032.00	131,032.00		246,885.00		
Statutory Expenditures:						
Public Employees' Retirement System	49,630.00	45,630.00	4,000.00	38,103.00		
Contribution to Social Security System (O.A.S.I.)	28,650.00	28,650.00		27,556.00		
Unemployment Compensation Insurance	1,000.00	1,000.00		1,000.00		
Paid Time Off (PTO) Buyback	32,240.00	32,240.00		31,000.00		
	\$ 4,856,000.00	\$ 4,773,761.55	\$ 10,683.07	\$ 4,830,378.00	\$ 4,781,077.63	\$ 30,000.00
			\$ 41,555.38		\$ 19,300.37	
						\$ 5,033,565.00
						\$ 4,998,842.46
						\$ 33,450.54
						\$ -

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

TOWNSHIP OF PEQUANNOCK
SOLID WASTE UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 263,342.03	\$ 253,469.74	\$ 248,062.56
Due Water Utility Operating Fund		9.95	173.92
Due Sewer Utility Operating Fund	388,834.92	384,448.53	324,016.52
	<u>652,176.95</u>	<u>637,928.22</u>	<u>572,253.00</u>
Receivables and Other Assets With Full Reserves:			
Consumer Accounts Receivable	211,662.96	144,778.33	124,626.14
	<u>211,662.96</u>	<u>144,778.33</u>	<u>124,626.14</u>
Total Operating Fund	<u>863,839.91</u>	<u>782,706.55</u>	<u>696,879.14</u>
 TOTAL ASSETS	 <u>\$ 863,839.91</u>	 <u>\$ 782,706.55</u>	 <u>\$ 696,879.14</u>

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

TOWNSHIP OF PEQUANNOCK
SOLID WASTE UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2022	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 151,059.75	\$ 83,274.69	\$ 58,575.96
Encumbered	127,520.65	148,710.72	86,645.15
	<u>278,580.40</u>	<u>231,985.41</u>	<u>145,221.11</u>
Reserve for Street Sweeper	118,000.00	59,000.00	
Reserve for Receivables	211,662.96	144,778.33	124,626.14
Fund Balance	<u>255,596.55</u>	<u>346,942.81</u>	<u>427,031.89</u>
Total Operating Fund	<u>863,839.91</u>	<u>782,706.55</u>	<u>696,879.14</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 863,839.91</u>	 <u>\$ 782,706.55</u>	 <u>\$ 696,879.14</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT
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TOWNSHIP OF PEQUANNOCK
SOLID WASTE UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2022	2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 170,080.00	\$ 161,970.00	\$ 272,895.00
User Fees	1,965,775.78	1,672,882.83	1,734,903.26
Miscellaneous Revenue	12,432.57	10,677.23	13,797.39
Recycling Tonnage Grant	24,353.00	24,289.40	23,448.00
Interlocal Agreement Fees	49,317.00	47,933.00	
Rate Increase	40,000.00	316,658.00	
Other Credits to Incomes:			
Other Credits to Income:			
Cancellation of Reserve for Recycling Tonnage Grant			
Cancellation of Prior Year Accounts Payable			
Unexpended Balance of Appropriation Reserves	91,125.39	21,095.86	43,000.85
Total Income	2,353,083.74	2,255,506.32	2,088,044.50
<u>Expenditures</u>			
Operating	2,128,230.00	2,020,908.40	1,876,143.00
Capital Improvements	59,000.00	77,925.00	45,000.00
Deferred Charges and Statutory Expenditures	87,120.00	74,792.00	70,975.00
Total Expenditures	2,274,350.00	2,173,625.40	1,992,118.00
Statutory Excess to Fund Balance	78,733.74	81,880.92	95,926.50
<u>Fund Balance</u>			
Balance January 1	346,942.81	427,031.89	604,000.39
	425,676.55	508,912.81	699,926.89
Decreased by:			
Utilized as Anticipated Revenue:			
Utilized as Anticipated Revenue	170,080.00	161,970.00	272,895.00
Balance December 31	\$ 255,596.55	\$ 346,942.81	\$ 427,031.89

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

TOWNSHIP OF PEQUANNOCK
SOLID WASTE UTILITY FUND
STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2022		2021		2020	
	Budget	Realized	Budget	Realized	Budget	Realized
Operating Fund Balance Anticipated	\$ 170,080.00	\$ 170,080.00	\$ 161,970.00	\$ 161,970.00	\$ 272,895.00	\$ 272,895.00
User Fees	1,980,000.00	1,965,775.78	1,685,000.00	1,672,882.83	1,685,000.00	1,734,903.26
Miscellaneous Revenue	10,600.00	12,432.57	10,775.00	10,677.23	10,775.00	13,797.39
Recycling Tonnage Grant	24,353.00	24,353.00	24,289.40	24,289.40	23,448.00	23,448.00
Rate Increase	40,000.00	40,000.00	316,658.00	316,658.00		
Board of Education - Interlocal Agreement	49,317.00	49,317.00	47,933.00	47,933.00		
	<u>\$ 2,274,350.00</u>	<u>\$ 2,261,958.35</u>	<u>\$ 2,246,625.40</u>	<u>\$ 2,234,410.46</u>	<u>\$ 1,992,118.00</u>	<u>\$ 2,045,043.65</u>

