

OFFICIAL STATEMENT DATED NOVEMBER 12, 2025

NEW ISSUE

RATING: NOT RATED

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the Borough (as hereinafter defined) with certain tax covenants described herein, under existing law, interest on the Notes (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. In addition, interest on the Notes and any gain from the sale thereof are not included in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein.

\$7,138,000

BOROUGH OF CLAYTON

County of Gloucester, New Jersey

BOND ANTICIPATION NOTES OF 2025, SERIES A

Consisting of:

\$3,678,000 General Capital Notes

\$3,460,000 Water-Sewer Utility Notes

(BOOK-ENTRY ONLY) (NON-CALLABLE) (BANK QUALIFIED)

COUPON: 3.25%

YIELD: 2.70%

CUSIP*: 184054DX9

Dated: Date of Delivery

Due: November 24, 2026

The \$7,138,000 Bond Anticipation Notes of 2025, Series A ("Notes"), are general obligations of the Borough of Clayton, County of Gloucester, New Jersey ("Borough"), payable from *ad valorem* taxes levied upon all the taxable property within the Borough without limitation as to rate or amount, as more fully described herein. The Notes consist of: (i) \$3,678,000 principal amount of General Capital Notes; and (ii) \$3,460,000 principal amount of Water-Sewer Utility Notes.

The Notes will be issued as fully registered notes in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Notes may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000, or any integral multiple of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes. Beneficial Owners of the Notes will not receive certificates representing their interests in the Notes. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Notes.

Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent on the date of maturity. The Notes will bear interest at the rate per annum indicated above, commencing from their date of delivery. While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Notes. The Notes are not subject to redemption prior to their stated maturity date.

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 14-2021, 15-2021, 11-2022, 12-2022, 13-2022, 14-2022, 4-2023, 17-2023, 18-2023, 21-2023, 19-2024, 20-2024, 10-2025, and 11-2025, each duly and finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on November 12, 2025.

The Notes are being issued by the Borough to provide funds which will be used to: (i) temporarily finance the costs of capital improvements and the acquisition of capital equipment by the repayment, at maturity, of the principal of certain outstanding bond anticipation notes; (ii) temporarily finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by its Solicitor, Timothy D. Scaffidi, Esquire, Woodbury, New Jersey. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. The Notes are expected to be available for delivery in definitive form through DTC in Brooklyn, New York on or about November 25, 2025.

TD FINANCIAL PRODUCTS LLC

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

BOROUGH OF CLAYTON
County of Gloucester, New Jersey

Mayor and Borough Council

Charles Simon, Mayor
Darlene Vondran, Council President
Dave Chapes, Councilperson
Jeremiah Long, Councilperson
Christina Moorhouse, Councilperson
Frank Rollo, Councilperson
Tony Saban, Councilperson

Chief Financial Officer

Robert Law

Borough Clerk

Christine Newcomb

Borough Attorney

Law Office of Timothy D. Scaffidi
Woodbury, New Jersey

Borough Auditor

Bowman & Company LLP
Voorhees, New Jersey

Bond Counsel

Parker McCay P.A.
Mount Laurel, New Jersey

Municipal Advisor

Phoenix Advisors,
a division of First Security Municipal Advisors, Inc.
Hamilton, New Jersey

The information which is set forth herein has been provided by the Borough of Clayton, County of Gloucester, New Jersey (“Borough”), The Depository Trust Company and by other sources which are believed to be reliable by the Borough, but the information provided by such sources is not guaranteed as to accuracy or completeness by the Borough. Certain general and financial information concerning the Borough is contained in Appendices “A” and “B” to this Official Statement. Such information has been furnished by the Borough.

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

Upon issuance, the Notes will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, State, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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.

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OFFICIAL STATEMENT
Relating to

\$7,138,000
BOROUGH OF CLAYTON
County of Gloucester, New Jersey
BOND ANTICIPATION NOTES OF 2025, SERIES A
Consisting of:
\$3,678,000 General Capital Notes
\$3,460,000 Water-Sewer Utility Notes
(BOOK-ENTRY ONLY) (NON-CALLABLE) (BANK QUALIFIED)

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Clayton, County of Gloucester, New Jersey (“Borough”), in connection with the sale and the issuance of its \$7,138,000 Bond Anticipation Notes of 2025, Series A (“Notes”). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the sale of the Notes. The Notes consist of: (i) \$3,678,000 principal amount of General Capital Notes; and (ii) \$3,460,000 principal amount of Water-Sewer Utility Notes.

THE NOTES

The Notes shall be dated and shall bear interest from their date of delivery and shall mature on the date and in the amount shown on the front cover page hereof. The Notes shall bear interest, payable at maturity, at the rate shown on the front cover page hereof. Interest on the Notes shall be calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes are not subject to redemption prior to their stated maturity date.

The Notes will be issued as fully registered notes in book-entry only form, if applicable, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000, or any integral multiple of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificates will be on deposit with DTC, if applicable. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or a duly designated paying agent directly to DTC or its nominee,

Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “BOOK-ENTRY ONLY SYSTEM” herein.

AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented (“Local Bond Law”); (ii) bond ordinances 14-2021, 15-2021, 11-2022, 12-2022, 13-2022, 14-2022, 4-2023, 17-2023, 18-2023, 21-2023, 19-2024, 20-2024, 10-2025, and 11-2025 (collectively, the “Bond Ordinances”), each duly and finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on November 12, 2025.

The Notes are being issued by the Borough to provide funds which will be used to: (i) temporarily finance the costs of capital improvements and the acquisition of capital equipment by the repayment, at maturity, of the principal of certain outstanding bond anticipation notes; (ii) temporarily finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

The following table sets forth certain information with respect to the Bond Ordinances authorizing the Notes.

General Capital Improvements

<u>Ordinance Number</u>	<u>Description</u>	Bonds/Notes Authorized	Prior Notes Outstanding	New Money	Amount of Notes to be Issued
15-2021	Acquisition of Capital Equipment	\$361,000	\$193,000	0	\$183,500
13-2022	Acquisition of Capital Equipment	264,385	257,000	0	243,925
14-2022	Acquisition of Fire Apparatus	700,975	675,500	0	675,500
4-2023	Acquisition of Capital Equipment	125,400	121,000	0	121,000
17-2023	Acquisition of Capital Equipment	1,439,867	1,126,000	0	1,126,000
21-2023	Acquisition of Capital Equipment-Fire Department	66,500	64,000	0	64,000
19-2024	Acquisition of Capital Equipment	828,685	663,500	0	663,500
10-2025	Acquisition of Capital Equipment	649,800	0	\$600,575	600,575
	Total:	\$4,436,612	\$3,100,000	\$600,575	\$3,678,000

Water-Sewer Utility Improvements

<u>Ordinance Number</u>	<u>Description</u>	Bonds/Notes Authorized	Prior Notes Outstanding	New Money	Amount of Notes to be Issued
14-2021	Acquisition of Various Utility Equipment and Improvements	\$570,000	\$525,000	\$25,200	\$540,100
11-2022	Acquisition of Various Utility Equipment and Improvements	353,000	310,000	0	304,900
12-2022	Replace Portion of Delsea Drive Water Main	885,406	885,000	0	885,000
18-2023	Acquisition of Various Utility Equipment and Improvements	791,000	680,000	0	680,000
20-2024	Acquisition of Various Utility Equipment and Improvements	639,000	550,000	0	550,000
11-2025	Acquisition of Various Utility Equipment and Improvements	500,000	0	500,000	500,000
	Total:	\$3,738,406	\$2,950,000	\$525,200	\$3,460,000

BOOK-ENTRY ONLY SYSTEM

General

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million

issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, agent, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuation of Book-Entry Only System

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

In the event that the book-entry only system for the Notes is discontinued, the Borough has provided that upon receipt of the Note certificates from DTC and the Participant information, the Borough will authenticate (or cause to be authenticated) and deliver definitive Notes to the holders thereof, and the principal of and interest on the Notes will be payable and the Notes may thereafter be transferred or exchanged in the manner described in the Note certificates so provided.

SECURITY AND SOURCE OF PAYMENT

The Notes are valid and legally binding general obligations of the Borough and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. Unless

paid from other sources, the Notes are payable from *ad valorem* taxes to be levied upon all the taxable real property within the Borough without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights or to the application of general principles of equity by a court of competent jurisdiction.

The Borough may pledge only its own credit and taxing power in respect of the Notes, and has no power to pledge the credit or taxing power of the State of New Jersey ("State") or any other political subdivision thereof, nor shall the Notes be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of or interest on the Notes.

GENERAL INFORMATION REGARDING THE BOROUGH

General

The Borough is located in the County of Gloucester, New Jersey ("County"). General information concerning the Borough, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the Borough for the years ended December 31, 2024, and 2023. The financial data was provided by Bowman & Company LLP, Voorhees, New Jersey, and is included herein in reliance upon the authority of such firm. Bowman & Company LLP, Voorhees, New Jersey, has consented to the inclusion of their report in this Official Statement. Copies of the complete reports of audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT

Local Bond Law

General – The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy *ad valorem* taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits – The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined

by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The Borough, including the issuance of the Notes, will not exceed its three and one-half percent (3.5%) debt limit.

Exceptions to Debt Limits - Extensions of Credit – The Borough may exceed its debt limit with the approval of the State Department of Community Affairs, Division of Local Government Services, Local Finance Board (“Local Finance Board”), a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the Borough may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the notes that may be renewed annually must be decreased by the minimum amount required for the first year’s principal payment for the bond issue in anticipation of which the notes are issued.

Refunding Bonds – Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the State Statutes, as amended and supplemented (“Local Fiscal Affairs Law”), governs audits, auditors, public moneys and financial statements of local governmental units, including the Borough.

Each municipality is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director (“Director”) of the Division of Local Government Services (“Division”) in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the Borough’s books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvement of the municipality’s financial procedures and must be filed with the

report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2024 is on file with the Chief Financial Officer and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the chief financial officer of the municipality file annually with the Director a verified statement of the financial condition of the municipality as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end municipalities and August 10 for June 30 fiscal year end municipalities.

The Local Budget Law

The Local Budget Law, Chapter 4 of Title 40A of the State, as amended and supplemented (“Local Budget Law”), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a “cash basis” budget in such form that there will be sufficient cash collected to meet all debt service requirements, necessary operations of the local governmental units for the fiscal year and any mandatory payments required to be met during the fiscal year.

No budget shall be adopted unless the Director shall have previously certified his approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

A statute passed in 1976, as amended (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the “Cap Law”, imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the “Cap Law”. Since its inception, the “Cap Law” has been amended and modified several times, most recently on July 13, 2010. While the revised “Cap Law” is more restrictive on the ability of a municipality to increase its overall appropriations, it does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on the Notes. The Cap Law provides that a municipality shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year’s final appropriations subject to certain exceptions. The “index rate” is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; 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.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010, which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health

care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the “Cap Law” (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.” Such determination may be made by the governing body and the Chief Financial Officer in any year during which the municipality is subject to local examination.

No budget or amendment shall be adopted unless the Director has previously certified the approval of such anticipated revenues.

Real Estate Taxes

Receipts from Delinquent Taxes – Revenues are permitted by N.J.S.A. 40A:4-29 to be anticipated in the annual budget for collection of delinquent taxes of prior years. The maximum amount permitted to be anticipated is determined by applying the collection rate of the prior year’s delinquent taxes to the total amount of delinquent taxes outstanding at the beginning of the current year.

Current Year Tax Levy and Reserve for Uncollected Taxes – The current year’s taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled “Reserve for Uncollected Taxes”, less the total of anticipated revenues. The inclusion of the “Reserve for Uncollected Taxes” appropriation in the current year’s budget protects the municipality from taxes currently unpaid. The “Reserve for Uncollected Taxes” is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as was experienced in the immediately preceding year, the average of the previous three years in accordance with P.L. 2000, c. 126, or the previous year collection percentage after reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S.54:3-21 et seq., or the State tax court pursuant to R.S.54:48-1 et seq. in accordance with Chapter 56 of P.L. 2010.

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

Another provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required for all current budget appropriations and school and county taxes of the current fiscal year. The reserve requirement is calculated as follows:

$$\frac{\text{Levy Required for Current Budget, School and County Taxes}}{\text{Prior Year's Percentage of Current Tax Collections (or Lesser \%)}} = \text{Total Taxes to be Levied}$$

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental units. With minor exceptions, however, such appropriations must be included in full in the following year’s budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three (3) years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary Water-Sewer system, and payments of accumulated sick and vacation time which may be amortized over five (5) years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two (2) months of the year and, although subaccounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit’s population exceeds 10,000 where a six (6) year capital program is required.

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

Rights and Remedies of Owners of Bonds

The State Municipal Finance Commission Act, Chapter 27 of Title 52 of the State Statutes, as amended and supplemented (“Act”), provides that when it has been established, by court proceedings, that a municipality has defaulted for over sixty days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board (which, pursuant to the Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the “Commission”) shall take control of the fiscal affairs of the defaulting municipality.

The Act provides that the Commission shall remain in control of the municipality until all bonds or notes of the municipality that have fallen due and all bonds or notes that will fall due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Act empowers the Commission to direct the municipality to provide for the funding or refunding of notes or bonds of the municipality and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Act further authorizes the Commission to bring and maintain an appropriate proceeding for the assessment, levy or collection of taxes by the municipality for the payment of principal of or interest on such indebtedness.

Under Article 6 of the Act, while the Commission functions in the municipality, no judgment, levy, or execution against the municipality or its property for the recovery of the amount due on any bonds, notes or other obligations of the municipality in the payment of which it has defaulted, shall be enforced unless otherwise directed by Court Order. However, Article 6 of the Act also provides that upon application of any creditor made upon notice to the municipality and the Commission, a court may vacate, modify or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

The rights and remedies of the registered owners of the Notes are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States (“Bankruptcy Code”). In general, Chapter 9 permits, under prescribed circumstances, but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the

United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State has authorized the political subdivisions thereof to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the Act. The Act provides that such petitions may not be filed without the prior approval of the Commission and that no plan of readjustment of the municipality's debts may be filed or accepted by the petitioner without express authority from the Commission to do so.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE BOROUGH EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE NOTES.

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES TO SUCH DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PARTICULAR DOCUMENT, THE FULL TEXT OF WHICH MAY CONTAIN QUALIFICATIONS OF AND EXCEPTIONS TO STATEMENTS MADE HEREIN.

TAXATION

Procedure for Assessment and Collection of Taxes

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 results of maintaining new assessments on a like basis with established comparable properties for newly assessed or purchased properties resulting in a decrease of the assessment ratio to its present level of 100.92%. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with rising values. The last complete revaluation of property within the Borough was in 2013, effective for the 2013 tax year and the reassessment was in 2024. Beginning in 2026, reassessments will be done on an annual basis.

Upon the filing of certified adopted budgets by the Borough, the 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, 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 the State for various special services rendered to the properties located within the special district.

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. Installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under State Statutes. Additionally, a 6% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax liens retained by the Borough are periodically assigned to the Solicitor for "in rem foreclosures" in order to acquire title to these properties.

Tax Appeals

The State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the State Board of Taxation (“Tax Board”) on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase 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 Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

LITIGATION

To the knowledge of the Borough’s Solicitor, Timothy D. Scaffidi, Esquire (“Solicitor”), there is no litigation of any nature now pending, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Solicitor, no litigation is presently pending that, in the opinion of the Solicitor, would have a material adverse impact on the financial condition of the Borough if adversely decided.

NO RATING

The Borough will not obtain a credit rating related to the issuance of the Notes.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough, assuming continuing compliance by the Borough with the tax covenants described below, under existing law, interest on the Notes is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (“Code”), and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the “dividend equivalent amount” for the taxable year. Interest on the Notes received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the “dividend equivalent amount” of such corporation.

