

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2025

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED

In the opinion of Dilworth Paxson LLP, Freehold, New Jersey, Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under the laws of the State of New Jersey, as enacted and construed on the date of the original delivery of the Notes, interest on the Notes and gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**BOROUGH OF SOUTH BOUND BROOK
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY**

\$3,085,046 BOND ANTICIPATION NOTES, SERIES 2025

(Bank Qualified) (Non-Callable)

Dated: Date of Delivery

Due: December 10, 2026

Interest Rate: _____ %

Yield: _____ %

CUSIP: 836711_____

The Borough of South Bound Brook, in the County of Somerset, New Jersey (the "Borough") is offering \$3,085,046 Bond Anticipation Notes, Series 2025 (the "Notes") which are also general obligations of the Borough, payable from *ad valorem* taxes levied upon all the taxable property within the Borough for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Notes will be issued in fully registered book-entry only form and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes may, be made in book-entry only form in the principal amount of \$5,000 each or any integral multiple thereof, except that any amount of Notes maturing in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof.

The Notes will bear interest at the rate per annum and reoffering yield, as shown on the inside front cover page, commencing from their date of delivery. Interest on the Notes will be payable at maturity on December 10, 2026. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent, if any, at the date of maturity. The Notes are not subject to redemption prior to maturity.

Proceeds of the Notes, along with other available funds of the Borough in the amount of \$17,712, are being issued to: (i) refund, on a current basis, a \$1,502,288 portion of the Borough's \$1,520,000 Bond Anticipation Notes, Series 2024, dated December 11, 2024 and maturing December 11, 2025 (the "Prior Notes"); (ii) issue \$1,582,758 in new money to fund various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance 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 received by the Purchasers (as defined herein) and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by Dilworth Paxson LLP, Freehold, New Jersey, Bond Counsel, and certain other conditions described herein. NW Financial Group, LLC, Bloomfield, New Jersey, serves as Municipal Advisor to the Borough in connection with the issuance of the Notes. It is expected that the Notes, in definitive form, will be available for delivery on or about December 10, 2025.

**ELECTRONIC SUBMISSIONS FOR THE NOTES WILL BE RECEIVED VIA PARITY OR
E-MAIL UNTIL 11:00 A.M. ON NOVEMBER 20, 2025. FOR MORE DETAILS ON HOW TO BID
ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

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

**BOROUGH OF SOUTH BOUND BROOK
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY**

MAYOR
Chris Shoffner

BOROUGH COUNCIL
Elizabeth Konkle, Council President
Anne Papenberg
Jimmy Shah
Kathleen Conner
Jaime Naylor
Shawn Wooden

BOROUGH OFFICIALS
Christina Fischer, Clerk-Administrator
Lori Russo, Chief Financial Officer

BOROUGH ATTORNEY
Bob Smith & Associates

BOROUGH AUDITOR
Suplee, Clooney & Company
Westfield, New Jersey

BOND COUNSEL
Dilworth Paxson LLP
Freehold, New Jersey

MUNICIPAL ADVISOR
NW Financial Group, LLC
Bloomfield, New Jersey

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 document, 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 of accuracy or completeness and such information is not to be construed as a representation of warranty by the Purchasers or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this document 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.

This document 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. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this document. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Purchasers.

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**OFFICIAL STATEMENT
OF
BOROUGH OF SOUTH BOUND BROOK
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY**

RELATING TO

**\$3,085,046 BOND ANTICIPATION NOTES, SERIES 2025
(Bank Qualified) (Non-Callable)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of South Bound Brook (the “Borough”), in the County of Somerset (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$3,085,046 Bond Anticipation Notes, Series 2025 (the “Notes”).

THE NOTES

General Description

The Notes will be dated the date of delivery and will mature on the due date, as shown on the front cover hereof. The interest on the Notes will be payable on the due date as shown on the front cover and the inside front cover page. The Notes will be issued in book-entry form only.

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

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

Authorization for the Issuance of the Notes

The Notes have been authorized and are being issued pursuant to the Local Bond Law, and the acts amendatory thereof and supplemental thereto, and various bond ordinances of the Borough.

Purpose of the Notes

Proceeds of the Notes, along with other available funds of the Borough in the amount of \$17,712, are being issued to: (i) currently refund the Borough’s \$1,502,288 Bond Anticipation Notes, Series 2024, dated December 11, 2024 and maturing December 11, 2025, together with \$17,712 in principal reduction (the “Prior Notes”); (ii) issue \$1,582,758 in new money to fund various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by the applicable bond ordinances duly adopted by the Borough, which bond ordinances are described in the following table:

General Improvement Ordinances				
Ordinance Number	Description and Date of Adoption	Amount of Prior Notes Being Refunded	Amount of New Notes Being Issued	Total
2022-02	Acquisition of a municipal building, finally adopted June 14, 2022	\$1,027,288	\$-0-	\$1,027,288
2023-12	Additional improvements in connection with the acquisition of the municipal building, finally adopted October 10, 2023	475,000	-0-	475,000
2014-004	Acquisition of self contained breathing apparatus, finally adopted July 15, 2014	-0-	215,000	215,000
2015-004	Various capital improvements, finally adopted August 11, 2015	-0-	265,000	265,000
2025-006	Engineering services for the police station and improvements to various roads, finally adopted May 13, 2025	-0-	<u>1,102,758</u>	<u>1,102,758</u>
TOTAL BOND ANTICIPATION NOTES:		<u>\$1,502,288</u>	<u>\$1,582,758</u>	<u>\$3,085,046</u>

Payment of Notes

As hereinafter stated, the Notes are general obligations of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Borough for the payment of the Notes and the interest thereon without limitation as to rate or amount.