TOWNSHIP OF PEQUANNOCK
SOLID WASTE/UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,					
	2022			2021		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operating:						
Salaries and Wages	\$ 254,820.00	\$ 162,912.27	\$ 91,907.73	\$ 245,500.00	\$ 180,943.68	\$ 34,556.32
Other Expenses	1,843,397.00	1,787,074.98	56,322.02	1,823,044.00	1,732,400.63	48,718.37
Salary Adjustments	5,660.00	2,830.00	2,830.00			
Capital Improvements:						
Capital Improvement Fund						
Reserve for Street Sweeper	59,000.00	59,000.00		59,000.00	59,000.00	
Capital Outlay				20,000.00	18,925.00	
Statutory Expenditures:						
Public Employees' Retirement System	33,780.00	33,780.00		23,407.00	23,407.00	
Contribution to Social Security System (O.A.S.I.)	19,500.00	19,500.00		18,785.00	18,785.00	
Unemployment Compensation Insurance	1,600.00	1,600.00		1,600.00	1,600.00	
Paid Time Off (PTO) Buyback	32,240.00	32,240.00		31,000.00	31,000.00	
Public & Private Programs Offset by Revenue:						
Recycling Tonnage Grant (N.J.S.A. 40A:4-87, + \$24,289.40)	24,353.00	24,353.00		24,289.40	24,289.40	
	<u>\$ 2,274,350.00</u>	<u>\$ 2,123,290.25</u>	<u>\$ 151,059.75</u>	<u>\$ 2,246,625.40</u>	<u>\$ 2,090,350.71</u>	<u>\$ 83,274.69</u>
					<u>\$ 73,000.00</u>	<u>\$ 1,933,542.04</u>
						<u>\$ 58,575.96</u>

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

TOWNSHIP OF PEQUANNOCK
RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents		\$ 215,225.42	\$ 121,388.53
Due Recreation Utility Capital Fund		0.05	0.56
		215,225.47	121,389.09
Deferred Charges:			
Special Emergency Authorization		208,565.00	208,565.00
Total Operating Fund		423,790.47	329,954.09
Capital Fund:			
Cash and Cash Equivalents		536.88	2,185.80
Fixed Capital		254,947.08	254,947.08
Total Capital Fund		255,483.96	257,132.88
TOTAL ASSETS	\$ -0-	\$ 679,274.43	\$ 587,086.97

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

TOWNSHIP OF PEQUANNOCK
RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2022	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered		\$ 542.46	\$ 3,942.18
Unencumbered		5,600.00	203,764.74
		6,142.46	207,706.92
Due Recreation Trust Fund		10,106.00	
Accrued Interest on Notes		345.60	732.33
Fund Balance		407,196.41	121,514.84
Total Operating Fund		423,790.47	329,954.09
Capital Fund:			
Bond Anticipation Notes Payable		74,500.00	81,000.00
Due General Capital Fund		53,947.00	58,947.08
Due Recreation Utility Operating Fund		0.05	0.56
Reserve for Payment of Debt Service			900.00
Reserve for Amortization		126,500.08	115,000.00
Fund Balance		536.83	1,285.24
Total Capital Fund		255,483.96	257,132.88
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ -0-	\$ 679,274.43	\$ 587,086.97

TOWNSHIP OF PEQUANNOCK
RECREATION UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2022	2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 336,950.17		\$ 44,300.00
Recreation User Fees		\$ 237,920.00	131,646.32
Recreation Activity Fees		91,798.50	134,728.00
Miscellaneous		2,222.16	810.59
Capital Fund Balance Anticipated	536.83	1,285.00	8,898.68
Reserve for Payment of Debt Service		900.00	
Rate Increase - PV Park			36,000.00
Other Credits to Income:			
Cancellation of Reserve for Future Recreation Programs			110.00
Unexpended Balance of Appropriation Reserves	6,142.46	206,789.17	42,748.14
Total Income	343,629.46	540,914.83	399,241.73
<u>Expenditures</u>			
Operating		231,370.00	470,053.00
Debt Service	74,899.40	7,733.26	25,772.06
Deferred Charges and Statutory Expenditures	262,512.00	16,130.00	31,945.00
Other Expenditures:			
Dissolution of Recreation Utility Balance to Recreation Trust	76,464.30		
Total Expenditures	413,875.70	255,233.26	527,770.06
Excess/Deficit in Revenues	(70,246.24)	285,681.57	(128,528.33)
Adjustments to Excess Before Fund Balance:			
Included Above Which is by Statute a Deferred Charge to Budgets of Succeeding Years			208,565.00
Statutory Excess to Surplus	(70,246.24)	285,681.57	80,036.67
<u>Fund Balance</u>			
Balance January 1	407,196.41	121,514.84	85,778.17
	336,950.17	407,196.41	165,814.84
Decreased by:			
Utilized as Anticipated Revenue:	336,950.17		44,300.00
Balance December 31	\$ (0.00)	\$ 407,196.41	\$ 121,514.84