In addition, passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the Borough's covenants contained in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the Notes being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Notes that may affect the tax-exempt status of the interest on the Notes.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Notes will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Notes is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Notes.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, Thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Borough has designated the Notes as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Notes should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Notes and any gain from the sale thereof are not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In

addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE NOTES AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule"), the Borough has undertaken to file notice of certain enumerated events, pursuant to Information Reporting Undertaking Agreement for the Notes, substantially in the form set forth in Appendix "D" hereto.

The Borough has previously entered into secondary market disclosure undertakings in accordance with the Rule. The Borough appointed Phoenix Advisors, Hamilton, New Jersey to serve as continuing disclosure agent to assist in the timely filing of certain information on EMMA as required under its prior secondary market disclosure undertakings.

NO DEFAULT

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

CERTAIN RISK FACTORS

Recent Healthcare Developments

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. 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.

In an effort to provide relief to entities impacted by the COVID-19 pandemic, the American Rescue Plan Act of 2021, H.R. 1319 ("Plan") was signed into law by on March 12, 2021, and provided \$1.9 trillion in financial assistance to businesses, individuals and governmental entities. The Plan provided funding for state and local governments to recoup and offset costs related to COVID-19 and to encourage and re-establish economic development and certain infrastructure improvements.

Pursuant to the funding methodology under the Plan, the Borough received \$914,593.83 in funding ("Plan Funds"). The deadline to obligate the Plan Funds was December 31, 2024 and to spend the

Plan Funds is December 31, 2026. Such Plan Funds were received in two (2) equal payments; one (1) received within 60 days of enactment of the Plan, and the balance was received no earlier than 12 months from the initial payment.

While the effects of COVID-19 have abated significantly, the Borough cannot predict, and does not predict, whether or if the Coronavirus or any similar viral disease (including any variants or sub-variants thereof) may reemerge in the future and, if such reemergence occurs, what the effects thereof may have upon global, State-wide and local economies and operations, including that of the Borough.

Cyber Security

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards.

Climate Change

The State of New Jersey is naturally susceptible to the effects of extreme weather events and natural disasters including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the Borough as well as resulting in economic impacts such as loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Borough.

UNDERWRITING

The Notes have been purchased from the Borough at a public sale by TD Financial Products LLC, New York, New York (“Underwriter”) at a price of \$7,172,904.82 (“Purchase Price”). The Purchase Price reflects the principal amount of the Notes plus a bid premium of \$34,904.82.

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

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an

Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth in Appendix “C” hereto. Certain legal matters will be passed on for the Borough by the Solicitor.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent, if any, as stated herein) and will express no opinion relating thereto.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MARKET PROTECTION

The Borough does not anticipate issuing any bonds within the next ninety (90) days. The Borough may issue additional bond anticipation notes, as necessary, during the remainder of calendar year 2025.

LEGALITY FOR INVESTMENT

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

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein and in the Appendices attached hereto, including financial and statistical statements, are true and correct in all material respects, and it will confirm the same to the purchasers of the Notes by certificates signed by various officers and officials of the Borough upon issuance and delivery of the Notes.

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

Bowman & Company LLP compiled Appendix “A” from information obtained from various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto. Bowman & Company LLP, Voorhees, New Jersey, only takes responsibility for the financial statements, appearing in Appendix “B” hereto.

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

Parker McCay P.A. has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading “TAX MATTERS”) and, accordingly, will express no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Robert Law, Chief Financial Officer, Borough of Clayton, at (856) 881-2882, or to its Borough’s Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth merely as opinions and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with, or a covenant for the benefit of, the holders of the Notes. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

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

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

BOROUGH OF CLAYTON, NEW JERSEY

By: /s/ Robert Law

ROBERT LAW, Chief Financial Officer

Dated: November 12, 2025

APPENDIX A

**CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC
INFORMATION REGARDING THE BOROUGH OF CLAYTON**

INFORMATION REGARDING THE BOROUGH (1)

The following material presents certain economic and demographic information of the Borough of Clayton ("Borough"), County of Gloucester ("County"), State of New Jersey ("State").

History

Shortly before the American Revolution, Jacob Fisler purchased a tract of land containing 2,800 acres in the area of the Clayton cemetery. He and his son Leonard jointly purchased 3,755 acres extending from the Clayton cemetery to Aura. Between this time and the year 1850, the locality gradually took on the name of Fisler Town. In the year 1850, Fisler Town was a crossroad with five dwellings. In this year, the first glass factory was started by Jacob Fisler and Benjamin Beckett. The impact of the glass factory greatly increased the population. On June 23, 1852, a post office was established as Fislerville. In 1867, the name of Clayton was adopted by an act of legislation. The post office officially changed its name on July 22, of the same year. By 1876, Clayton contained a population of 1,500. By 1833, the town had grown to a population of 1,900. At a special election in May of 1887, the electorate voted to incorporate to a Borough, and in June elected their first Mayor. Competition with glass works in the Midwest began in the latter part of the 19th century, resulting in the decline and eventual closing of both Clayton glass works.

Location

The Borough is located on the Atlantic Coastal Plain which covers all of Southern New Jersey and extends upward to Middlesex and Mercer Counties. The Borough occupies a land area of approximately 7.3 square miles and is bound by Glassboro to the north; Franklin Township to the south; Monroe Township to the east; and Elk Township to the west. The Borough is approximately 25 miles from Philadelphia. The Borough is within reasonable commuting distance to employment in that city, as well as the closer job opportunities in the State. The Borough is within the Delaware Valley economic region, a tri-state region composed of eleven counties in the States of New Jersey, Pennsylvania, and Delaware. It is a major transportation center, combining one of the largest port facilities in the world with extensive rail, air, and interstate highway systems.

The Borough falls within the Philadelphia, PA-NJ Metropolitan Statistical Area ("MSA"), a region, which includes Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania and Burlington, Camden, and Gloucester Counties in the State.

Local Government

The Borough is governed by a Mayor and a six-member Borough Council. The Mayor and members of the Borough Council are elected for staggered three-year terms in elections held every year. The Mayor and two members of Council are elected in one election and the next two years, two members of Council are elected each year.

The Mayor is the Chief Executive Officer of the Borough. The responsibilities of the Mayor include execution and enforcement of laws of the State and ordinances of the Borough, recommending to council such measures deemed necessary or appropriate for the welfare of the Borough.

The responsibilities of the Borough Council, are, among others, to adopt the municipal budget and to enact ordinances to promote the health, safety, and welfare of the Borough and its residents.

(1) Source: The Borough unless otherwise indicated

The Borough Administrator serves the Borough on a full-time basis as its Chief Operating Officer. As the Borough's Chief Operating Officer, the Borough Administrator is responsible for the daily operations of the Borough, staffing, personnel matters, coordinating economic development and serves as a liaison between the Borough Council, employees, and residents.

The Chief Financial Officer is custodian of all public moneys of the Borough. The Chief Financial Officer ensures the Borough complies with all regulatory requirements pertaining to municipal finances. The Chief Financial Officer oversees all financial activities of the Borough and the primary responsibilities are: developing and executing the municipal budget; authorizing the purchasing of all services, equipment, and supplies; managing all investments and bonding activities; and verifying the accuracy of fiscal transactions and account reconciliations.

The Borough Clerk assists with administering the affairs of the Borough, including attending Borough Council meetings and preparation of minutes thereto; compilation, preservation, indexing, and publication of all ordinances and resolutions; and any other duties which the Borough Council may assign.

Borough Services

The Division of Local Government Services in the New Jersey Department of Community Affairs supervises the financial administration of all local government units in the State.

A number of services are provided by the Borough and paid for from general revenues. Employees in the Public Works Department maintain Borough streets, roads, storm drains, and provide snow and leaf removal services, oversee Borough parks, playgrounds, and recreational facilities and the operations of the water and sewer utility. The Zoning Board of Adjustment oversees all zoning requirements, and the Construction Office is responsible for all building permits and enforcement of uniform construction codes.

The Borough Police force, which is supervised by the Chief of Police, provides police protection through the employment of 16 full-time officers.

Fire protection is provided by a volunteer network, separate and distinct from Borough operations. The Borough supports the fire department through annual budget appropriations. Ambulance service is provided through an Interlocal agreement with the County EMS Service.

Trash Collection

Trash, including recyclables, is collected on behalf of the Borough by a private contractor, Suburban Disposal, Inc. The Borough has a one-year contract expiring December 31, 2025. The Borough is in the processing of awarding a trash and recycling collection contract. Residential trash is directed to Wheelabrator Gloucester County, Westville, New Jersey or Gloucester County Improvement Authority, Woodbury, New Jersey.

At the present time, the cost per ton for disposal is \$83.74/ton. The total contract cost for trash and recyclables for 2025 is \$585,309.72.

Transportation

An efficient system of highways, railroads, and airlines is readily accessible to those residing and working in the Borough. Interstate 295, the North-South Freeway (Route 42), State Highway 55, and the Atlantic City Expressway all reinforce the New Jersey Turnpike System. The highway system is augmented by its proximity to the Benjamin Franklin and Walt Whitman Bridges, providing access to Philadelphia and the Commodore Barry Bridge, providing access to Delaware. The Philadelphia International Airport is only 20 minutes away by automobile.

The Delaware River Port Authority ("DRPA"), the New Jersey-Pennsylvania bi-state authority that operates the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges, also operates a high-speed rail transit system that transports several thousand State residents into Philadelphia each day. The DRPA operates the transit system as the Port Authority Transit Company ("PATCO"). Borough residents who use the PATCO system are able to travel to their destinations in Camden and center city Philadelphia within twenty minutes.

Utilities

Electric power adequate for all industrial needs is provided by the Atlantic City Electric Company and the Public Service Electric and Gas Company. Residents and businesses in the Borough receive gas service from South Jersey Gas and Public Service Electric and Gas. The Raritan Stratum, one of the most prolific aquifers in the United States, is readily tapped to provide for any industrial need. Over 95% of the residents are served by municipally owned water and sewerage facilities. Sewage is treated by the Gloucester County Utilities Authority.

Master Plan

The combined Planning Board last adopted the Borough's full master plan in 1996 amended through 2018 Master Plan Reexamination Report. In addition, a new Housing Element and a Fair Share Plan for affordable housing were included in the 2018 Master Plan Reexamination Report.

Borough Employees

	<u>2024</u>	<u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>2021</u>	<u>2020</u>
Permanent	37	37	36	37	37
Part-time	<u>44</u>	<u>45</u>	<u>45</u>	<u>44</u>	<u>45</u>
Total	<u>81</u>	<u>82</u>	<u>81</u>	<u>81</u>	<u>82</u>

Employee Collective Bargaining Unit

The Borough maintains collective bargaining relationship with the following organizations:

- (1) The Government Workers Union, with a contract that expires December 31, 2025. The Borough is currently in negotiations to renew the contract.
- (2) The Fraternal Order of Police of New Jersey (Patrolmen), with a contract expiring December 31, 2027.
- (3) The Fraternal Order of Police of New Jersey (Superior Officers), with a contract expiring December 31, 2027.
- (4) The AFSCME District Council 71, Local 33031 (crossing guards), with a contract that expires on December 31, 2025. The Borough is currently in negotiations to renew the contract.

Compensated Absences

Police employees hired prior to December 31, 2019 have unlimited sick time. They also carry-over one week's vacation into the next year. At retirement, police employees receive the full year's vacation time that they are entitled to receive for the year in which they are retiring.

Police employees hired after December 31, 2019 receive twelve (12) working days of sick leave per year. They also carry-over one week's vacation into the next year.

The Borough has contracted with the Government Worker's Union ("GWU") for the office personnel, shuttle bus driver, and all Public Works employees. The GWU contract does not permit

employees to carry over vacation days from year to year. Upon separation or retirement, an employee shall receive payment for all vacation leave not used in the current year. The GWU contract allows employees to accumulate unused sick leave into a bank at the end of each year. If an employee is laid off for any reason, unused sick leave may be sold back to the Borough at the rate of one (1) sick day for one (1) day's current rate pay. Upon retirement, any employee may sell back to the Borough; at their current rate of pay, any unused sick days at the rate of one (1) day for one (1) day. The payouts are subject to the cap established by NJSA 40A:9-10.4.

Non-contracted employees accrue vacation time based on number of years employed by the Borough. These vacation days may not be carried over. Vacation time is paid out at 100% upon retirement or separation. Non-contracted employees are granted 12 sick days per year and can accumulate all unused sick days into a bank at the end of each year. The Borough also has local ordinance that covers all nonunion personnel. For additional information regarding compensated absences, see Appendix B: December 31, 2024 Audited Financial Statements, Note 12.

Pension Plans

Those Borough employees who are eligible for pension coverage are enrolled in one of three pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, see Appendix B: December 31, 2024 Audited Financial Statements, Note 9.

Borough Population (1)

2020 Federal Census	8,807
2010 Federal Census	8,179
2000 Federal Census	7,139
1990 Federal Census	6,155
1980 Federal Census	6,013

Selected Census 2023 Data for the Borough (1)

Median household income - \$89,375
Per capita income - \$38,638

Labor Force (2)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Borough					
Labor Force	4,264	4,214	4,120	4,095	4,105
Employment	4,004	3,990	3,922	3,735	3,603
Unemployment	260	224	198	360	502
Unemployment Rate	6.1%	5.3%	4.8%	8.8%	12.2%
County					
Labor Force	166,130	165,120	161,384	157,695	156,419
Employment	158,789	158,213	155,189	147,614	142,386
Unemployment	7,341	6,907	6,195	10,081	14,033
Unemployment Rate	4.4%	4.2%	3.8%	6.4%	9.0%

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

(2) Source: New Jersey Department of Labor

Labor Force (Cont'd) (1)

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

State	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Labor Force	4,898,008	4,867,113	4,756,002	4,654,243	4,643,700
Employment	4,676,064	4,659,779	4,572,879	4,342,075	4,204,301
Unemployment	221,944	207,334	183,123	312,168	439,399
Unemployment Rate	4.5%	4.3%	3.9%	6.7%	9.5%

Building Permits (2)

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2025 (3)	266	\$4,608,570
2024	393	9,782,148
2023	428	6,722,849
2022	323	4,098,928
2021	363	4,239,450
2020	415	5,906,223

TEN LARGEST EMPLOYERS IN THE COUNTY (4)

<u>Employer</u>	<u>Nature of Business</u>	<u>Location</u>	<u>Number of Employees</u>
Amazon Distribution Center	Retail Fulfillment	West Deptford	4,500
Rowan University	University	Glassboro	3,500
Inspira Healthcare Network	Hospital	Mullica Hill	1,222
Walmart Supercenter	Retail	Turnersville	800
Jefferson Health Washington Twp	Hospital	Turnersville	670
Aryzta LaBrea Bakery, Inc	Bakery	Swedesboro	500
Keller Williams Realty	Realtor	Washington Twp	500
Honda of Turnersville	Auto Sales and Service	Turnersville	499
Paulsboro Refinery LLC	Refinery	Paulsboro	402
Washington Township High School	Education	Washington Twp	400

(1) Source: New Jersey Department of Labor

(2) Source: Borough Construction Office

(3) As of October 1, 2025

(4) Source: County officials

GENERAL INFORMATION ON THE SCHOOL DISTRICT (1)

Education

The School District is a Type II School District. It functions independently through a nine-member Board elected by the voters in staggered three-year terms.

The Borough's public school system consists of two (2) schools which includes grades Pre-K-12.