Denominations and Place of Payment

The Notes are issuable only as fully registered Notes without coupons, and when issued will be in the form of one certificate in the principal amount of the Notes and will be registered in the name of Cede & Co., as registered owner and nominee for the DTC. DTC will act as Securities Depository for the Notes. Purchase of the Notes may be made in book entry form, in the denomination of \$5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Notes purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

BOOK-ENTRY-ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal and interest, and other payments on the Notes to DTC Participants or Beneficial Owners defined below, 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 each series of the Notes. The Notes will each 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 Note certificate will be issued in the aggregate principal amount of each series of the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 the 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 of the Notes ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct Participants 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 Participants or 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.

Redemption notices, if any, 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 the 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes, if any, 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 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants 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 Paying Agent, if any. 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 only system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

NEITHER THE BOROUGH NOR ITS DESIGNATED PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/paying agent; (ii) the transfer of any Notes may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Borough/paying agent together with the duly executed assignment in form satisfactory to the

Borough/paying agent; and (iii) for every exchange or registration of transfer of Notes, the Borough/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

SECURITY FOR THE NOTES

The Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Notes. The Borough is required by law to levy *ad valorem* taxes on all taxable real property in the Borough for the payment of the principal, redemption premium, if any, of and the interest on the Notes, without limitation as to rate or amount.

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

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

The Plan, signed into law on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19. The Borough received the first installment of \$567,147.56 in July of 2021 and the second installment of \$567,147.57 in July of 2022. The deadline to commit the funds was December 31, 2024 and to spend the funds is December 31, 2026.

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 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.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year’s principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the Borough are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district’s debt limitation and the self-liquidating portion of a utility’s debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix A, the Borough has not exceeded its statutory debt limit as of December 31, 2024.

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the 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 makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate

amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one-year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

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

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

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

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads, and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation

and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

A provision of law known as the New Jersey "CAP Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The CAP Law formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the CAP Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

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

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as

a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Appeals

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

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

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

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

School Debt Subject to Voter Approval

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

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Borough has covenanted to comply with the provisions of the Code applicable to the Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Notes to be included in gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. Dilworth Paxson LLP, Freehold, New Jersey ("Bond Counsel"), will not independently verify the accuracy of those certifications and representations.

Assuming the Borough observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. See “Certain Federal Tax Considerations” below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gains from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

Certain Federal Tax Considerations

Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer’s own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Notes.

Original Issue Premium

The initial public offering price of the Notes may be greater than the stated redemption price thereof at maturity (the “Premium Notes”). The difference between the initial public offering price for the Premium Notes and the stated redemption price at maturity is “original issue premium”. For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Notes through reductions in the holder’s tax basis for the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Notes.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Section 265 Qualification

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

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

General

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of counsel other than Bond Counsel.

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

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE NOTES. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other

fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes of the Borough including the Notes, and such Notes are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

The Borough has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the “Notices”). The Notices will be filed by the Borough with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in Appendix C (the “Continuing Disclosure Certificate for the Notes”) hereto, such Continuing Disclosure Certificate for the Notes to be delivered concurrently with the delivery of the Notes.

The Borough previously failed to timely file the following in the past five (5) years pursuant to prior undertakings executed in connection with bonds issued by the Borough: (i) annual financial information and operating data for the calendar year ending December 31, 2021 through December 31, 2024; and (ii) certain “Late Filing Notices” related to the aforementioned. All applicable annual financial information and operating data of the Borough and applicable Late Filing Notices have since been filed.

As of the date hereof, the Borough has taken all necessary steps to ensure future compliance with the Rule. The Borough has appointed NW Financial Group, LLC, Bloomfield, New Jersey to act as Continuing Disclosure Agent to assist the Borough in the filing of certain information on EMMA as required under its obligations.

LITIGATION

Upon delivery of the Notes, the Borough shall furnish a certificate of Bob Smith & Associates, Piscataway, New Jersey (the “Borough Attorney”), dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or, to the knowledge of the Borough Attorney, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement. These statements are based upon my knowledge, information and beliefs and the information made available to me in my capacity as Borough Attorney.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Notes, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors’ rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services

or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Ordinances of the Borough and the Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entirety by express reference to the complete provisions thereof. Copies of the ordinances will be furnished by the Borough on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by an official of the Borough, that to their knowledge such descriptions and statements, as of the date hereof, and as of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

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

UNDERWRITER

The Notes have been purchased from the Borough at a public sale by _____ (the “Note Underwriter”) at a price of \$_____ (the “Note Purchase Price”). The Note Underwriter has purchased the Notes in accordance with the Notice of Sale. The Note Purchase Price reflects the par amount of the Notes plus a bid premium of \$_____.