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

TOWNSHIP OF PEQUANNOCK
RECREATION UTILITY FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,		
	2022	2021	2020
Balance January 1,	\$ 536.83	\$ 1,285.24	\$ 2,398.68
Increased by:			
Bond Anticipation Note Premium		536.83	1285.24
Cancelled from Capital Improvement Fund			6,500.00
Decrease by:			
Cancel to Recreation Utility Operating Fund		0.24	
Recreation Utility Operating Fund Anticipated Revenue	536.83	1,285.00	8898.68
Balance December 31	<u>\$ 0.00</u>	<u>\$ 536.83</u>	<u>\$ 1,285.24</u>

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

TOWNSHIP OF PEQUANNOCK
RECREATION UTILITY FUND
STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2022		2021		2020	
	Budget	Realized	Budget	Realized	Budget	Realized
Operating Fund Balance Anticipated	\$ 336,950.17	\$ 336,950.17			\$ 44,300.00	\$ 44,300.00
Recreation User Fees			\$ 170,728.00	\$ 237,920.00	180,000.00	131,646.32
Recreation Activity Fees			100,000.00	91,798.50	288,050.00	134,728.00
Miscellaneous			700.00	2,222.16	1,550.00	810.59
Capital Fund Balance					8,898.00	8,898.68
Rate Increase - PV Park	536.83	536.83	1,285.00	1,285.00	36,000.00	36,000.00
Reserve for Payment of Debt Service			900.00	900.00		
	<u>\$ 337,487.00</u>	<u>\$ 337,487.00</u>	<u>\$ 273,613.00</u>	<u>\$ 334,125.66</u>	<u>\$ 558,798.00</u>	<u>\$ 356,383.59</u>

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

For the Years Ended December 31,

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

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

	December 31,		
	2022	2021	2020
<u>ASSETS</u>			
Land	\$ 39,253,222.00	\$ 39,253,222.00	\$ 39,368,223.00
Building and Improvements	3,245,027.00	2,930,052.00	2,765,517.00
Improvements Other than Buildings	2,052,498.00	2,026,943.00	1,814,553.00
Machinery and Equipment	7,546,769.00	7,394,934.00	7,393,776.00
<u>TOTAL ASSETS</u>	<u>\$ 52,097,516.00</u>	<u>\$ 51,605,151.00</u>	<u>\$ 51,342,069.00</u>
<u>RESERVE</u>			
Investment in General Fixed Assets	\$ 52,097,516.00	\$ 51,605,151.00	\$ 51,342,069.00
<u>TOTAL RESERVE</u>	<u>\$ 52,097,516.00</u>	<u>\$ 51,605,151.00</u>	<u>\$ 51,342,069.00</u>

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Pequannock include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Pequannock, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Pequannock do not include the operations of the municipal library, volunteer fire department, or first aid squad.

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

B. Description of Funds

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

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

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

B. Description of Funds (cont'd)

Water Utility Operating, Assessment and Capital Funds - Account for the operations, resources and expenditures for payment of assessment debt and acquisition of capital facilities of the municipally owned Water Utility.

Sewer Utility Operating, Assessment and Capital Funds - Account for the operations, resources and expenditures for payment of assessment debt and acquisition of capital facilities of the municipally owned sewer utility.

Solid Waste Utility Operating Fund – is used to account for garbage collection and recycling operations of the Township.

Recreation Utility Operating and Capital Funds – Account for collections of fees and operation of recreational services of the Township. The Capital Fund is used to account for financial resources to be used for the acquisition of recreation utility capital facilities. These funds were dissolved as of December 31, 2022, See Note 19 for further details.

General Fixed Assets Account Group- Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E “General Fixed Assets”.

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

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

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

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

C. Basis of Accounting (Cont'd)

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

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

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

E. Other Significant Accounting Policies

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

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

Investments – Investments are stated at cost.