Borough of Clayton School District School Enrollments (1)

	<u>October 15 (Actual)</u>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Pre-K	104	118	109	86	67
K	77	91	79	72	90
1	99	78	72	88	99
2	72	71	85	84	71
3	64	83	70	71	85
4	83	72	71	86	96
5	71	69	88	83	76
6	69	88	82	90	86
7	90	82	94	80	89
8	84	90	91	83	95
9	76	92	86	89	92
10	81	82	84	100	83
11	77	83	107	81	92
12	86	103	86	86	72
Special Ed	<u>272</u>	<u>273</u>	<u>258</u>	<u>252</u>	<u>237</u>
Total	<u>1,405</u>	<u>1,475</u>	<u>1,462</u>	<u>1,431</u>	<u>1,430</u>

Present Local School District Facilities, Enrollment and Capacity (1)

<u>Facilities</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment Oct. 15, 2024</u>	<u>Functional Capacity</u>
E.S. Simmons Elementary	1988	2002,2010	PK-5	691	763
Clayton Middle School/ High School	1950	1971, 1996, 2002, 2010	6-12	<u>714</u>	<u>868</u>
				<u>1,405</u>	<u>1,631</u>

(1) Source: School District Officials

HIGHER EDUCATION FACILITIES

Rowan College at South Jersey

Rowan College of South Jersey (“College”), formerly known as Rowan College at Gloucester County and Gloucester County College, is a public community college with two campuses, one in Sewell and one in Vineland. The College was established in 1966 as Gloucester County College. In 2014, the College changed its name to Rowan College of Gloucester County when Rowan University and Gloucester County College entered into a partnership. The College then expanded in 2019, combining Rowan College at Gloucester County and Cumberland County College to become Rowan College of South Jersey. The College now offers conditional dual enrollment with Rowan University depending on GPA. While taking the Rowan name, the College maintains its independence with its own Board of Trustees and administration.

Total enrollment for the fall 2024⁽¹⁾ semester was 5,217 students. In addition, the College's Division of Career and Technical Education provides various educational, career training and personal enrichment courses, as well as outreach programs, to community residents.

The College offers more than 120 academic programs in a full spectrum of career fields. The College also maintains a well-rounded cultural, artistic and sports calendar of events.

A number of selective admission programs related to the allied-health field, including nursing, diagnostic medical sonography (DMS) and nuclear medicine technology (NMT) are available at the College.

The College awards both certificate and associate degrees leading to immediate career and transfer opportunities. With an extensive record of matriculation agreements with four-year colleges and universities, graduates are able to transfer seamlessly into baccalaureate and master degree programs. The College added an automatic-dual acceptance initiative with five (5) four-year universities which makes earning a bachelor's degree an uncomplicated progression with added benefits. The College's educational partners offer a variety of programs and incentives to the College graduates ranging from tuition discounts to obtaining a bachelor's degree on the College campus.

Located on 250 acres in Deptford Township, New Jersey, the College's main campus also houses the Career and Technical Education Center that will provide wind turbine technician training for employers in the off-shore wind industry.

Rowan University

Rowan University (“Rowan” or the “University”) is a selective, medium-sized national public research university located primarily in Glassboro, New Jersey. It is recognized for its nationally-ranked academic and athletic programs, talented professors, and high-tech facilities. Rowan prides itself on being able to provide its approximately 19,700 students an outstanding education at an exceptional value.

The University's approved degree programs as of June 30, 2024, include 101 bachelor's degrees, 60 master's degrees, 16 doctoral degrees (Ed.D. and Ph.D.) and two professional degrees, a Doctor of Medicine (M.D.) and a Doctor of Osteopathic Medicine (D.O.). A Doctor of Veterinary Medicine degree has also been approved and the University admitted its first class of students in Fall 2025.

(1) Represents the latest data available. (Unaudited)

For 2025, *U.S. News & World Report* ranked Rowan #171 among national research universities and #92 among public research universities. Rowan was also recognized in the following categories:

- Best Value Schools – National Universities, #98
- Best Colleges for Veterans – National Universities, #120
- Social Mobility – National Universities, #211

The Chronicle of Higher Education recognized Rowan as the nation's 3rd fastest-growing research university in the U.S. in August of 2024. The Princeton Review ranked Rowan's entrepreneurship program #1 in New Jersey and #4 in the Northeast.

The University's main campus, on approximately 200 acres in the southern New Jersey town of Glassboro, is about 20 minutes southeast of Philadelphia and about one hour west of Atlantic City. It is approximately two hours from New York City and just a two-and-a-half-hour drive to Washington, D.C. The locale provides students all of the advantages of a suburban campus plus opportunities for entertainment, cultural events, and professional opportunities in major east coast metropolises and the nation's capital.

Gloucester County Institute of Technology

The Gloucester County Institute of Technology ("Institute" or "GCIT") provides a full range of regionalized occupational and technical County-wide educational services and programs appropriate to the needs of the students of 13 public high schools and adults who seek educational opportunities that lead to employment or higher education. The Institute also provides programming for secondary students who wish to continue to higher education through Tech Prep matriculation agreements with various county colleges and four-year institutions.

GCIT offers a diverse range of Career and Technical Education (CTE) and academic programs designed to prepare students for both higher education and immediate entry into the workforce. As of the 2024-2025 school year, the school provides 18 full-time programs of study. Admission to GCIT is competitive, with approximately 450 students accepted each year, and the selection process considers academic performance from 7th – 8th graders, and standardized test scores. As of the 2023-2024 school year, GCIT had an enrollment of 1,639 students with a student-to-teacher ratio of 15:1.

In addition to high school secondary programs, GCIT offers post-secondary and apprenticeship programs for adult learners and high school graduates seeking advanced education and career training. These programs are designed to help adult learners acquire industry-recognized credentials and prepare for successful careers. As an official recognized, registered apprenticeship site with the United States Department of Labor (USDOL), in collaboration with local labor unions and businesses, GCIT offers apprenticeship programs in Electrical, HVAC, and Plumbing. These programs combine classroom instruction with on-the-job training, providing a comprehensive pathway to skilled trades careers.

Schools for Neurodiversity at Gloucester County Special Services School District

The Schools for Neurodiversity at Gloucester County Special Services School District ("Schools for Neurodiversity" or "GCSSSD") provides a wide range of educational services to the families of the County. The Schools for Neurodiversity serves children with special needs from birth to age 21. The enrollment for the 28-acre Bankbridge complex in Deptford, as of May 15, 2025, was 515 neurodivergent students.

Bankbridge Regional opened its doors in September 2000 and serves secondary level students who have special needs. In September 2002, GCSSSD opened Bankbridge Elementary School. The

elementary school is located next to Bankbridge Regional and serves special needs students from pre-kindergarten to grade five (5).

The Bankbridge Development Center ("BDC") opened in 2007. With an emphasis on developing skills in the areas of communication, socialization, and independence, the BDC strives toward helping students become participating and contributing members of their community. Education, advocacy, public awareness efforts, and the promotion of research form the cornerstones of the activities. Together, they can promote lifelong access and opportunity for all individuals within the autism spectrum and/or mentally disabled.

BDC student outcome goals include, but are not limited to:

- The development of a functional communication system in order to increase interaction and enhance adaptive behaviors.
- Effectively providing functional, skill-based instruction to develop each student's social, behavioral and academic abilities.
- Providing students with the skills necessary to become contributing and functional members of society.

The staff at BDC is dedicated to educating and supporting the special needs students who attend BDC. Each classroom and specialty area is carefully designed to provide an encouraging but challenging learning environment to help the children reach their maximum potential. The programs are tailored to meet the specific needs of each child. The philosophy, goals, and objectives of the BDC reflect the diversity of the children they serve. Programs are designed to meet their educational, social, and emotional needs.

In addition to the schools, the Schools for Neurodiversity provide the following services to support the special needs children of the County: (i) the Early Intervention Program for children from birth to age 3 and their families; and (ii) the Center for Regional Education Support Services (CRESS) which provides professional services to the school districts in the County and the County of Camden.

The Schools for Neurodiversity also provides support to nonpublic students through their schools including remedial programs, speech-language therapy and textbook purchasing. GCSSSD's Special Projects Program provides Migrant Services to more than 3,000 students and families throughout the southern region of New Jersey.

CERTAIN TAX INFORMATION

TEN LARGEST REAL PROPERTY TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2025 Assessed Valuation</u>
Berk Cohen Assoc. at Rustic Village	Property Owners/Managers-Rustic Village Apartment Complex	\$ 13,866,800
Aleris Light Gauge Products, Inc.	Manufacturer-Light Gauge Products	8,970,300
Emerson Green 2 LLC	Apartments	6,380,000
Emerson Green 1 LLC	Apartments	4,034,100
Silver Lake Associates	Condominiums	3,712,200
JBS Leasing Solutions LLC	Real Estate	3,242,100
Realmarq Development	Real Estate	2,929,600
Cenco Properties LLC	Real Estate	1,657,700
Gary E McClain	Landscape	1,604,100
American Stores Company LLC	Retail	1,485,000

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>	<u>Outstanding Dec. 31</u>		<u>Collected in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2024	\$ 19,860,991	\$ 354,117	1.78%	\$ 19,453,622	97.95%
2023	19,163,625	348,849	1.82%	18,759,348	97.89%
2022	18,997,881	402,938	2.12%	18,543,225	97.61%
2021	18,673,402	340,249	1.82%	18,272,125	97.85%
2020	18,536,159	468,011	2.52%	18,015,698	97.19%

DELINQUENT TAXES (2)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2024	\$ 348,897	\$ 443	\$ 349,340	100.00%	\$ -	\$ -	\$ -
2023	403,008	389	401,279	99.48%	2,069	-	49
2022	340,249	625	336,357	98.68%	4,447	-	70
2021	468,011	1,041	453,541	96.69%	15,492	20	-
2020	532,740	12,254	535,290	98.22%	9,704	-	-

(1) Source: Borough Tax Assessor

(2) Source: Borough Reports of Audit

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Added by</u> <u>Sales and</u> <u>Transfers</u>	<u>Collected</u>	<u>Transfer to</u> <u>Foreclosed</u> <u>Property</u>	<u>Balance</u> <u>Dec. 31</u>
2024	\$ 197,040	\$ 18,337	\$ 13,853	\$ 129,627	\$ 71,897
2023	178,145	44,778	25,883	-	197,040
2022	178,621	47,974	48,450	-	178,145
2021	124,442	67,147	12,968	-	178,621
2020	111,163	56,658	43,379	-	124,442

FORECLOSED PROPERTY (1)(2)

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Transfers</u> <u>from Tax</u> <u>Title Liens</u>	<u>Adjustment</u> <u>to Assessed</u> <u>Valuation</u>	<u>Cash from</u> <u>Sales</u>	<u>Loss on</u> <u>Sales</u>	<u>Balance</u> <u>Dec. 31</u>
2024	\$ 921,900	\$ 129,627	\$ 89,573	\$ -	\$ -	\$ 1,141,100
2023	1,053,500	-	-	65,800	65,800	921,900
2022	1,148,000	-	-	2,520	91,980	1,053,500
2021	1,341,100	-	-	111,050	82,050	1,148,000
2020	1,343,300	-	-	-	2,200	1,341,100

(1) Source: Borough Reports of Audit

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

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>			
		<u>Total Rate</u>	<u>County</u>	<u>Local</u> <u>School Municipal</u>	
2025	\$ 799,445,500	\$ 2.569	\$ 0.482	\$ 1.385	\$ 0.702
2024 (3)	801,516,000	2.475	0.507	1.307	0.661
2023	473,189,900	4.041	0.793	2.144	1.104
2022	473,155,767	3.997	0.789	2.142	1.066
2021	470,251,879	3.949	0.776	2.154	1.019

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

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita (5)</u>
2025	\$ 799,445,500	100.92%	\$ 792,157,650	\$ 89,946
2024 (3)	801,516,000	105.67%	758,508,564	86,126
2023	473,189,900	75.96%	622,946,156	70,733
2022	471,806,100	86.46%	545,692,922	61,961
2021	468,929,200	94.53%	496,063,895	56,326

REAL PROPERTY CLASSIFICATION (6)

<u>Year</u>	<u>Assessed Value of Land and Improvements</u>						
	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farmland</u>	
2025	\$ 9,429,900	\$ 715,424,700	\$ 34,102,700	\$ 17,928,400	\$ 19,424,700	\$ 3,135,100	
2024 (3)	9,003,300	717,904,100	34,127,200	17,928,400	19,424,700	3,128,300	
2023	7,447,900	408,377,900	29,254,000	13,010,700	13,269,400	1,935,900	
2022	8,316,200	406,355,400	29,084,500	13,010,700	13,269,400	1,769,900	
2021	8,907,300	404,263,400	29,082,100	11,517,700	13,269,400	1,889,300	

(1) Source: Borough's Tax Collector

(2) Per \$100 of assessed valuation.

(3) Reassessment

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

(5) Based on Federal Census 2020 of 8,807

(6) Source: Borough's Tax Assessor

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

The following table summarizes the direct debt of the Borough as of December 31, 2024, in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water and Sewer Utility and Debt of the Local School District. Deductions from gross debt to arrive at net debt include local school district debt, and debt considered to be self-liquidating. The resulting net debt of \$5,491,812 represents 0.773% of the average of equalized valuations for the Borough for the last three years, of \$710,040,684, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions		Net Debt
	Bonds	Notes/Loans			School District	Self Liquidating	
General	\$ 1,065,000	\$ 3,100,000	\$ 1,326,812	\$ 5,491,812			\$ 5,491,812
Local School District	12,655,000			12,655,000	\$ 12,655,000		
Water and Sewer Utility	195,000	6,206,380	288,406	6,689,787		\$ 6,689,787	-
	<u>\$ 13,915,000</u>	<u>\$ 9,306,380</u>	<u>\$ 1,615,218</u>	<u>\$ 24,836,599</u>	<u>\$ 12,655,000</u>	<u>\$ 6,689,787</u>	<u>\$ 5,491,812</u>

(1) Source: Annual Debt Statement as of December 31, 2024

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2022, 2023 and 2024	\$ 710,040,684
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2022, 2023 and 2024	0.77%
2025 Net Valuation Taxable	\$ 799,445,500
2025 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 758,508,564
Gross Debt (2)	
As a Percentage of 2025 Net Valuation Taxable	3.11%
As a Percentage of 2025 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	3.27%
Net Debt (2)	
As a Percentage of 2025 Net Valuation Taxable	0.69%
As a Percentage of 2025 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	0.72%
Gross Debt per Capita(3)	\$ 2,820
Net Debt per Capita(3)	\$ 624

BOROUGH BORROWING CAPACITY(1)

3.5% of Average (2022-24) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$710,040,684)	\$ 24,851,424
Net Debt	<u>(5,491,812)</u>
Remaining Borrowing Capacity	<u>\$ 19,359,612</u>

LOCAL SCHOOL BORROWING CAPACITY(1)

4% of Average (2022-24) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$710,040,684)	\$ 28,401,627
Local School Debt	<u>(12,655,000)</u>
Remaining Borrowing Capacity	<u>\$ 15,746,627</u>

(1) As of December 31, 2024
(2) Source: Annual Debt Statement
(3) Excluding overlapping debt
(4) Based on 2020 Federal Census of 8,807

**BOROUGH OF CLAYTON
OVERLAPPING DEBT
AS OF DECEMBER 31, 2024**

	DEBT ISSUED				Debt Auth. but not Issued
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	
County of Gloucester (1):					
General	\$ 239,268,000	\$ 19,131,039 (2)	\$ 220,136,961	\$ 4,314,684 (4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	100,041,911	100,041,911 (3)			
	<u>\$ 339,309,911</u>	<u>\$ 119,172,950</u>	<u>\$ 220,136,961</u>	<u>\$ 4,314,684</u>	<u>\$ -</u>

(1) Source: County's Annual Debt Statement.

(2) Includes Reserve for Payment of Debt and County College Bonds.

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

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2024 Net Valuations on which County taxes are apportioned, which is 1.96% .

**BOROUGH OF CLAYTON
SCHEDULE OF DEBT SERVICE
(BONDED DEBT ONLY) (1)**

Year	General Improvement Debt			Water and Sewer Utility Debt			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 355,000	\$ 33,725	\$ 388,725	\$ 65,000	\$ 6,175	\$ 71,175	\$ 459,900
2026	355,000	22,631	377,631	65,000	4,144	69,144	446,775
2027	355,000	11,538	366,538	65,000	2,113	67,113	433,650
	<u>\$ 1,065,000</u>	<u>\$ 67,894</u>	<u>\$ 1,132,894</u>	<u>\$ 195,000</u>	<u>\$ 12,431</u>	<u>\$ 207,431</u>	<u>\$ 1,340,325</u>

(1) As of December 31, 2024

**BOROUGH OF CLAYTON
2025 MUNICIPAL BUDGET**

CURRENT FUND

Anticipated Revenues:

Fund Balance	\$ 1,549,955
Miscellaneous Revenues:	
Local Revenues	292,500
State Aid Without Offsetting Appropriations	560,595
Uniform Construction Code Fees	140,000
Shared Service Agreements	52,080
Public and Private Revenues	388,299
Other Special Items	895,000
Receipts from Delinquent Taxes	338,000
Amount to be Raised by Taxation for Municipal Purpose	<u>5,614,738</u>
 Total Anticipated Revenues	 <u><u>\$ 9,831,167</u></u>

Appropriations:

Within "CAPS":	
Operations	\$ 7,900,976
Excluded from "CAPS":	
Other Operations	127,292
Shared Service Agreements	303,735
Public and Private Programs Off-Set by Revenues	160,601
Capital Improvements	384,898
Debt Service	527,250
Reserve for Uncollected Taxes	<u>426,415</u>
 Total Appropriations	 <u><u>\$ 9,831,167</u></u>

WATER/SEWER UTILITY FUND

Anticipated Revenues:

Operating Surplus Anticipated	\$ 492,000
Rents	3,035,000
Micelllaneous	<u>70,000</u>
 Total Anticipated Revenues	 <u><u>\$ 3,597,000</u></u>

Appropriations:

Operating	2,900,930
Capital Improvements	125,000
Debt Service	443,325
Deferred Charges and Statutory Expenditures	<u>127,745</u>
 Total Appropriations	 <u><u>\$ 3,597,000</u></u>

**BOROUGH OF CLAYTON
CAPITAL PROGRAM 2025-2030**

<u>Project Title</u>	<u>Estimated Total Cost</u>	<u>Current Year Budget Appropriations</u>	<u>Capital Improvement Fund</u>	<u>Grants-in- Aid and Other Funds</u>	<u>Bonds and Notes</u>	
					<u>General</u>	<u>Self- Liquidating</u>
Purchase of Municipal Equip (Computers, Radios, MDT's)	\$ 20,600	\$ 20,600				
Police Department Equipment	397,774	4,400	\$ 19,669		\$ 373,705	
Park and Recreation- Addition to Rec Center	2,500,000		25,000	\$ 100,000	2,375,000	
PUBLIC WORKS DEPT:						
Roadway and Drainage Improvements (Coyle Rd	60,000	60,000				
Purchase of Dump Trucks and Utility Trucks	515,000		25,750		489,250	
Purchase of Street Sweeper	450,000		22,500		427,500	
Paving Program	900,000		45,000		855,000	
Streets and Roads Equipment	255,000		12,750		242,250	
PUBLIC SAFETY:						
Fire Department Equipment	1,252,000		62,600		1,189,400	
WATER:						
Water Main Replacement- North New Street	30,000					
Water Main Installation-Pine Street	50,000					
Water Main Replacement- West High Street	70,000					
Water Main Replacement- 1500 ft. per year	230,000	15,000				\$ 215,000
Inspect Water Towers	27,000					
Treatment Plant Security	20,000					20,000
Well Redevelopment #3, 4, and 5	80,000					80,000
Lead Services Line Replacement	130,000					130,000
Replace Fuel Pumping Station	27,500					
Delsea Drive Water Main Phase I	740,000					740,000
Delsea Drive Water Main Phase II	429,000					429,000
Delsea Drive Water Main Phase III	3,800,000					3,800,000
Delsea Drive Water Main Phase IV	3,800,000					3,800,000
Nitrate Exchanger Replace Media/Upgrades	30,000					30,000
Replacement of Water Meters	25,000	25,000				
SEWER:						
Replacement of Pumps and Controls	35,000	35,000				
Trailer Mounted Air Compressor	20,000					20,000
Mobile Light Tower	10,000					10,000
Inspect and Repair Manholes for I & I	360,000					360,000
Repair/Clean/Inspect Sewer Mains	30,000	30,000				
Sewer System Repairs/Upgrades	1,480,000					1,480,000
Replacement of Generators- Lawns and East	80,000					80,000
Fuel Tank Replacement and Rehabilitation	20,000					20,000
Trailer Mounted Video Inspection Camera	200,000					200,000
Purchase of Utility Trucks and Dump Trucks	690,000					690,000
Purchase of Utility Body with Crane	180,000					180,000
Purchase of Pickups with plow	220,000					220,000
Nitrate Exchanger Replace Media/Upgrades Ad	70,000					70,000
Delsea Drive Water Main Phase IV Additional	31,000					31,000
Lead Service Line Replacement Additional	270,000					270,000
Well Redevelopment Additional	120,000					120,000
Total All Projects	\$ 19,654,874	190,000	\$ 213,269	\$ 100,000	\$ 5,952,105	\$ 12,995,000

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH OF CLAYTON

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Clayton
Clayton, New Jersey 08312

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Clayton, in the County of Gloucester, State of New Jersey, as of December 31, 2024 and 2023, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Clayton, in the County of Gloucester, State of New Jersey, as of December 31, 2024 and 2023, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America* section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the Borough of Clayton, in the County of Gloucester, State of New Jersey, as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion on Regulatory Basis of Accounting

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

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

As described in note 1 to the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

Change in Accounting Principle

As discussed in note 1 to the financial statements, during the year ended December 31, 2024, the Borough adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this new accounting principle resulted in an updated measurement of compensated absences in accordance with the Statement (note 12). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only impacted financial statement disclosures. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Michael D. Cesaro
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
May 2, 2025

BOROUGH OF CLAYTON
CURRENT FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis
 As of December 31, 2024 and 2023

<u>ASSETS</u>	Ref.	<u>2024</u>	<u>2023</u>
Regular Fund:			
Cash--Treasurer	SA-1	\$ 6,190,074.97	\$ 6,254,187.98
Cash--Payroll and Agency	SA-1	38,876.19	44,075.24
Cash--Collector	SA-2	300,031.13	225,736.43
Cash--Change Funds	SA-3	400.00	400.00
Employee Advances	SA-1	12,200.00	
		<hr/>	
		6,541,582.29	6,524,399.65
		<hr/>	
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	SA-4	354,117.31	348,897.25
Tax Title Liens Receivable	SA-5	71,897.01	197,039.71
Property Acquired for Taxes--Assessed Valuation	SA-10	1,141,100.00	921,900.00
Revenue Accounts Receivable	SA-6	2,528.44	2,921.04
Miscellaneous Charges Receivable	SA-8	18,832.11	51,493.43
Clean-up Charges Receivable	SA-9	363.76	
Due from Animal Control Fund	SB-4	22.15	22.00
Due from Federal and State Grant Fund	SA-22	416,782.58	257,877.31
Due from Trust Other Fund	SB-5	5,808.62	627.59
Due from General Capital Fund	SC-2	3,569.87	2,383.77
		<hr/>	
		2,015,021.85	1,783,162.10
		<hr/>	
		8,556,604.14	8,307,561.75
		<hr/>	
Federal and State Grant Fund:			
Federal and State Grants Receivable	SA-23	2,476,549.48	2,901,900.95
		<hr/>	
		2,476,549.48	2,901,900.95
		<hr/>	
		\$ 11,033,153.62	\$ 11,209,462.70
		<hr/> <hr/>	

(Continued)

BOROUGH OF CLAYTON
CURRENT FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis
 As of December 31, 2024 and 2023

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Ref.	<u>2024</u>	<u>2023</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3 & SA-12	\$ 1,137,899.92	\$ 1,122,584.98
Reserve for Encumbrances	SA-13	54,775.92	204,682.78
Prepaid Taxes	SA-15	231,648.17	154,754.99
Prepaid PILOT	SA-11	9,497.60	12,164.75
Due to County for Added and Omitted Taxes	SA-18	4,821.25	8,248.39
Due to County of Gloucester - PILOT	SA-11	12,971.56	12,829.12
Local School Taxes Payable	SA-21	937,587.53	771,196.53
Due to State of New Jersey (Ch. 73, P.L. 1976)	SA-7	3,622.18	3,635.87
Accounts Payable	SA-14	55,836.28	4,207.50
Payroll Deductions Payable	SA-19	38,807.77	43,997.80
Reserve for Codification of Ordinance	SA-11	124.00	124.00
Reserve for Master Plan	SA-20	1,535.00	1,535.00
Reserve for Security Deposits	SA-11	550.00	560.00
Reserve for Municipal Relief Aid	SA-1		57,783.75
Vacant Property Registration Payable	SA-11	250.00	
Due to State of New Jersey--Marriage License Fees	SA-11	250.00	200.00
Due to State of New Jersey--Lead Fees	SA-11	1,160.00	
Due to State of New Jersey--DCA Fees	SA-11	1,715.00	2,434.00
		<u>2,493,052.18</u>	<u>2,400,939.46</u>
Reserve for Receivables and Other Assets	A	2,015,021.85	1,783,162.10
Fund Balance	A-1	4,048,530.11	4,123,460.19
		<u>8,556,604.14</u>	<u>8,307,561.75</u>
Federal and State Grant Fund:			
Due to Current Fund	SA-22	416,782.58	257,877.31
Unappropriated Reserves	SA-24		1,459.82
Reserve for Encumbrances	SA-13 & SA-25	172,481.52	799,154.40
Appropriated Reserves	SA-25	1,887,285.38	1,843,409.42
		<u>2,476,549.48</u>	<u>2,901,900.95</u>
		<u>\$ 11,033,153.62</u>	<u>\$ 11,209,462.70</u>

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

BOROUGH OF CLAYTON
CURRENT FUND
 Statements of Operations and Changes in Fund Balance--Regulatory Basis
 For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,549,955.00	\$ 1,499,955.00
Miscellaneous Revenue Anticipated	2,622,732.02	3,286,573.69
Receipts from Delinquent Taxes	363,193.44	427,161.73
Receipts from Current Taxes	19,453,622.22	18,759,348.27
Non-Budget Revenues	458,079.60	426,048.43
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	865,195.44	983,306.96
Accounts Payable Cancelled	4,207.50	
Cancellation of Reserves for Federal and State Grants	48,246.87	
Reserves Liquidated:		
Due from Animal Control Fund		565.62
Due from Trust Other Fund		670.54
		<hr/>
Total Income	25,365,232.09	25,383,630.24
<u>Expenditures</u>		
Budget Appropriations:		
Operations--Within "CAPS":		
Salaries and Wages	3,044,600.00	3,017,105.00
Other Expenses	3,704,860.00	3,466,359.00
Deferred Charges and Statutory Expenditures--Within "CAPS"	917,726.00	831,184.00
Operations-- Excluded from "CAPS":		
Salaries and Wages	52,080.00	52,080.00
Other Expenses	484,571.81	1,499,852.46
Capital Improvements--Excluded from "CAPS"	403,015.00	348,873.00
Municipal Debt Service--Excluded from "CAPS"	534,931.32	523,000.12
County Taxes	4,052,233.20	3,745,046.92
Due to County for Added and Omitted Taxes	4,821.25	8,248.39
Local School Tax	10,476,997.00	10,144,217.00
Senior Citizens' Deductions Disallowed by Tax Collector--		
Prior Year Taxes	443.15	388.57
Cancellation of Employee Advances	400.00	
Adjustment to Payroll Deductions Payable	9.02	
Cancellation of Federal and State Grants Receivable	48,246.87	
Reserves Created:		
Due from Federal and State Grant Fund	158,905.27	107,703.73
Due from General Capital Fund	1,186.10	1,757.12
Due from Trust Other Fund	5,181.03	
Due from Animal Control Fund	0.15	
		<hr/>
Total Expenditures	23,890,207.17	23,745,815.31
Statutory Excess to Surplus	1,475,024.92	1,637,814.93
<u>Fund Balance</u>		
Balance Jan. 1	4,123,460.19	3,985,600.26
	<hr/>	<hr/>
Decreased by:	5,598,485.11	5,623,415.19
Utilized as Revenue	1,549,955.00	1,499,955.00
	<hr/>	<hr/>
Balance Dec. 31	\$ 4,048,530.11	\$ 4,123,460.19

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

BOROUGH OF CLAYTON
TRUST FUND
 Statements of Assets, Liabilities and Reserves--Regulatory Basis
 As of December 31, 2024 and 2023

<u>ASSETS</u>	<u>Ref.</u>	<u>2024</u>	<u>2023</u>
Animal Control License Fund:			
Cash	SB-1	\$ 14,968.21	\$ 14,430.48
Change Fund		25.00	25.00
Total Animal Control License Fund		<u>14,993.21</u>	<u>14,455.48</u>
Other Funds:			
Cash	SB-1	552,674.38	630,112.24
Escrow Receivable			400.00
Total Other Funds		<u>552,674.38</u>	<u>630,512.24</u>
Length of Service Awards Program:			
Investments - Length of Service Awards Program	SB-7	313,048.90	267,820.28
Total Length of Service Awards Program		<u>313,048.90</u>	<u>267,820.28</u>
		<u>\$ 880,716.49</u>	<u>\$ 912,788.00</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control License Fund:			
Reserve for Animal Control Fund Expenditures	SB-2	\$ 14,969.86	\$ 13,888.48
Reserve for Animal Control Fund Expenditures - Encumbrances	SB-2		530.00
Due State of New Jersey	SB-3	1.20	15.00
Due to Current Fund	SB-4	22.15	22.00
Total Animal Control License Fund		<u>14,993.21</u>	<u>14,455.48</u>
Other Funds:			
Due to Current Fund	SB-5	5,808.62	627.59
Reserve for Affordable Housing	SB-6	107,269.59	61,344.27
Reserve for Developer's Escrow Trust Fund	SB-6	81,218.83	106,395.33
Reserve for Disposal of Forfeited Property	SB-6	16,758.26	17,468.86
Reserve for Special Events	SB-6	1,324.05	2,012.44
Reserve for Donations - K9 Unit	SB-6	2,397.00	2,397.00
Reserve for Parks and Recreation Trust Fund	SB-6	111,246.16	106,355.57
Reserve for Tax Sale Premium	SB-6	41,100.00	96,500.00
Reserve for Tax Sale Redemption	SB-6	16,036.21	4,276.41
Reserve for Performance Bond Escrow Trust Fund	SB-6	10,500.00	36,823.75
Reserve for Unaccumulated Absences	SB-6	7,024.29	45,506.53
Reserve for Unemployment Compensation Insurance	SB-6	103,210.72	117,125.39
Reserve for Storm Recovery	SB-6	48,780.65	33,679.10
Total Other Funds		<u>552,674.38</u>	<u>630,512.24</u>
Length of Service Awards Program:			
Reserve for Length of Service Awards Program	SB-7	313,048.90	267,820.28
Total Length of Service Awards Program		<u>313,048.90</u>	<u>267,820.28</u>
		<u>\$ 880,716.49</u>	<u>\$ 912,788.00</u>

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

BOROUGH OF CLAYTON
GENERAL CAPITAL FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
 As of December 31, 2024 and 2023