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

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

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

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

E. Other Significant Accounting Policies (Cont'd)

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

General Fixed Assets - In accordance with New Jersey Administrative Code Accounting Requirements, as promulgated by Division of Local Government Services, General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost as estimated by the independent appraisal company which conducted the inventory of the Township's assets. Infrastructure assets are not included in general fixed assets; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

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

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

(Continued)

Note 2: Long-Term Debt

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

Summary of Municipal Debt

	December 31,		
	2022	2021	2020
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 3,752,000.00	\$ 5,200,000.00	\$ 5,390,000.00
Water Utility:			
Bonds and Notes	6,490,000.00	6,440,000.00	6,640,000.00
Sewer Utility:			
Bonds and Notes	17,415,000.00	18,795,000.00	20,130,000.00
Recreation Utility:			
Bonds and Notes		74,500.00	81,000.00
Total Issued	<u>27,657,000.00</u>	<u>30,509,500.00</u>	<u>32,241,000.00</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	4,185,127.60	9,536,081.60	5,970,081.60
Water Utility:			
Bonds and Notes	5,117,030.13	657,030.13	3,221,030.13
Sewer Utility:			
Bonds and Notes	2,537,762.82	2,668,794.82	2,915,679.82
Recreation Utility:			
Bonds and Notes		53,947.00	58,947.48
Total Authorized but not Issued	<u>11,839,920.55</u>	<u>12,915,853.55</u>	<u>12,165,739.03</u>
Less:			
Funds Temporarily Held to			
Pay Bonds and Notes			
FEMA Grant Receivable	7,002,049.00	7,685,133.00	8,891,225.00
Reserve to Pay Debt Service:			
General		5,200,820.00	324,041.00
Water Utility	231,950.66	231,950.66	4,125.61
	<u>7,233,999.66</u>	<u>13,117,903.66</u>	<u>9,219,391.61</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 32,262,920.89</u>	<u>\$ 30,307,449.89</u>	<u>\$ 35,187,347.42</u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022
Serial Bonds:				
Water Utility Capital Fund	\$ 6,440,000.00	\$ 250,000.00	\$ 200,000.00	\$ 6,490,000.00
Sewer Utility Capital Fund	18,795,000.00		1,380,000.00	17,415,000.00
Bond Anticipation Notes:				
General Capital Fund	5,200,000.00	3,752,000.00	5,200,000.00	3,752,000.00
Recreation Utility Capital Fund	74,500.00		74,500.00	
Total	<u>\$ 30,509,500.00</u>	<u>\$ 4,002,000.00</u>	<u>\$ 6,854,500.00</u>	<u>\$ 27,657,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Prior Year

	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Serial Bonds:				
Water Utility Capital Fund	\$ 6,640,000.00		\$ 200,000.00	\$ 6,440,000.00
Sewer Utility Capital Fund	20,130,000.00		1,335,000.00	18,795,000.00
Bond Anticipation Notes:				
General Capital Fund	5,390,000.00	\$ 5,200,000.00	5,390,000.00	5,200,000.00
Recreation Utility Capital Fund	81,000.00	74,500.00	81,000.00	74,500.00
Total	<u>\$ 32,241,000.00</u>	<u>\$ 5,274,500.00</u>	<u>\$ 7,006,000.00</u>	<u>\$ 30,509,500.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.0310%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 8,030,000.00	\$ 8,030,000.00	
General Debt	7,937,127.60	7,002,049.00	\$ 935,078.60
Water Utility Debt	11,607,030.13	11,607,030.13	
Sewer Utility Debt	19,952,762.82	19,952,762.82	
	<u>\$ 47,526,920.55</u>	<u>\$ 46,591,841.95</u>	<u>\$ 935,078.60</u>

Net Debt \$935,078.60 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$3,017,910,213.33 = 0.0310%.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

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

4% Average Equalized Valuation of Real Property	\$ 120,716,408.53
Net Debt	<u>935,078.60</u>
Remaining Borrowing Power	<u><u>\$ 119,781,329.93</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,704,162.17
Deductions:	
Operating and Maintenance Costs	\$ 3,068,803.01
Debt Service per Water Account	<u>362,648.99</u>
	<u>3,431,452.00</u>
Excess in Revenue	<u><u>\$ 272,710.17</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 4,956,324.43
Deductions:	
Operating and Maintenance Costs	\$ 2,770,445.00
Debt Service per Sewer Account	<u>2,044,871.93</u>
	<u>4,815,316.93</u>
Excess in Revenue	<u><u>\$ 141,007.50</u></u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

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

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

Analysis of Debt Issued and Outstanding at December 31, 2022

Sewer Capital Serial Bonds Payable

Purpose	Final Maturity	Interest Rate	Balance Dec. 31, 2022
2016 Refunding Bonds	10/15/23	3.00%	\$ 585,000.00
Sewer Extension	04/01/40	1.90%-3.50%	16,830,000.00
			<u>\$ 17,415,000.00</u>

Water Capital Serial Bonds Payable

Purpose	Final Maturity	Interest Rate	Balance Dec. 31, 2022
Water Tanks and Mains	07/15/45	2.00%-4.00%	\$ 6,240,000.00
Water Tanks and Mains	11/15/32	1.75%	250,000.00
			<u>\$ 6,490,000.00</u>