<u>Assets</u>	<u>Ref.</u>	<u>2024</u>	<u>2023</u>
Cash	SC-1	\$ 2,451,883.38	\$ 1,459,151.48
Deferred Charges to Future Taxation--Funded	SC-3	1,065,000.00	1,420,000.00
Deferred Charges to Future Taxation--Unfunded	SC-4	4,426,812.00	3,673,127.00
		<u>\$ 7,943,695.38</u>	<u>\$ 6,552,278.48</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds	SC-9	\$ 1,065,000.00	\$ 1,420,000.00
Bond Anticipation Notes	SC-10	3,100,000.00	1,370,000.00
Capital Improvement Fund	SC-6	102,831.78	94,108.25
Reserve for Encumbrances	SC-7	1,821,809.76	1,585,049.19
Improvement Authorizations:			
Funded	SC-5	134,044.61	219,721.57
Unfunded	SC-5	1,479,141.14	1,636,786.39
Due to Current Fund	SC-2	3,569.87	2,383.77
Reserve for Improvements to Roads	SC-8	2,831.20	2,831.20
Reserve for Land & Drainage - Coyle	SC-8	199,854.74	189,251.08
Reserve for Land & Drainage - Coyle - Encumbrances	SC-8	4,215.25	
Reserve for Capital Improvements	SC-8	26,200.00	27,950.00
Fund Balance	C-1	4,197.03	4,197.03
		<u>\$ 7,943,695.38</u>	<u>\$ 6,552,278.48</u>

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

BOROUGH OF CLAYTON
WATER-SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis
 As of December 31, 2024 and 2023

<u>ASSETS</u>	<u>Ref.</u>	<u>2024</u>	<u>2023</u>
Operating Fund:			
Cash--Treasurer	SD-1	\$ 1,754,489.71	\$ 1,489,536.19
Cash--Collector	SD-2	568,506.74	497,096.09
Cash--Escrow	SD-1	41,966.26	100,252.75
Cash--Change Fund		100.00	100.00
Due from Water-Sewer Utility Capital Fund	SD-18	3,967.58	3,087.12
		<u>2,369,030.29</u>	<u>2,090,072.15</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	SD-4	161,059.81	239,540.19
Water-Sewer Utility Liens	SD-5	6,687.18	15,127.24
		<u>167,746.99</u>	<u>254,667.43</u>
Total Operating Fund		<u>2,536,777.28</u>	<u>2,344,739.58</u>
Capital Fund:			
Cash	SD-1	2,715,698.32	1,844,121.62
Fixed Capital	SD-7	17,377,752.08	17,285,842.37
Fixed Capital Authorized and Uncompleted	SD-8	4,052,894.10	3,448,853.26
Total Capital Fund		<u>24,146,344.50</u>	<u>22,578,817.25</u>
		<u>\$ 26,683,121.78</u>	<u>\$ 24,923,556.83</u>

(Continued)

BOROUGH OF CLAYTON
WATER-SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis
 As of December 31, 2024 and 2023

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2024</u>	<u>2023</u>
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4 & SD-9	\$ 423,621.87	\$ 650,207.26
Reserve for Encumbrances	SD-10	36,194.67	18,107.65
Overpayment of Rents	SD-6	16,466.12	20,632.85
Accrued Interest on Serial Bonds and Notes	SD-12	17,454.65	14,721.80
Accounts Payable	SD-11	15,124.30	33,716.05
Reserve for Escrow Deposits	SD-14	41,850.70	100,136.24
		<u>550,712.31</u>	<u>837,521.85</u>
Reserve for Receivables	D	167,746.99	254,667.43
Fund Balance	D-1	1,818,317.97	1,252,550.30
		<u>2,536,777.28</u>	<u>2,344,739.58</u>
Total Operating Fund			
Capital Fund:			
Serial Bonds	SD-21	195,000.00	255,000.00
USDA Loan Payable	SD-19	2,084,093.67	2,127,190.55
NJ Environmental Infrastructure Loan Payable	SD-20	1,172,286.66	1,294,506.91
Bond Anticipation Notes	SD-22	2,950,000.00	1,515,000.00
Capital Improvement Fund	SD-13	229,446.14	189,641.73
Reserve for Encumbrances	SD-3	1,016,003.30	315,801.47
Due to Water-Sewer Utility Operating Fund	SD-18	3,967.58	3,087.12
Improvement Authorizations:			
Funded	SD-15	19,324.60	828,180.22
Unfunded	SD-15	1,671,070.13	1,527,524.51
Reserves for:			
Amortization	SD-16	13,826,265.85	13,532,526.85
Deferred Amortization	SD-17	914,593.83	926,065.15
Fund Balance	D-2	64,292.74	64,292.74
		<u>24,146,344.50</u>	<u>22,578,817.25</u>
		<u>\$ 26,683,121.78</u>	<u>\$ 24,923,556.83</u>

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

BOROUGH OF CLAYTON
WATER-SEWER UTILITY FUND
 Statements of Operations and Changes in Fund Balance -- Regulatory Basis
 For the Years Ended December 31, 2024 and 2023

<u>Revenue and Other Income Realized</u>	<u>2024</u>	<u>2023</u>
Operating Fund Balance Utilized	\$ 385,800.00	\$ 311,000.00
Rents	3,237,609.92	3,088,507.42
Miscellaneous	217,269.65	123,073.06
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	510,281.66	470,471.67
 Total Income	 <u>4,350,961.23</u>	 <u>3,993,052.15</u>
 <u>Expenditures</u>		
Operating	2,786,200.00	2,636,457.00
Capital Improvements	120,000.00	120,000.00
Debt Service	369,393.55	336,142.19
Deferred Charges and Statutory Expenditures	123,800.00	115,575.00
Other Debits to Income:		
Refund of Prior Year Revenue		1,509.66
 Total Expenditures	 <u>3,399,393.55</u>	 <u>3,209,683.85</u>
 Statutory Excess to Fund Balance	 951,567.68	 783,368.30
 <u>Fund Balance</u>		
Balance Jan. 1	<u>1,252,550.30</u>	<u>780,182.00</u>
Decreased by:	2,204,117.97	1,563,550.30
Utilized in Operating Budget	<u>385,800.00</u>	<u>311,000.00</u>
 Balance Dec. 31	 <u>\$ 1,818,317.97</u>	 <u>\$ 1,252,550.30</u>

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

BOROUGH OF CLAYTON
Notes to Financial Statements
For the Year Ended December 31, 2024

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Clayton (hereafter referred to as the "Borough") was incorporated as a borough by an act of the New Jersey legislature on May 9, 1887 from portions of Clayton Borough. The Borough, located in Gloucester County, New Jersey, has a total area of approximately seven square miles, and is located approximately twenty miles from the City of Philadelphia. The Borough borders Elk Township, Franklin Township, Glassboro and Monroe Township. According to the 2020 census, the population is 8,807.

The Borough has a Mayor-Council form of government where the Mayor is separately elected to a four-year term. The Council consists of six members elected to three-year terms. The Borough is managed daily by the Borough Administrator.

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

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded. Investments recorded in the trust fund for the Borough's length of service awards program, however, are stated at fair value.

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

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

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

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the current fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

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

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Part 225), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Uniform Guidance. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the Borough's basic financial statements.

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

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

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

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

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

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

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

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

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

School Taxes - The Borough is responsible for levying, collecting, and remitting school taxes for the Borough of Clayton School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31. For the regional high school district, operations is charged for the Borough's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2023 and decreased by the amount deferred at December 31, 2024.

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

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

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

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

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

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

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

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

Recently Issued and Adopted Accounting Pronouncements

The Borough implemented the following GASB Statement for the year ended December 31, 2024:

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only impacted financial statement disclosures. There exists no impact on the financial statements of the Borough.

Because of the implementation of GASB Statement No. 101, the Borough has updated the measurement of compensated absences in accordance with the Statement (note 12).

Note 2: CASH AND CASH EQUIVALENTS

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

As of December 31, 2024, the Borough's bank balances of \$15,173,795.75 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 14,950,092.91
Uninsured and Uncollateralized	<u>223,702.84</u>
Total	<u>\$ 15,173,795.75</u>

Note 3: PROPERTY TAXES

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

Comparative Schedule of Tax Rates

	<u>Year Ended</u>				
	<u>2024 (R)</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax Rate	<u>\$ 2.475</u>	<u>\$ 4.041</u>	<u>\$ 3.997</u>	<u>\$ 3.949</u>	<u>\$ 3.957</u>
Apportionment of Tax Rate:					
Municipal	\$.661	\$ 1.104	\$ 1.066	\$ 1.019	\$.995
County	.507	.793	.789	.776	.776
Local School	1.307	2.144	2.142	2.154	2.186

(R) - Revaluation

Note 3: PROPERTY TAXES (CONT'D)

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

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2024 (R)	\$ 801,516,000.00
2023	473,189,900.00
2022	473,155,767.00
2021	470,251,879.00
2020	466,743,682.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2024	\$ 19,860,991.20	\$ 19,453,622.22	97.95%
2023	19,163,625.33	18,759,348.27	97.89%
2022	18,997,881.12	18,543,224.66	97.61%
2021	18,673,401.71	18,272,125.18	97.85%
2020	18,536,159.11	18,015,697.53	97.19%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2024	\$ 71,897.01	\$ 354,117.31	\$ 426,014.32	2.14%
2023	197,039.71	348,897.25	545,936.96	2.85%
2022	178,144.85	403,007.59	581,152.44	3.06%
2021	178,621.12	340,248.71	518,869.83	2.78%
2020	124,442.02	468,011.48	592,453.50	3.20%

(R) - Revaluation

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

<u>Year</u>	<u>Number</u>
2024	13
2023	31
2022	33
2021	27
2020	20

Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 1,141,100.00
2023	921,900.00
2022	1,053,500.00
2021	1,148,000.00
2020	1,341,100.00

Note 5: WATER & SEWER UTILITY SERVICE CHARGES

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

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2024	\$ 239,540.19	\$ 15,127.24	\$ 3,150,689.48	\$ 3,405,356.91	\$ 3,237,609.92
2023	264,926.04	13,360.74	3,064,888.07	3,343,174.85	3,088,507.42
2022	188,930.44	13,374.03	2,932,562.06	3,134,866.53	2,849,714.65
2021	175,112.66	10,574.53	2,837,255.95	3,022,943.14	2,815,343.60
2020	79,619.86	11,184.26	2,699,733.01	2,790,537.13	2,604,863.09

Note 6: FUND BALANCES APPROPRIATED

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

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2024	\$ 4,048,530.11	\$ 1,549,955.00	38.28%
2023	4,123,460.19	1,549,955.00	37.59%
2022	3,985,600.26	1,499,955.00	37.63%
2021	4,036,641.13	1,437,950.00	35.62%
2020	3,352,500.35	1,410,000.00	42.06%

Water & Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2024	\$ 1,818,317.97	\$ 492,000.00	27.06%
2023	1,252,550.30	385,800.00	30.80%
2022	780,182.00	311,000.00	39.86%
2021	710,248.83	295,807.00	41.65%
2020	684,141.23	283,991.00	41.51%

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2024:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 426,183.22	
Federal and State Grant		\$ 416,782.58
Trust - Animal Control		22.15
Trust - Other		5,808.62
General Capital		3,569.87
Water & Sewer Utility - Operating	3,967.58	
Water & Sewer Utility - Capital		3,967.58
Totals	<u>\$ 430,150.80</u>	<u>\$ 430,150.80</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2025, the Borough expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: LEASES RECEIVABLE

The Borough, as lessor, has entered into the following leases which meet the requirements of GASB Statement No. 87, *Leases*:

Cell Tower Leases

On March 1, 2016, the Borough entered into a five-year lease agreement with Verizon for the lease of cell towers with an incremental borrowing rate of 4.00%. The initial ten-year term was for \$1,900.00 monthly with an annual increase of 3%. The agreement included five (5) five-year automatic extensions under the same terms unless the lessee terminates it at the end of the then current term by giving written notice of intent to terminate at least 90 days prior. The initial and extension period will end with the monthly payment in February 2046. After the final extension period, the agreement can continue under the same terms but subject to the termination by either party.

On March 3, 1998, the Borough entered into a ten-year lease agreement with T-Mobile for the lease of cell towers with an incremental borrowing rate of 5.00%. The initial ten-year term was for \$1,000.00 monthly with an annual increase of 3%. The agreement included five (5) five-year automatic extensions under the same terms unless the lessee terminates it at the end of the then current term by giving written notice of intent to terminate at least 90 days prior. The initial and extension period will end with the monthly payment in March 2033. After the final extension period, the agreement can continue under the same terms but subject to the termination by either party.

On December 1, 2010, the Borough entered into a five-year lease agreement with T-Mobile for the lease of cell towers with an incremental borrowing rate of 4.00%. The initial five-year term was for \$1,600.00 monthly with an annual increase of 4% after the initial five-year term. The agreement included four (4) five-year automatic extensions under the same terms unless the lessee terminates it at the end of the then current term by giving written notice of intent to terminate at least 90 days prior. The initial and extension period will end with the monthly payment in November 2035. After the final extension period, the agreement can continue under the same terms but subject to the termination by either party.

Note 8: LEASES RECEIVABLE (CONT'D)**Cell Tower Leases (Cont'd)**

Under the provisions of GASB 87, as of December 31, 2024, the balance of the lease's receivable is \$1,117,711.87. As a result of the regulatory basis of accounting previously described in note 1, such balance is not recorded on the Statements of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis of the current fund.

The following is a summary of the leases as of December 31, 2024:

<u>Lease Description</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Cell Towers	<u>\$1,117,711.87</u>	<u>\$ 47,779.61</u>	<u>\$ 49,042.83</u>

Under the provisions of GASB 87, for the year ended December 31, 2024, the Borough would have recognized \$45,101.26 in a reduction of lease receivable and \$49,042.83 in interest revenue related to the leases. In addition, \$47,779.61 would have been recognized as both lease revenue and a reduction in deferred inflows of resources related to leases.

As a result of the regulatory basis of accounting previously described in note 1, the rental payments collected of \$92,344.52 were reported as revenue in the current fund.

The following schedule represents the future payments that are included in the measurement of the lease receivable:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 50,287.95	\$ 47,076.03	\$ 97,363.98
2026	55,811.34	44,884.95	100,696.29
2027	61,689.99	42,455.03	104,145.02
2028	67,943.46	39,770.88	107,714.34
2029	74,592.25	36,816.28	111,408.53
2030-2034	449,228.89	129,045.00	578,273.89
2035-2039	126,223.12	62,366.19	188,589.31
2040-2044	186,032.84	32,593.86	218,626.70
2045	<u>45,902.03</u>	<u>1,836.08</u>	<u>47,738.11</u>
Total	<u>\$1,117,711.87</u>	<u>\$ 436,844.30</u>	<u>\$1,554,556.17</u>

Note 9: PENSION PLANS

N.J.A.C. 5:30-6.1 allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pensions' reporting on GASB No. 68, *Accounting and Financial Reporting for Pensions*. As of the date of this report, the information for the measurement period ended June 30, 2024 was not available; therefore, the information from the measurement period June 30, 2023 is disclosed below.

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

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

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

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

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

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

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

Vesting and Benefit Provisions

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

The following represents the membership tiers for PFRS:

Tier Definition

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

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

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

Contributions

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

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

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - Special Funding Situation Component (Cont'd) - The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Employer's contractually required contribution rate for the year ended December 31, 2023 was 17.05% of the Employer's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2023, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2023 is \$193,097.00, and is payable by April 1, 2024. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2022, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2022 was \$176,052.00, which was paid on April 1, 2023.

Employee contributions to the Plan for the year ended December 31, 2023 were \$86,178.90.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Employer, under Chapter 133, P.L. 2001, for the year ended December 31, 2023 was 0.58% of the Employer's covered payroll.

Based on the most recent PERS measurement date of June 30, 2023, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the year ended December 31, 2023 was \$6,526.00. For the prior year measurement date of June 30, 2022, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the year ended December 31, 2022 was \$4,433.00.

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System - The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 10.0% of base salary. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Employer's contractually required contribution rate for the year ended December 31, 2023 was 37.05% of the Employer's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2023, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2023 is \$504,711.00, and is payable by April 1, 2024. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. For the prior year measurement date of June 30, 2022, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2022 was \$456,638.00, which was paid on April 1, 2023.

Employee contributions to the Plan for the year ended December 31, 2023 were \$138,543.90.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Employer, for the year ended December 31, 2023 was 6.43% of the Employer's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2023, the State's contractually required contribution, on-behalf of the Employer, to the pension plan for the year ended December 31, 2023 was \$88,273.00, and is payable by April 1, 2024. For the prior year measurement date of June 30, 2022, the State's contractually required contribution, on-behalf of the Employer, to the pension plan for the year ended December 31, 2022 was \$89,631.00, which was paid on April 1, 2023.

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

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

For the year ended December 31, 2024, employee contributions totaled \$4,592.40, and the Employer's contributions were \$2,505.06. There were no forfeitures during the year.

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

Pension Liability - As of December 31, 2023, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Employer's proportionate share of the PERS net pension liability was \$2,092,654.00. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The Employer's proportion of the net pension liability was based on a projection of the Employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2023 measurement date, the Employer's proportion was 0.0144476664%, which was an increase of 0.0004868975% from its proportion measured as of June 30, 2022.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

Pension (Benefit) Expense - For the year ended December 31, 2023, the Employer's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2023 measurement date was (\$59,481.00). This (benefit) expense is not recognized by the Employer because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2023, the Employer's contribution to PERS was \$176,052.00, and was paid on April 1, 2023.

For the year ended December 31, 2023, the State's proportionate share of the PERS pension (benefit) expense, associated with the Employer, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2023 measurement date, was \$6,526.00. This on-behalf (benefit) expense is not recognized by the Employer because of the regulatory basis of accounting as described in note 1.

Police and Firemen's Retirement System

Pension Liability - As of December 31, 2023, the Employer's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Proportionate Share of Net Pension Liability	\$ 4,189,031.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Employer	<u>771,878.00</u>
	<u>\$ 4,960,909.00</u>

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Police and Firemen's Retirement System (Cont'd)**

Pension Liability (Cont'd) - The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The Employer's proportion of the net pension liability was based on a projection of the Employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2023 measurement date, the Employer's proportion was 0.0379139600%, which was an increase of 0.0025722300% from its proportion measured as of June 30, 2022. Likewise, at June 30, 2023, the State of New Jersey's proportion, on-behalf of the Employer, was 0.0379139300%, which was an increase of 0.0025720100% from its proportion, on-behalf of the Employer, measured as of June 30, 2022.

Pension (Benefit) Expense - For the year ended December 31, 2023, the Employer's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2023 measurement date was \$180,378.00. This (benefit) expense is not recognized by the Employer because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2023, the Employer's contribution to PFRS was \$459,638.00, and was paid on April 1, 2023.

For the year ended December 31, 2023, the State's proportionate share of the PFRS pension (benefit) expense, associated with the Employer, calculated by the Plan as of the June 30, 2023 measurement date, was \$87,799.00. This on-behalf (benefit) expense is not recognized by the Employer because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - As of December 31, 2023, the Employer had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 20,008.00	\$ 179,366.00	\$ 199,374.00	\$ 8,554.00	\$ 199,780.00	\$ 208,334.00
Changes of Assumptions	4,597.00	9,041.00	13,638.00	126,824.00	282,860.00	409,684.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	9,637.00	213,339.00	222,976.00	-	-	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	198,146.00	635,546.00	833,692.00	263,879.00	331,607.00	595,486.00
Contributions Subsequent to the Measurement Date	96,549.00	252,356.00	348,905.00	-	-	-
	<u>\$ 328,937.00</u>	<u>\$ 1,289,648.00</u>	<u>\$ 1,618,585.00</u>	<u>\$ 399,257.00</u>	<u>\$ 814,247.00</u>	<u>\$ 1,213,504.00</u>

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Deferred outflows of resources in the amounts of \$96,549.00 and \$252,356.00 for PERS and PFRS, respectively, will be included as a reduction of the net pension liability during the year ending December 31, 2024. These amounts were based on an estimated April 1, 2025 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2023 to the Employer's year end of December 31, 2023.

The Employer will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2018	-	5.63	5.73	-
June 30, 2019	5.21	-	-	5.92
June 30, 2020	5.16	-	5.90	-
June 30, 2021	-	5.13	-	6.17
June 30, 2022	-	5.04	6.22	-
June 30, 2023	5.08	-	6.16	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2018	-	5.63	-	5.73
June 30, 2019	-	5.21	-	5.92
June 30, 2020	-	5.16	-	5.90
June 30, 2021	5.13	-	6.17	-
June 30, 2022	-	5.04	-	6.22
Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2019	5.00	-	5.00	-
June 30, 2020	5.00	-	5.00	-
June 30, 2021	5.00	-	5.00	-
June 30, 2022	5.00	-	5.00	-
June 30, 2023	5.00	-	5.00	-
Changes in Proportion				
Year of Pension Plan Deferral:				
June 30, 2018	5.63	5.63	5.73	5.73
June 30, 2019	5.21	5.21	5.92	5.92
June 30, 2020	5.16	5.16	5.90	5.90
June 30, 2021	5.13	5.13	6.17	6.17
June 30, 2022	5.04	5.04	6.22	6.22
June 30, 2023	5.08	5.08	6.16	6.16

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

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

Year Ending Dec 31,	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2024	\$ (114,617.00)	\$ (175,066.00)	\$ (289,683.00)
2025	(76,137.00)	(144,845.00)	(220,982.00)
2026	25,130.00	346,490.00	371,620.00
2027	(2,781.00)	110,208.00	107,427.00
2028	1,536.00	77,458.00	78,994.00
Thereafter	-	8,800.00	8,800.00
	<u>\$ (166,869.00)</u>	<u>\$ 223,045.00</u>	<u>\$ 56,176.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)****Public Employees' Retirement System**

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

Police and Firemen's Retirement System

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%
	<u>100.00%</u>	

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)****Discount Rate -**

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

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

Public Employees' Retirement System (PERS) - The following presents the Employer's proportionate share of the net pension liability as of the June 30, 2023 measurement date, calculated using a discount rate of 7.00%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	\$ 2,724,190.00	\$ 2,092,654.00	\$ 1,555,133.00

Note 9: PENSION PLANS (CONT'D)**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Employer's annual required contribution. As such, the net pension liability as of the June 30, 2023 measurement date, for the Employer and the State of New Jersey, calculated using a discount rate of 7.00%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	\$ 5,836,681.00	\$ 4,189,031.00	\$ 2,816,932.00
State of New Jersey's Proportionate Share of Net Pension Liability	<u>1,075,476.00</u>	<u>771,878.00</u>	<u>519,053.00</u>
	<u>\$ 6,912,157.00</u>	<u>\$ 4,960,909.00</u>	<u>\$ 3,335,985.00</u>

Pension Plan Fiduciary Net Position

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

Note 9: PENSION PLANS (CONT'D)**Supplementary Pension Information**

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

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

	<u>Measurement Date Ended June 30,</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the Net Pension Liability	0.0144476664%	0.0139607689%	0.0161703848%	0.0150177856%	0.0144527824%
Proportionate Share of the Net Pension Liability	\$ 2,092,654.00	\$ 2,106,872.00	\$ 1,915,625.00	\$ 2,449,008.00	\$ 2,604,172.00
Covered Payroll (Plan Measurement Period)	\$ 1,112,996.00	\$ 1,052,760.00	\$ 1,184,856.00	\$ 1,095,416.00	\$ 1,043,828.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	188.02%	200.13%	161.68%	223.57%	249.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.23%	62.91%	70.33%	58.32%	56.27%
	<u>Measurement Date Ended June 30,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the Net Pension Liability	0.0155884787%	0.0154869444%	0.0171505459%	0.0161502691%	0.0162433701%
Proportionate Share of the Net Pension Liability	\$ 3,069,294.00	\$ 3,605,113.00	\$ 5,079,500.00	\$ 3,625,412.00	\$ 3,041,203.00
Covered Payroll (Plan Measurement Period)	\$ 1,086,824.00	\$ 1,179,168.00	\$ 1,185,148.00	\$ 1,131,708.00	\$ 1,150,452.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	282.41%	305.73%	428.60%	320.35%	264.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%

Note 9: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Contributions - Public Employees' Retirement System (PERS) (Last Ten Years)***

	<u>Year Ended December 31,</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 193,097.00	\$ 176,052.00	\$ 189,374.00	\$ 164,287.00	\$ 140,583.00
Contribution in Relation to the Contractually Required Contribution	(193,097.00)	(176,052.00)	(189,374.00)	(164,287.00)	(140,583.00)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll (Calendar Year)	\$ 1,132,560.00	\$ 1,114,572.00	\$ 1,044,290.00	\$ 1,192,475.00	\$ 1,097,859.00
Contributions as a Percentage of Covered Payroll	17.05%	15.80%	18.13%	13.78%	12.81%
	<u>Year Ended December 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 155,055.00	\$ 143,470.00	\$ 152,363.00	\$ 138,849.00	\$ 133,908.00
Contribution in Relation to the Contractually Required Contribution	(155,055.00)	(143,470.00)	(152,363.00)	(138,849.00)	(133,908.00)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll (Calendar Year)	\$ 1,047,662.00	\$ 1,082,117.00	\$ 1,071,655.00	\$ 1,097,874.00	\$ 1,097,470.00
Contributions as a Percentage of Covered Payroll	14.80%	13.26%	14.22%	12.65%	12.20%

Note 9: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Ten Plan Years)***

	<u>Measurement Date Ended June 30,</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the Net Pension Liability	0.0379139600%	0.0353417300%	0.0311828510%	0.0329596855%	0.0363861147%
Proportionate Share of the Net Pension Liability	\$ 4,189,031.00	\$ 4,045,340.00	\$ 2,279,202.00	\$ 4,258,826.00	\$ 4,452,867.00
State's Proportionate Share of the Net Pension Liability	771,878.00	719,952.00	641,025.00	660,950.00	703,116.00
Total	<u>\$ 4,960,909.00</u>	<u>\$ 4,765,292.00</u>	<u>\$ 2,920,227.00</u>	<u>\$ 4,919,776.00</u>	<u>\$ 5,155,983.00</u>
Covered Payroll (Plan Measurement Period)	\$ 1,415,676.00	\$ 1,259,420.00	\$ 1,186,604.00	\$ 1,230,192.00	\$ 1,325,864.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	295.90%	321.21%	192.08%	346.19%	335.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.16%	68.33%	77.26%	63.52%	65.00%
	<u>Measurement Date Ended June 30,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the Net Pension Liability	0.0369717165%	0.0387055204%	0.0373359309%	0.0376045620%	0.0404907597%
Proportionate Share of the Net Pension Liability	\$ 5,002,883.00	\$ 5,975,384.00	\$ 7,132,118.00	\$ 6,263,609.00	\$ 5,093,362.00
State's Proportionate Share of the Net Pension Liability	579,559.00	669,293.00	598,921.00	-	548,469.00
Total	<u>\$ 5,582,442.00</u>	<u>\$ 6,644,677.00</u>	<u>\$ 7,731,039.00</u>	<u>\$ 6,263,609.00</u>	<u>\$ 5,641,831.00</u>
Covered Payroll (Plan Measurement Period)	\$ 1,316,520.00	\$ 1,185,148.00	\$ 1,263,660.00	\$ 1,273,452.00	\$ 1,361,760.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	380.01%	504.19%	564.40%	491.86%	374.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%	56.31%	62.41%

Note 9: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of Contributions - Police and Firemen's Retirement System (PFRS) (Last Ten Years)***

	<u>Year Ended December 31,</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 504,711.00	\$ 459,638.00	\$ 363,425.00	\$ 368,216.00	\$ 367,540.00
Contribution in Relation to the Contractually Required Contribution	<u>(504,711.00)</u>	<u>(459,638.00)</u>	<u>(363,425.00)</u>	<u>(368,216.00)</u>	<u>(367,540.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 1,362,338.00	\$ 1,415,852.00	\$ 1,254,062.00	\$ 1,196,234.00	\$ 1,260,140.00
Contributions as a Percentage of Covered Payroll	37.05%	32.46%	28.98%	30.78%	29.17%
	<u>Year Ended December 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 361,453.00	\$ 342,551.00	\$ 304,415.00	\$ 305,669.00	\$ 310,997.00
Contribution in Relation to the Contractually Required Contribution	<u>(361,453.00)</u>	<u>(342,551.00)</u>	<u>(304,415.00)</u>	<u>(305,669.00)</u>	<u>(310,997.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 1,346,161.00	\$ 1,322,057.00	\$ 1,097,874.00	\$ 1,257,246.00	\$ 1,274,631.00
Contributions as a Percentage of Covered Payroll	26.85%	25.91%	27.73%	24.31%	24.40%

Note 9: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)*****Changes in Benefit Terms**

The Division of Pensions and Benefits adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions. Previously, after termination of employment, but prior to retirement or death, interest was credited on member accumulated deductions at the valuation interest rate for the entire period. Effective July 1, 2018, interest is only credited at the valuation interest rate for the first two years of inactivity prior to retirement or death.

Changes in Assumptions

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

Discount Rate				Long-term Expected Rate of Return			
Year	Rate	Year	Rate	Year	Rate	Year	Rate
2023	7.00%	2018	5.66%	2023	7.00%	2018	7.00%
2022	7.00%	2017	5.00%	2022	7.00%	2017	7.00%
2021	7.00%	2016	3.98%	2021	7.00%	2016	7.65%
2020	7.00%	2015	4.90%	2020	7.00%	2015	7.90%
2019	6.28%	2014	5.39%	2019	7.00%	2014	7.90%

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

The June 30, 2023 measurement date include the following plan amendment: Chapter 92, P.L. 2023 establishing an extension of the previous plan amendment Chapter 52, P.L. 2021, allowing members enrolled between January 18, 2000 and April 19, 2021 to retire prior to age 55 if they have attained 20 years of creditable service and retire by May 1, 2026.

Changes in Assumptions

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

Discount Rate				Long-term Expected Rate of Return			
Year	Rate	Year	Rate	Year	Rate	Year	Rate
2023	7.00%	2018	6.51%	2023	7.00%	2018	7.00%
2022	7.00%	2017	6.14%	2022	7.00%	2017	7.00%
2021	7.00%	2016	5.55%	2021	7.00%	2016	7.65%
2020	7.00%	2015	5.79%	2020	7.00%	2015	7.90%
2019	6.85%	2014	6.32%	2019	7.00%	2014	7.90%

Note 10: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description - The Borough's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Borough's trust fund, was created by a Borough Ordinance adopted on August 24, 2000 pursuant to Section 457(e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The voters of the Borough approved the adoption of the Plan at the general election held on November 7, 2000, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2001. The Plan provides tax deferred income benefits to active volunteer firefighters and is administered by VALIC ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Borough's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

The tax deferred income benefits for emergency service volunteers of the Borough of Clayton, consisting of the volunteer fire department, come from contributions made solely by the governing body of the Borough, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Plan Amendments - The Borough may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the Borough, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the Borough's governing body, provided, however, that any amendment required by the IRS, may be adopted by the Borough's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the Borough shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The Borough may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the Borough shall notify all participants in writing prior to making any amendment to the Plan.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Borough elected to contribute \$500.00 for the year ended December 31, 2024 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Borough has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2024, the Borough's total expenditure, net of forfeitures of \$0.00, to the Plan was \$11,500.00.