General Capital Bond Anticipation Notes

Purpose	Final Maturity	Interest Rate	Balance Dec. 31, 2022
2018 FEMA Home Elevations	07/12/23	4.00%	\$ 3,752,000.00
Total Debt Issued and Outstanding			<u>\$ 27,657,000.00</u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

Year	Water Utility Capital Fund		Sewer Utility Capital Fund		Total
	Principal	Interest	Principal	Interest	
2023	\$ 225,000.00	\$ 162,143.76	\$ 1,435,000.00	\$ 621,162.50	\$ 2,443,306.26
2024	225,000.00	153,706.26	1,100,000.00	554,862.50	2,033,568.76
2025	225,000.00	145,268.76	1,100,000.00	499,862.50	1,970,131.26
2026	225,000.00	136,831.26	1,100,000.00	444,862.50	1,906,693.76
2027	225,000.00	128,393.76	1,100,000.00	389,862.50	1,843,256.26
2028-2032	1,245,000.00	535,306.30	5,500,000.00	1,399,312.50	8,679,618.80
2033-2037	1,350,000.00	403,843.80	3,600,000.00	716,703.15	6,070,546.95
2038-2042	1,630,000.00	249,681.26	2,480,000.00	129,578.14	4,489,259.40
2043-2045	1,140,000.00	54,862.52			1,194,862.52
	<u>\$ 6,490,000.00</u>	<u>\$ 1,970,037.68</u>	<u>\$17,415,000.00</u>	<u>\$ 4,756,206.29</u>	<u>\$30,631,243.97</u>

Note 3: Fund Balance Appropriated

Fund balances at December 31, 2022, which are appropriated and included in the Current, Water Utility Operating, Sewer Utility Operating, and Solid Waste Utility Operating Fund adopted budgets for the year ending December 31, 2023, are as follows:

Current Fund	\$ 3,093,340.00
Water Utility Operating Fund	150,000.00
Sewer Utility Operating Fund	25,000.00
Solid Waste Utility Operating Fund	155,000.00

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2022, there were deferred charges to be raised in the succeeding years budget in the Current Fund.

	Balance Dec. 31, 2022	Required 2023 Budget Appropriation
Current Fund:		
Special Emergency Authorizations	<u>\$ 80,000.00</u>	<u>\$ 80,000.00</u>

The appropriation in the 2023 budget is not less than that required by statute.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PERS:

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

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

Contributions

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions (Cont'd)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$655,777.33 for 2022. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$19,757 to the PERS for normal pension benefits on behalf of the Township.

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Pension Liabilities and Pension Expense

At June 30, 2022, the Township's liability was \$9,390,129 for its proportionate share of the net pension liability. 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 which was rolled forward to June 30, 2022. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the Township's proportion was 0.0622%, which was an increase of 0.0002% from its proportion measured as of June 30, 2021. The Township has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022.

For the year ended December 31, 2022, the Township recognized actual pension expense in the amount of \$655,777.33.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022 are summarized in the table on the following page.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets 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%

Discount Rate

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 upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the Net Pension Liability	\$ 12,063,565	\$ 9,390,129	\$ 7,114,927

Pension Plan Fiduciary Net Position

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
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, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2021, the State contributed an amount less than the actuarially determined amount.

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Township contributions to PFRS amounted to \$1,274,559.87 for the year ended December 31, 2022. During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$195,104 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$250,134.

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

Pension Liabilities and Pension Expense

At June 30, 2021, the Township's liability for its proportionate share of the net pension liability was \$7,985,620. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the Township's proportion was 0.1092%, which was an increase of 0.0006% from its proportion measured as of June 30, 2020. The Township has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2021 information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$2,245,954 as of June 30, 2021. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the State's proportion was 0.1092%, which was an increase of 0.0006% from its proportion measured as of June 30, 2020 which is the same proportion as the Township's.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Township's Proportionate Share of the Net Pension Liability	\$ 7,985,620
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>2,245,954</u>
Total Net Pension Liability	<u>\$ 10,231,574</u>

For the year ended December 31, 2022, the Township recognized total pension expense of \$1,274,559.87.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	2.75%
Salary Increases:	
Through all future years	3.25 – 15.25% based on years of service
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2021) 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 real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2021 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2021		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 15,536,325	\$ 10,231,574	\$ 5,815,942

Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the Township recognized pension expense of \$9,583.53 for the year ended December 31, 2022. Employee contributions to DCRP amounted to \$17,956.15 for the year ended December 31, 2022.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 6: Local School District Taxes

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

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

Note 7: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$2,480,745 at December 31, 2022. This amount is not reported either as an expenditure or a liability as of December 31, 2022.