Note 10: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Participant Accounts - Each participant's account is credited with the Borough's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Borough has placed the amounts deferred, including earnings, in an account maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the Borough to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the Borough. These funds, however, are not available for funding the operations of the Borough.

Vesting - The Borough, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-14.62 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

Payment of Benefits - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Forfeited Accounts - For the year ended December 31, 2024, no accounts were forfeited.

Investments - The investments of the length of service awards program reported in the trust - other funds on the statements of assets, liabilities, reserves, and fund balance - regulatory basis are recorded at fair value.

Plan Information - Additional information about the Borough's length of service awards program can be obtained by contacting the Plan Administrator.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

N.J.A.C. 5:30-6.1 allows local units to disclose the most recently available information as it relates to the New Jersey Division of Pension's reporting on GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As of the date of this report, the information for the measurement period ended June 30, 2024 was not available; therefore, the information from the measurement period June 30, 2023 is disclosed below.

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

Plan Description and Benefits Provided - The Borough contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit ("OPEB") plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the "State"), Division of Pensions and Benefits' (the "Division") annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. As a local participating employer of the Plan, the Borough is referred to as "Employer" throughout this note.

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

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

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

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**General Information about the State Health Benefit Local Government Retired Employees Plan (Cont'd)**

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

The Employer was billed monthly by the Plan and paid \$385,094.71, for the year ended December 31, 2023, representing 15.44% of the Employer's covered payroll. During the year ended December 31, 2023, retirees were required to contribute \$4,465.92 to the Plan.

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

OPEB Liability - At December 31, 2023, the Employer's proportionate share of the net OPEB liability was \$10,034,723.00.

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023.

The Employer's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023. For the June 30, 2023 measurement date, the Employer's proportion was 0.066869%, which was an increase of 0.010401% from its proportion measured as of the June 30, 2022 measurement date.

OPEB (Benefit) Expense - At December 31, 2023, the Employer's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2023 measurement date, is (\$311,894.00). This (benefit) expense is not recognized by the Employer because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2023, the Employer made contributions to the Plan totaling \$385,094.71.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2023, the Employer had deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 462,750.00	\$ 2,725,103.00
Changes of Assumptions	1,299,873.00	2,836,495.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	1,656.00
Changes in Proportion	2,412,574.00	1,148,542.00
Contributions Subsequent to the Measurement Date	207,160.39	-
	<u>\$ 4,382,357.39</u>	<u>\$ 6,711,796.00</u>

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Deferred outflows of resources in the amount of \$207,160.39 will be included as a reduction of the Employer's net OPEB liability during the year ending December 31, 2024. The Employer will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience			Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:			Year of OPEB Plan Deferral:		
June 30, 2018	-	8.14	June 30, 2018	5.00	-
June 30, 2019	-	8.05	June 30, 2019	5.00	-
June 30, 2020	7.87	-	June 30, 2020	5.00	-
June 30, 2021	-	7.82	June 30, 2021	5.00	-
June 30, 2022	7.82	-	June 30, 2022	5.00	-
June 30, 2023	-	7.89	June 30, 2023	5.00	-
Changes of Assumptions			Changes in Proportion		
Year of OPEB Plan Deferral:			Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04	June 30, 2017	8.04	8.04
June 30, 2018	-	8.14	June 30, 2018	8.14	8.14
June 30, 2019	-	8.05	June 30, 2019	8.05	8.05
June 30, 2020	7.87	-	June 30, 2020	7.87	7.87
June 30, 2021	7.82	-	June 30, 2021	7.82	7.82
June 30, 2022	-	7.82	June 30, 2022	7.82	7.82
June 30, 2023	7.89	-	June 30, 2023	7.89	7.89

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Year Ending Dec. 31,	
2024	\$ (1,128,303.00)
2025	(857,546.00)
2026	(308,018.00)
2027	57,498.00
2028	(274,651.00)
Thereafter	(25,579.00)
	<u>\$ (2,536,599.00)</u>

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Actuarial Assumptions**

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023, used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases *

PERS - Rates for all future years	2.75% to 6.55% based on years of service
PFRS - Rates for all future years	3.25% to 16.25% based on years of service

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

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

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

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

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

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

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Actuarial Assumptions (Cont'd)**

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

Fiscal Year Ending	Annual Rate of Increase					
	Medical Trend			Prescription Drug Trend		
	Pre-65	PPO Post-65	HMO Post-65	Pre-65	Post-65	EGWP
2024	6.50%	-5.63%	-6.04%	14.00%	9.50%	14.28%
2025	6.25%	8.22%	8.33%	10.00%	8.75%	11.21%
2026	6.00%	16.85%	17.28%	7.50%	7.50%	7.50%
2027	5.75%	14.31%	14.65%	6.75%	6.75%	6.75%
2028	5.50%	12.43%	12.71%	6.00%	6.00%	6.00%
2029	5.25%	11.02%	11.24%	5.25%	5.25%	5.25%
2030	5.00%	9.91%	10.09%	4.50%	4.50%	4.50%
2031	4.75%	8.98%	9.14%	4.50%	4.50%	4.50%
2032	4.50%	6.46%	6.53%	4.50%	4.50%	4.50%
2033 and Later	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

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

The net OPEB liability, calculated using a discount rate of 3.65%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used, is as follows:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Proportionate Share of the Net OPEB Liability	\$ 11,623,408.00	\$ 10,034,723.00	\$ 8,756,871.00

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 8,528,334.00	\$ 10,034,723.00	\$ 11,963,362.00

OPEB Plan Fiduciary Net Position

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

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Supplementary OPEB Information**

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

Schedule of the Proportionate Share of the Net OPEB Liability (Last Seven Plan Years)

	Measurement Date Ended June 30,			
	<u>2023</u>	<u>2022</u>	<u>2021 (a)</u>	<u>2020</u>
Proportion of the Net OPEB Liability	0.066869%	0.056468%	0.059067%	0.059501%
Proportionate Share of the Net OPEB Liability	\$ 10,034,723.00	\$ 9,119,354.00	\$ 10,631,931.00	\$ 10,678,414.00
Covered Payroll (Plan Measurement Period)	\$ 2,533,373.00	\$ 2,433,548.00	\$ 2,315,190.00	\$ 2,393,060.00
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	396.10%	374.73%	459.22%	446.22%
Plan Fiduciary Net Position (Deficit) as a Percentage of the Total OPEB Liability	-0.79%	-0.36%	0.28%	0.91%
	Measurement Date Ended June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Proportion of the Net OPEB Liability	0.055441%	0.058901%	0.063860%	
Proportionate Share of the Net OPEB Liability	\$ 7,510,077.00	\$ 9,227,795.00	\$ 13,037,523.00	
Covered Payroll (Plan Measurement Period)	\$ 2,375,499.00	\$ 2,380,753.00	\$ 2,388,480.00	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	316.15%	387.60%	545.85%	
Plan Fiduciary Net Position (Deficit) as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%	

(a) The Proportionate Share of the June 30, 2021 Net OPEB Liability was adjusted within the June 30, 2022 Plan Audit.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Supplementary OPEB Information (Cont'd)*****Schedule of Contributions (Last Seven Years)***

	<u>Year Ended December 31,</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Required Contributions	\$ 385,094.71	\$ 309,039.10	\$ 180,608.64	\$ 227,825.76
Actual Contributions in Relation to the Required Contribution	<u>(385,094.71)</u>	<u>(309,039.10)</u>	<u>(180,608.64)</u>	<u>(227,825.76)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 2,494,898.00	\$ 2,530,424.00	\$ 2,298,352.00	\$ 2,388,709.00
Contributions as a Percentage of Covered Payroll	15.44%	12.21%	7.86%	9.54%
	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Required Contributions	\$ 273,613.20	\$ 390,825.60	\$ 355,385.52	
Actual Contributions in Relation to the Required Contribution	<u>(273,613.20)</u>	<u>(390,825.60)</u>	<u>(355,385.52)</u>	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered Payroll (Calendar Year)	\$ 2,357,999.00	\$ 2,393,823.00	\$ 2,404,174.00	
Contributions as a Percentage of Covered Payroll	11.60%	16.33%	14.78%	

Other Notes to Supplementary OPEB Information

Changes in Benefit Terms - The actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023, included changes due to employers adopting and /or changing Chapter 48 provisions.

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

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2023	3.65%	2019	3.50%
2022	3.54%	2018	3.87%
2021	2.16%	2017	3.58%
2020	2.21%		

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

In addition to changes in the discount rate, other factors that affected the valuation of the net OPEB liability included changes in the trend update.

There were no changes to mortality projections.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

BOROUGH OF CLAYTON POSTEMPLOYMENT BENEFIT PLAN

Plan Description and Benefits Provided - The Borough provides postretirement dental and vision insurance through a single employer post-employment healthcare plan, which is not administered through a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, and covers the following retiree population: general tier 1 and tier 2 employees may retire after age 60 or 25 years of service, general tier 3 and tier 4 employees may retire after age 62 or 25 years of service and tier 5 employees may retire after age 65 or 30 years of service; police employees hired prior to April 2, 2001 may retire with 20 years of service and police employees hired after April 1, 2001 may retire with 25 years of service. This provision is part of various Labor Agreements between the Borough and its employees. The plan is administered by the Borough; therefore, premium payments are made directly to the insurance carriers.

Employees Covered by Benefit Terms - As of December 31, 2024, the most recent actuarial valuation date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	26
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	
Active Employees	35
	61

Total OPEB Liability

The Borough's total OPEB liability of \$1,602,332.00 was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions and Other Inputs - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% Annually
Salary Increases	3.00% Annually
Discount Rate	4.28%
Healthcare Cost Trend Rates	Dental and Vision: 4.5% per annum
Retirees' Share of Benefit-Related Costs	Contribution rates in effect at retirement

The discount rate was based on the S&P Municipal Bond 20 year High Grade Bond index rate.

Mortality rates were based on the PUB-2010 Mortality Table with MP-2021 Projection.

An experience study was not performed on the actuarial assumptions used in the December 31, 2024 valuation since the Plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by Society of Actuaries. The actuary has used their professional judgement in applying these assumptions to this Plan.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**BOROUGH OF CLAYTON POSTEMPLOYMENT BENEFIT PLAN (CONT'D)****Changes in Total OPEB Liability**

Balance at January 1, 2024		\$ 1,903,475.00
Changes for the Year:		
Service Cost	\$ 65,532.00	
Interest Cost	75,241.00	
Benefit Payments	(44,907.00)	
Changes in Assumptions	(150,222.00)	
Difference between Expected and Actual Experience	<u>(246,787.00)</u>	
Net Changes		<u>(301,143.00)</u>
Balance at December 31, 2024		<u>\$ 1,602,332.00</u>

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

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00% at December 31, 2023 to 4.28% at December 31, 2024.

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

	December 31, 2024		
	1.00% Decrease <u>(3.28%)</u>	Current Discount Rate <u>(4.28%)</u>	1.00% Increase <u>(5.28%)</u>
Total OPEB Liability	<u>\$ 1,911,892.00</u>	<u>\$ 1,602,332.00</u>	<u>\$ 1,360,624.00</u>

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

	December 31, 2024		
	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	<u>\$ 1,344,771.00</u>	<u>\$ 1,602,332.00</u>	<u>\$ 1,937,478.00</u>

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

BOROUGH OF CLAYTON POSTEMPLOYMENT BENEFIT PLAN (CONT'D)

OPEB (Benefit) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2024, the Borough recognized OPEB (benefit) expense of (\$46,087.00). As of December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 80,768.00	\$ -
Difference Between Expected and Actual Experience	<u>-</u>	<u>934,982.00</u>
	<u>\$ 80,768.00</u>	<u>\$ 934,982.00</u>

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

Year Ending <u>Dec 31,</u>	
2025	\$ (186,860.00)
2026	(186,860.00)
2027	186,860.00
2028	(186,855.00)
2029	(50,060.00)
Thereafter	<u>(430,439.00)</u>
	<u>\$ (854,214.00)</u>

Supplementary OPEB Information

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

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**BOROUGH OF CLAYTON POSTEMPLOYMENT BENEFIT PLAN (CONT'D)*****Schedule of Changes in the Borough's Total OPEB Liability and Related Ratios***

	<u>Plan Measurement Date December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total OPEB Liability			
Service Cost	\$ 65,532.00	\$ 58,078.00	\$ 104,142.00
Interest Cost	75,241.00	75,174.00	58,036.00
Benefit Payments	(44,907.00)	(41,118.00)	(38,424.00)
Changes in Assumptions	(150,222.00)	(66,461.00)	(109,044.00)
Difference Between Expected and Actual Experience	(246,787.00)	113,076.00	(848,586.00)
Net Change in Total OPEB Liability	(301,143.00)	138,749.00	(833,876.00)
Total OPEB Liability, January 1	1,903,475.00	1,764,725.00	2,598,601.00
Total OPEB Liability, December 31	<u>\$ 1,602,332.00</u>	<u>\$ 1,903,474.00</u>	<u>\$ 1,764,725.00</u>
Covered-Employee Payroll	\$ 2,850,866.00	\$ 2,658,330.00	\$ 2,876,802.00
Total OPEB Liability as a Percentage of Covered Payroll	56.21%	71.60%	61.34%

Other Notes to Supplementary OPEB Information**Changes in Benefit Terms**

None

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>Year</u>	<u>Percentage</u>
2024	4.28%
2023	4.00%
2022	4.31%

Note 12: COMPENSATED ABSENCES

Police employees hired prior to December 31, 2019 have unlimited sick time. They also carry-over one week's vacation into the next year. At retirement, police employees receive the full year's vacation time that they are entitled to receive for the year in which they are retiring.

Police employees hired after December 31, 2019 receive twelve (12) working days of sick leave per year. They also carry-over one week's vacation into the next year.

The Borough of Clayton has contracted with the Government Worker's Union ("GWU") for the office personnel, shuttle bus driver, and all Public Works employees. The GWU contract does not permit employees to carry over vacation days from year to year. Upon separation or retirement, an employee shall receive payment for all vacation leave not used in the current year. The GWU contract allows employees to accumulate unused sick leave into a bank at the end of each year. If an employee is laid off for any reason, unused sick leave may be sold back to the Borough at the rate of one (1) sick day for one (1) day's current rate pay. Upon retirement, any employee may sell back to the Borough; at their current rate of pay, any unused sick days at the rate of one (1) day for one (1) day. The payouts are subject to the cap established by NJSA 40A:9-10.4.

Non-contracted employees accrue vacation time based on number of years employed by the Borough. These vacation days may not be carried over. Vacation time is paid out at 100% upon retirement or separation. Non-contracted employees are granted 12 sick days per year and can accumulate all unused sick days into a bank at the end of each year. The Borough also has local ordinance that covers all non-union personnel.

The Borough has established a compensated absences trust fund to set aside funds for future payments of compensated absences. As of December 31, 2024, the balance of the fund was \$7,024.29. It is estimated that, as of December 31, 2024, accrued benefits for compensated absences are valued at \$285,052.47.

Note 13: DEFERRED COMPENSATION SALARY ACCOUNT

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

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

Note 14: FINANCED PURCHASE OBLIGATIONS

Vehicles

The Borough is financing two (2) Ford Interceptors with a total cost of \$78,130.80. The monthly payments are \$1,572.55. The agreement is for a term of five (5) years with an interest rate of 7.70%. The final maturity of the financed purchase is March 31, 2026.

The Borough is financing one (1) Chevrolet Impala with a total cost of \$20,303.40. The monthly payments are \$423.60. The agreement is for a term of five (5) years with an interest rate of 8.00%. The final maturity of the financed purchase is October 31, 2025.