Note 8: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Tax Rate</u>	\$ 2.545	\$ 2.497	\$ 2.465
<u>Apportionment of Tax Rate</u>			
Municipal	.594	.584	.575
County	.327	.316	.315
Local School	1.624	1.597	1.575
<u>Assessed Valuations</u>			
2022	<u>\$ 2,369,974,800.00</u>		
2021		<u>\$ 2,362,977,300.00</u>	
2020			<u>\$ 2,350,398,000.00</u>

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 8: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently (Cont'd)

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2022	\$ 60,486,331.01	\$ 60,203,325.35	99.53%
2021	59,089,093.19	58,866,276.41	99.62%
2020	58,212,929.93	57,922,444.12	99.50%

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

Note 9: Cash and Cash Equivalents and Investments

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

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

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

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

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

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

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

As of December 31, 2022, cash and cash equivalents of the Township of Pequannock consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Investments</u>	<u>Totals</u>
Current	\$ 360.00	\$ 10,579,455.49		\$ 10,579,815.49
Federal and State Grant		534,809.10		534,809.10
Animal Control		29,837.35		29,837.35
Other Trust		2,747,123.22		2,747,123.22
Open Space Trust		597,326.01		597,326.01
General Capital		6,087,680.99	\$ 250,000.00	6,337,680.99
Water Utility Operating	60.00	1,946,336.18		1,946,396.18
Water Utility Capital		257,352.40		257,352.40
Sewer Utility Operating		1,115,787.26		1,115,787.26
Sewer Utility Assessment		1,662,697.12		1,662,697.12
Sewer Utility Capital		3,113,631.20		3,113,631.20
Solid Waste Utility Operating		263,342.03		263,342.03
	<u>\$ 420.00</u>	<u>\$ 28,935,378.35</u>	<u>\$ 250,000.00</u>	<u>\$ 29,185,798.35</u>

The carrying amount of the Township of Pequannock's cash and cash equivalents at December 31, 2022, was \$29,185,798.35 and the bank balance was \$30,633,262.74. There was an investment of \$250,000 from the General Capital Fund issued by the Township's Water Utility Capital Fund in a Serial Bond at 1.75% interest. The Serial Bonds will begin maturing on November 15, 2023 through 2032.

Note 10: Risk Management

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

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

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

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 10: Risk Management (Cont'd)

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

The Funds can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared. The MCMJIF has not declared dividends in the last six years and currently has no intention to reinstate the dividends. The Finance Committee of the MCMJIF has made this recommendation, which is embraced by the full membership.

The December 31, 2022 audit report for this Fund was not filed as of the date of this report. Selected financial information for the Fund as of December 31, 2021 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 38,998,094
Net Position	\$ 16,225,925
Total Revenue	\$ 21,199,571
Total Expenses	\$ 20,283,613
Change in Net Position	\$ 915,958
Members Dividends	\$ -0-

Financial statements for these funds are available at the Office of the Executive Director.

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

Health Benefits

The Township is also a member of the North Jersey Municipal Employee Benefits Fund, (the "NJMEBF"). The NJMEBF is both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

The following health benefit coverages are offered by the NJMEBF to its members:

- a.) Medical
- b.) Prescription
- c.) Dental

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 10: Risk Management (Cont'd)

Health Benefits (Cont'd)

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

The NJMEBF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Selected financial information for the Fund as of December 31, 2022 is as follows:

	North Jersey Municipal Employee Benefits Fund
Total Assets	\$ 19,625,452
Net Position	\$ 13,273,319
Total Revenue	\$ 41,366,114
Total Expenses	\$ 40,392,483
Change in Net Position	\$ (3,531,919)
Member Dividends	\$ 4,505,550

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

North Jersey Municipal Employee Benefits Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 10: Risk Management (Cont'd)

The table is a summary of the interest earned and the ending balance of the Township's expendable trust fund for the current and prior two years.

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2022	\$ 41,371.56	\$ 491.05	\$ 32,433.29	\$ 142,040.57
2021	49,920.34	285.18	33,460.69	132,611.25
2020	38,025.01	607.24	18,915.75	115,866.42

Note 11: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position as of December 31, 2022.

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

The Township has been advised that a number of tax appeals have been filed. The Township has established a reserve in the amount of \$482,846.35 which it believes is sufficient to provide for this contingency as of December 31, 2022.

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2022:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 4,842.85	\$ 108,960.81
Federal and State Grant Fund	29,889.93	
Animal Control Fund		14.77
Other Trust Funds		248,529.24
Open Space Trust Fund	404.91	4,723.00
General Capital Fund	247,591.78	3,890.62
Water Utility Operating Fund	181,964.61	
Water Utility Capital Fund		164.41
Sewer Utility Operating Fund	15,456.70	570,635.12
Sewer Utility Assessment Fund	70,971.10	1,055.88
Sewer Utility Capital Fund		1,982.95
Solid Waste Utility Operating Fund	388,834.92	
	<u>\$ 939,956.80</u>	<u>\$ 939,956.80</u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 12: Interfund Receivables and Payables (Cont'd)

The interfund receivable in the Current Fund is comprised of interest earned in the General Capital, Other Trust, Animal Control and Recreation Funds as well as the cancellation of older grant funds in the Federal and State Grant Fund. The interfund receivable in the Water Utility Operating Fund represents interest earned in the Water Utility Capital Fund and prior year interfund not turned over. The interfund receivable in the Sewer Utility Operating Fund represents interest earned in the Sewer Utility Capital Fund and prior year interfund balance not turned over. The interfund receivable in the Solid Waste Utility Operating Fund represents the prior year interfund balances not turned over as of December 31, 2022. The interfund Receivable in the General Capital Fund is due to the FEMA monies being collected in the Escrow Trust account. The interfund receivable in the Sewer Utility Assessment Fund represents collections in the Current Fund not turned over by December 31, 2022.

Note 13: Deferred Compensation

The Township offers its employees two deferred compensations plans created in accordance with Internal Revenue Code Section 457. The plans, which are administered by AIG/Valic and AXA/Equitable, permit participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 14: Economic Dependency

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

Note 15: Open Space Trust Reserve

The 2022 Open Space tax levy is \$142,603.40 and the 2022 Open Space tax rate is \$0.006. The balance in the Reserve for Open Space at December 31, 2022 is \$593,007.92. The Funds collected are used to acquire and maintain open space, historical preservation and farm land property in the Township.

Note 16: Post-Retirement Benefits

A. General Information about the Township's OPEB Plan

Plan Description and Benefits Provided

The provisions of Chapter 88, P.L. 1974, along with any Township approved ordinances and resolutions, provide the authority for the Township to offer post-employment health care benefits as detailed below.

The Township provides medical, prescription during, and dental to retirees and their covered dependents that meet the appropriate requirements. The Township provides Medicare Part B and D reimbursements to Policemen's Benevolent Association and Superior Officer Association retirees and their covered dependents after 25 years of service. All active employees who retire from the Township and meet the eligibility criteria receive these benefits. As of January 1, 2019, new hires are no longer eligible for lifetime post-employment health care benefits.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

Plan Description and Benefits Provided (Cont'd)

Employees are eligible to receive postretirement health benefits through the Township health plan after 25 years or more of service in the State Pension Plan.

Contributions

The Township subsidizes 100% of the cost of coverage for current retirees meeting the requirements outlined above and for future retirees who have at least 25 years of service as of May 21, 2010, the Township will reimburse 100% of eligible Police Benevolent Association and Superior Officer Association retiree's Medicare Part B premiums.

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

2022 employer contributions for retiree benefits paid by the Township were \$582,288.84 for 35 retirees.

Employees Covered by Benefit Terms

As of December 31, 2022, there were 35 retirees and spouses currently receiving retiree benefits and 84 active participants, of which 3 are eligible to retire as of the valuation date.

Total OPEB Liability

The Township's OPEB liability of \$24,591,426 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.72% at December 31, 2022 2.06% at December 31, 2021
Salary Increases	2.50% per year
Inflation Assumptions	2.50% per year

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

The selected discount rate was based on the Bond Buyer 20 Index at December 31, 2022.

Health Care Trend Rates	Year	Medical	Drug
Year 1 Trend	2022	5.30%	6.50%
Ultimate Trend	2026	4.50%	4.50%

The medical trend rate reduces .2% per annum, leveling at 4.5% per annum in 2026.

The drug trend rate reduces .5% per annum, leveling at 4.5% per annum in 2026.

Mortality rates were based on the RP 2000 Combined Healthy Male Mortality Rates set forward three years.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ 26,932,044
Changes for Year:	
Service Cost	798,015
Interest on Total OPEB liability - over measurement period	565,131
Difference between Expected and Actual Experience	(2,073,755)
Changes in Assumptions	(1,036,992)
Benefit Payments	<u>(593,017)</u>
Net Changes	<u>(2,340,618)</u>
Balance at December 31, 2021	<u>\$ 24,591,426</u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

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

The following presents the total OPEB liability of the Township as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (2.72 percent) or 1 percentage higher (4.72 percent) than the current discount rate:

	December 31, 2022		
	1%	Discount Rate	1%
	Decrease		Increase
	(2.72%)	(3.72%)	(4.72%)
Total OPEB Liability	\$ 26,842,931	\$ 24,591,426	\$ 22,784,640

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	December 31, 2022		
	1%	Valuation Healthcare Trend Rates	1%
	Decrease		Increase
Total OPEB Liability	\$ 23,490,465	\$ 24,591,426	\$ 25,802,706

OPEB Expense

For the year ended December 31, 2022, the Township's OPEB expense was \$1,410,633 as determined by the actuarial valuation.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

B. State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

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

Contributions

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

Special Funding Situation

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

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

OPEB Expense

The Township has rolled forward the net OPEB liability as of June 30, 2021 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2021 OPEB information in the notes to the Financial Statements as the June 30, 2022 OPEB information has not been released as of the date of this audit.