The following is an analysis of the financed purchase obligation liability as of December 31, 2024:

<u>Description</u>	<u>2024</u>
Vehicles	<u>\$ 22,916.60</u>

The following schedule represents the remaining future minimum payments under the financed purchase obligations, and the present value of the net minimum payments as of December 31, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 19,010.06	\$ 4,096.54	\$ 23,106.60
2026	<u>3,906.54</u>	<u>811.11</u>	<u>4,717.65</u>
	<u>\$ 22,916.60</u>	<u>\$ 4,907.65</u>	<u>\$ 27,824.25</u>

Under the provisions of GASB 87, for the year ended December 31, 2024, the Borough would have reported assets in the amount of \$98,434.20 and a financed purchase obligation in the amount of \$19,686.84. In addition, for the year ended December 31, 2024, the Borough would have recognized a reduction of the financed purchase obligation of \$19,686.84 and interest expense of \$4,266.96.

As a result of the regulatory basis of accounting previously described in note 1, the above noted cost of the assets, along with the financed purchase obligation liability, have not been recorded on the Statements of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis of the current fund, instead, the annual payment of the financed purchase obligations of \$23,953.80 were budgeted and paid from the current fund.

Note 15: CAPITAL DEBT**General Improvement Bonds**

\$2,652,000.00 General Improvement Bonds dated October 31, 2018, payable in annual installments through October 1, 2027. Interest is paid semi-annually at rates of 3.00% to 3.25% per annum.

\$531,000.00 Water & Sewer Utility Bonds dated October 31, 2018, payable in annual installments through October 1, 2027. Interest is paid semi-annually at rates of 3.00% to 3.25% per annum.

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

General Debt - Serial Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 355,000.00	\$ 33,725.00	\$ 388,725.00
2026	355,000.00	22,631.26	377,631.26
2027	<u>355,000.00</u>	<u>11,537.50</u>	<u>366,537.50</u>
Totals	<u>\$ 1,065,000.00</u>	<u>\$ 67,893.76</u>	<u>\$ 1,132,893.76</u>

Utility Debt - Serial Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 65,000.00	\$ 6,175.00	\$ 71,175.00
2026	65,000.00	4,143.76	69,143.76
2027	<u>65,000.00</u>	<u>2,112.50</u>	<u>67,112.50</u>
Totals	<u>\$ 195,000.00</u>	<u>\$ 12,431.26</u>	<u>\$ 207,431.26</u>

General Debt - New Jersey Environmental Infrastructure Loans

\$505,000.00 Department of Environmental Infrastructure Loan (NJEIT) trust loan dated May 21, 2014, payable in semi-annual installments through August 2033. The trust loan interest is paid at a rate of 3.00% to 5.00% per annum.

\$1,542,750.00 Department of Environmental Infrastructure Loan (NJEIT) fund loan dated May 21, 2014, payable in semi-annual installments through August 2033. The fund loan interest is paid at a rate of 0% per annum.

\$184,500.00 Department of Environmental Infrastructure Loan (NJEIT) trust loan dated May 21, 2014, payable in semi-annual installments through August 2033. The trust loan interest is paid at a rate of 2%-3.35% per annum.

\$553,500.00 Department of Environmental Infrastructure Loan (NJEIT) fund loan dated May 21, 2014, payable in semi-annual installments through August 2033. The fund loan interest is paid at a rate of 0% per annum. Water and Sewer funds in the amount of \$337,728.80 were de-obligated from the Fund loan during 2016 due to the realization of ARRA forgiveness.

Note 15: CAPITAL DEBT (CONT'D)**General Debt - New Jersey Environmental Infrastructure Loans (Cont'd)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 127,436.25	\$ 11,585.54	\$ 139,021.79
2026	127,672.25	10,450.08	138,122.33
2027	127,933.25	9,289.16	137,222.41
2028	128,216.25	8,106.16	136,322.41
2029	128,517.25	6,904.84	135,422.09
2030-2033	<u>532,511.41</u>	<u>14,682.90</u>	<u>547,194.31</u>
Totals	<u>\$ 1,172,286.66</u>	<u>\$ 61,018.68</u>	<u>\$ 1,233,305.34</u>

General Debt - USDA Loans

\$620,000.00 Water & Sewer Utility USDA Loan dated December 27, 2011, payable in annual installments through December 27, 2051. Interest is paid semi-annually at a rate of 3.00% per annum.

\$297,000.00 Water & Sewer Utility USDA Loan dated December 11, 2018, payable in semiannual installments through December 11, 2057. Interest is paid semi-annually at a rate of 1.875% per annum.

\$1,500,000.00 Water & Sewer Utility USDA Loan dated December 11, 2018, payable in annual installments through December 11, 2057. Interest is paid semi-annually at a rate of 2.5% per annum.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 44,205.30	\$ 52,658.70	\$ 96,864.00
2026	45,341.42	51,522.58	96,864.00
2027	46,507.97	50,356.03	96,864.00
2028	47,705.03	49,158.97	96,864.00
2029	48,933.48	47,930.52	96,864.00
2030-2034	264,251.48	220,068.52	484,320.00
2035-2039	300,174.46	184,145.54	484,320.00
2040-2044	341,075.74	143,244.26	484,320.00
2045-2049	387,656.97	96,663.03	484,320.00
2050-2054	357,313.11	46,681.89	403,995.00
2055-2057	<u>200,928.71</u>	<u>15,488.71</u>	<u>216,417.42</u>
Totals	<u>\$ 2,084,093.67</u>	<u>\$ 957,918.75</u>	<u>\$ 3,042,012.42</u>

Note 15: CAPITAL DEBT (CONT'D)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 4,165,000.00	\$ 2,790,000.00	\$ 2,295,000.00
Water & Sewer Utility:			
Bonds, Loans and Notes	6,401,380.33	5,191,697.46	4,675,736.06
Total Issued	<u>10,566,380.33</u>	<u>7,981,697.46</u>	<u>6,970,736.06</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	1,326,812.00	2,303,127.00	1,516,360.00
Water & Sewer Utility:			
Bonds, Loans and Notes	288,406.17	1,084,406.17	1,033,406.17
Total Authorized but not Issued	<u>1,615,218.17</u>	<u>3,387,533.17</u>	<u>2,549,766.17</u>
Total Issued and Authorized but not Issued	<u>12,181,598.50</u>	<u>11,369,230.63</u>	<u>9,520,502.23</u>
<u>Deductions</u>			
Water & Sewer Utility:			
Self-Liquidating	6,689,786.50	6,276,103.63	5,709,142.23
Total Deductions	<u>6,689,786.50</u>	<u>6,276,103.63</u>	<u>5,709,142.23</u>
Net Debt	<u>\$ 5,491,812.00</u>	<u>\$ 5,093,127.00</u>	<u>\$ 3,811,360.00</u>

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of 0.773%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 12,655,000.00	\$ 12,655,000.00	
Self-Liquidating	6,689,786.50	6,689,786.50	
General	5,491,812.00		\$ 5,491,812.00
	<u>\$ 24,836,598.50</u>	<u>\$ 19,344,786.50</u>	<u>\$ 5,491,812.00</u>

Net debt \$5,491,812.00 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$710,040,684.00, equals 0.773%.

Note 15: CAPITAL DEBT (CONT'D)**Summary of Statutory Debt Condition - Annual Debt Statement**

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 24,851,423.94
Less: Net Debt	<u>5,491,812.00</u>
Remaining Borrowing Power	<u><u>\$ 19,359,611.94</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$ 3,840,679.57
Deductions:	
Operating and Maintenance Costs	\$ 2,910,000.00
Debt Service	<u>369,393.55</u>
Total Deductions	<u>3,279,393.55</u>
Excess in Revenue	<u><u>\$ 561,286.02</u></u>

Note 16: SCHOOL TAXES

Borough of Clayton Local School tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

	<u>Balance December 31,</u>	
	<u>2024</u>	<u>2023</u>
Balance of Tax	\$ 5,216,696.03	\$ 5,050,305.03
Deferred	<u>4,279,108.50</u>	<u>4,279,108.50</u>
Taxes Payable	<u>\$ 937,587.53</u>	<u>\$ 771,196.53</u>

Note 17: RISK MANAGEMENT

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

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

The following is a summary of the activity and the ending balance of the Borough's trust fund for the current and previous two years:

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ 74,163.35	\$ 25,881.07	\$ 2,222.95	\$ 116,182.04	\$ 103,210.72
2023	41,370.00	6,620.00	1,143.54	37,557.14	117,125.39
2022	29,400.00	5,407.74	472.81	15,864.42	105,548.99

Joint Insurance Pool - The Borough of Clayton is a member of the Gloucester, Salem, and Cumberland Counties Municipal Insurance Joint Insurance Fund (TRICO JIF). The Fund provides its members with the following coverage:

- Workers' Compensation including Employer's Liability
- General Liability including Police Professional and Employee Benefit Liability
- Automobile Liability
- Blanket Crime including Public Employee Dishonesty
- Property Including Boiler and Machinery
- Public Officials and Employment Practices Liability
- Cyber Liability

Note 17: RISK MANAGEMENT (CONT'D)**Joint Insurance Pool (Cont'd)**

The following coverages are provided to the Fund's member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL):

Excess Workers' Compensation
 Excess General Liability
 Non-Owned Aircraft Liability
 Excess Auto Liability
 Excess Property including Boiler and Machinery
 Crime including Excess Public Employee and Public Official Coverage

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

The Borough's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund, which is an insurance pool formed by all the other joint insurance funds.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report which can be obtained from:

Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund
 P.O. Box 488
 Marlton, New Jersey 08053

Note 18: CONTINGENCIES

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

Note 19: CONCENTRATIONS

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

Note 20: TAX ABATEMENTS

The Borough enters into property tax abatement agreements with local businesses under NJSA 40A:20-1 et seq., "Long Term Tax Exemption Law," which provides for long term tax exemption for designated areas. The abatements may be granted to any business located within or promising to relocate to the Borough.

For the year ended December 31, 2024, the Borough abated property taxes totaling \$930,607.02 including the following tax abatement agreements that each exceeded ten percent (10%) of the total amount abated:

- A sixty-eight (68%) property tax abatement to a developer of a 103-unit affordable housing project for low and moderate income elderly individuals. The abatement amounted to \$102,245.00.
- A ninety percent (90%) property tax abatement to a developer of a 76-unit affordable housing project for low and moderate income project with a preference for veterans. The abatement amounted to \$153,359.30.
- A twenty-one percent (21%) property tax abatement to a developer of a 47-unit age restricted housing project. The abatement amounted to \$84,197.89.
- A forty-five percent (45%) property tax abatement to a developer of a 159-unit age restricted housing project. The abatement amounted to \$587,804.83.

APPENDIX C
FORM OF BOND COUNSEL OPINION



November 25, 2025

Mayor and Borough Council
of the Borough of Clayton
125 North Delsea Drive
Clayton, New Jersey

RE: \$7,138,000 BOROUGH OF CLAYTON, COUNTY OF GLOUCESTER, NEW JERSEY, BOND ANTICIPATION NOTES OF 2025, SERIES A

Mayor and Council Members:

We have served as Bond Counsel to the Borough of Clayton, County of Gloucester, New Jersey ("Borough"), in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Notes"). The Notes consist of: (i) \$3,678,000 General Improvement Notes; and (ii) \$3,460,000 Water/Sewer Utility Notes.

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 14-2021, 15-2021, 11-2022, 12-2022, 13-2022, 14-2022, 4-2023, 17-2023, 18-2023, 21-2023, 19-2024, 20-2024, 10-2025, and 11-2025, each duly and finally adopted by the Borough Council (collectively, the "Bond Ordinances"), and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on November 12, 2025 ("Award Certificate").

The Notes are dated November 25, 2025 and mature on November 24, 2026. The Notes are issued in registered book-entry only form without coupons, and are not subject to redemption prior to maturity. The Notes are issued in anticipation of the issuance of bonds to provide funds for various capital improvements.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as amended ("Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Award Certificate, the representations and covenants of the Borough given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and other Tax Matters ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Notes.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, certifications, instruments and opinions examined including, without limiting the generality of the foregoing, the Nonarbitrage Certificate.



Based upon and subject to the foregoing, we are of the following opinion:

1. The Notes are legal, valid and binding obligations of the Borough enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").
2. For the payment of principal of and interest on the Notes, the Borough has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the Borough without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.
3. Interest on the Notes is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Notes received or accrued by a foreign corporation subject to the branch profits tax will be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the Borough with the applicable requirements of the Code, including requirements relating to, inter alia, the use and investment of proceeds of the Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the Notes being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that affect the tax-exempt status of the interest on the Notes.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Notes will constitute disqualified income for this



purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Notes is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Notes.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Borough has designated the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Notes should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Notes and any gain from the sale thereof are not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Notes.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

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

This letter is being provided solely for the benefit of the Borough and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF INFORMATION REPORTING UNDERTAKING AGREEMENT

INFORMATION REPORTING UNDERTAKING AGREEMENT

ISSUER: Borough of Clayton, County of Gloucester, New Jersey ("Issuer")

ISSUE: \$7,138,000 Bond Anticipation Notes of 2025, Series A
(Non-Callable) ("Notes")

DATED: November 25, 2025

CUSIP: 184054DX9

This Information Reporting Undertaking Agreement ("Agreement") is executed and delivered by the Issuer as of the date set forth below for the purpose of providing continuing disclosure with respect to the Issuer in order to comply with the provisions of Rule 15c2-12 ("Rule"), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended and supplemented from time to time.

Section 1. (a) The Issuer, as an obligated person for purposes of and as defined in the Rule ("Obligated Person"), hereby agrees, in accordance with the provisions of the Rule, so long as any of the Notes are outstanding to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), through the internet facilities of the Electronic Municipal Market Access System ("EMMA")¹, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule (each a "National Repository") and any public or private repository or entity designated by the State of New Jersey as a state information repository for purpose of the Rule ("State Repository" and together with each National Repository, the "Repository" or "Repositories"), as applicable, notice of the occurrence of any of the following listed events (each a "Listed Event" or "Listed Events") with respect to the Notes:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

¹ An internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062, of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the Notes, and other filers on behalf of such issuers shall upload certain information and notices to assist underwriters in complying with the Rule and to provide the general public with access thereto.

- vii. Modifications to the rights of Noteholders, if material;
- viii. Note calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- ix. Defeasances;
- x. Release, substitution, or sale of property securing repayment of the Notes, if material;
- xi. Rating changes;
- xii. Bankruptcy, insolvency, receivership or similar event of the Issuer;
- xiii. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- xv. Incurrence of a financial obligation² of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- xvi. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall, within ten (10) business days of the occurrence of any of the Listed Events, report the event to the MSRB, through the internet facilities of EMMA, or any other Repositories, as applicable, pursuant to the provisions of Section 1(a) hereof. In determining the materiality of a Listed Event specified in subsections (a)(ii), (vii), (viii), (x), (xiii), (xiv) and (xv) of this Section 1, the Issuer may, but shall not be required to, rely conclusively on a written opinion of counsel expert in federal securities law acceptable to the Issuer.

Section 2. The Issuer reserves the right to terminate its obligation to provide notices of Listed Events, if material, as set forth above, if and when the Issuer no longer remains an Obligated Person with respect to the Notes within the meaning of the Rule. The Issuer will provide notice of such termination to the MSRB via the internet facilities of EMMA and the State Repository, if any.

² The term "financial obligation" 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). 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 Rule 15c2-12.

Section 3. The Issuer agrees that its undertaking pursuant to the Rule set forth in Section 1 of this Agreement is intended to be for the benefit of the holders of the Notes and shall be enforceable by such Noteholders; provided that, the Noteholder's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Obligated Person's obligations hereunder.

Section 4. This Agreement shall be governed by the laws of the State of New Jersey.

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IN WITNESS WHEREOF, the Issuer has executed and delivered this Agreement as of this 25th day of November, 2025.

ISSUER:

**BOROUGH OF CLAYTON, COUNTY OF
GLOUCESTER, NEW JERSEY**

By: _____
ROBERT LAW,
Chief Financial Officer