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2021 was \$9,505,466. At June 30, 2021, the State's proportion related to the Township was .246169%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2021, the State of New Jersey's OPEB benefit related to the Township was \$1,297,056.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

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

Mortality:

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

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

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16: Post-Retirement Benefits (Cont'd)

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

Actuarial Assumptions and Other Inputs (Cont'd)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.65% for fiscal year 2021 and decreases to a 4.5% long term trend rate after seven years. For PPO post 65 medical benefits, the trend rate is initially 13.08% and decreases to a 4.5% long term trend rate starting with fiscal year 2032 and later. For HMO Post 65 medical benefits, the trend rate is initially 13.76% and decreases to a 4.50% long term trend rate starting with fiscal year 2032 and later. For prescription drug benefits, the initial trend rate is 6.75% for fiscal year 2021 and decreases to a 4.5% long term rate after seven years.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond 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.

Note 17: Fixed Assets

The following is a summarization of the activity of the Township of Pequannock' fixed assets for the year ended December 31, 2022.

	Balance Dec. 31, 2021	Additions	Deletions	Balance Dec. 31, 2022
Land & Buildings	\$ 39,253,222			\$ 39,253,222
Machinery and Equipment	2,930,052	\$ 344,565	\$ 29,590	3,245,027
Furniture and Fixtures	2,026,943	25,555		2,052,498
Vehicles	7,394,934	245,070	93,235	7,546,769
	<u>\$ 51,605,151</u>	<u>\$ 615,190</u>	<u>\$ 122,825</u>	<u>\$ 52,097,516</u>

TOWNSHIP OF PEQUANNOCK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 18: Tax Abatements

GASB requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. As of December 31, 2022, the Township provides a tax abatement to a nonprofit housing corporation for its senior citizen housing development in the Township pursuant to the authority contained in Section 18 of the Limited Dividend Law (N.J.S.A. 55:16-18), Section 30 of the HFA Law (N.J.S.A. 55:14J-30) and a resolution of the Mayor and Township Council and with the approval of the New Jersey Housing Finance Agency (NJHFA) as provided under Section 30(b) of the NJHFA law. In consideration of the full abatement of taxes, the nonprofit housing corporation is required to pay to the Township an annual service charge for municipal services in an amount not exceeding the tax on the property on which the abatement is received. The tax abatement per the agreement became effective upon the date that a first mortgage upon the development is first executed and shall continue for a period of not more than fifty years therefrom nor less than the term of the related NJHFA mortgage. The annual service charge made by the nonprofit housing corporation will be in an amount not exceeding 6.28% of the annual gross revenues of the housing development as detailed in the tax abatement agreement. In the event that a breach of the agreement by either the Township or the nonprofit housing corporation or a dispute arises between the two parties either party may apply to the Superior Court, Chancery Division to settle and resolve said dispute in such fashion to accomplish the purposes of the Limited-Dividend Laws and the HFA Law.

The Township recognized revenue in the amount of \$148,077.85 from this annual service charge or payment in lieu of taxes which is recorded as revenue in the Current Fund. The taxes which would have been paid on this property for 2022 without the abatement would have been \$240,006.23 of which \$56,017.17 would have been for the local municipal tax, minimum library tax and municipal open space tax.

Note 19: Dissolution of Recreation Utility Fund

On September 13, 2022 the Township dissolved the Recreation Utility and transferred all remaining funds to the Recreation Trust Fund. The Township finalized all operations in 2022 and discontinued reporting the Recreation Utility Funds on December 31, 2022.

APPENDIX C

FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

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_____, 2024

Township Council of the
Township of Pequannock, in the
County of Morris, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of Pequannock, in the County of Morris, New Jersey (the "Township"), in connection with the issuance by the Township of its \$3,500,000* Sewer Utility Bonds, Series 2024, consisting of \$1,400,000* General Improvement Sewer Utility Bonds and \$2,100,000* Special Assessment Sewer Utility Bonds (collectively, the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Township adopted on February 13, 2024 pursuant to a resolution adopted on February 13, 2024, in all respects duly approved, and the bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the Township, and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, 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. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

*Preliminary, subject to change.

_____, 2024

Township Council of the
Township of Pequannock, in the
County of Morris, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of Pequannock, in the County of Morris, New Jersey (the "Township"), in connection with the issuance by the Township of its \$3,200,000 Bond Anticipation Note, Series 2024 (the "Note"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinance of the Township listed in the Certificate of Determination and Award prepared in connection with this issue, in all respects duly approved and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,