The Note Underwriter may offer to sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the inside front cover hereof.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Bloomfield, New Jersey has served as Municipal Advisor to the Borough with respect to the issuance of the Notes (the “Municipal Advisor”). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the 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 as Appendix D. Certain legal matters will be passed on for the Borough by the Borough Attorney.

FINANCIAL STATEMENTS

The comparative financial statements of the Borough as of, and for the fiscal years ended, December 31, 2024 and 2023 set forth in Appendix B are presented by Suplee, Clooney & Company (the “Auditor”). Accordingly, the Auditor takes responsibility for their Independent Auditor’s Report, and the audited financial information specified therein.

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough’s Chief Financial Officer, 2 Main St Suite 101, South Bound Brook, New Jersey 08880, telephone (732) 356-0258, or the Borough’s Municipal Advisor, NW Financial Group, LLC, 522 Broad Street, Bloomfield, New Jersey 07003, telephone (201) 656-0115.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 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.

**BOROUGH OF SOUTH BOUND BROOK,
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY**

By: _____
Lori Russo, Chief Financial Officer

Dated: November _____, 2025

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APPENDIX A
GENERAL INFORMATION REGARDING THE BOROUGH

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GENERAL INFORMATION OF THE BOROUGH OF SOUTH BOUND BROOK

The following material presents certain economic and demographic information of the Borough of South Bound Brook. Additional information is included in Appendix B and such information is derived from certified audits and financial documents and should be used in conjunction with the audit from which they are derived.

The financial statements have been prepared in conformance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units.

General Information

The Borough, incorporated in 1907, encompasses one square mile located in Somerset County in the central part of the State. Predominately residential, the Borough is full developed with well-maintained single and multi-family dwellings. The Borough is conveniently accessible by State Highways 22, 28, 202/206 and Interstate Highway 287.

Form of Government

The Borough has a Mayor, elected by the voters to a four-year term, and a six-member council, elected by voters for three year overlapping terms.

Police, Fire, Ambulance, Streets, and Sanitation

The Police Department consists of 12 officers. The Borough has a volunteer Fire Department consisting of approximately 30 members and one fire house with 3 pieces of apparatus. The Borough's roads are maintained by the Public Works Department.

The Borough provides to its residents municipal garbage collection and bulk trash disposal on a weekly basis.

Recreation and Library

The Borough operates a recreation program through the volunteer efforts of a Recreation Commission.

The Borough has a contract with Bound Brook Library to provide library services to the residents.

Sewers

The Borough is a member of the Middlesex County Utilities Authority (the "MCUA") and is fully sewerred. Payment of sewer charges including MCUA charges are made through appropriations in the Borough's operating budget.

Hospitals/Care Facilities

Robert Wood Johnson Medical Center, a large medical center in Somerville New Jersey, is located within four miles of the Borough. Additionally, Robert Wood Johnson and St. Peter's Medical Centers are moderate distances from the Borough. Several specialized care facilities for the elderly, children, and chronically ill are located within the surrounding communities of Hillsborough and Bridgewater Townships.

ECONOMIC AND DEVELOPMENT INFORMATION

Population Characteristics:

<u>Year</u>	<u>Township</u>	<u>County</u>	<u>State</u>
2000	4,492	297,490	8,414,350
2010	4,563	323,444	8,791,894
2020	4,863	345,361	9,288,994

Source: U.S. Bureau of Census.

TEN LARGEST TAXPAYERS 2024

<u>Name</u>	<u>Taxable Assessed Value</u>	<u>% of Total Net Assessed Value</u>
Finchley Gardens	\$12,750,300	3.68%
Towne Oaks	9,365,000	2.70%
97 Main Street SBB LLC	2,600,000	0.75%
Gramercy 153 Realty LLC	2,560,000	0.74%
41 Canal Street Association	2,500,000	0.72%
MDC Coast 23 LLC % Quick Chek	1,600,000	0.46%
34 Main Street Associates LLC	1,275,000	0.37%
Zehra Associates INC % R. MOHAMMED	1,275,000	0.37%
Wenstone LLC % Family Dollar	1,125,000	0.32%
80-88 Main Street LLC	1,106,100	0.32%
Total	\$36,156,400	10.44%

Source: Municipal Tax Assessor.

PROPERTY VALUATIONS

Assessed and Equalized Valuations

Net Assessed Valuation

	<u>Land and Improvements(1)</u>	<u>Personal Tangible(2)</u>	<u>Total</u>	<u>Equalization Ratio</u>	<u>Equalized Value by County(3)</u>
2019	\$328,548,126	\$979,567	\$329,527,693	87.54%	\$376,291,568
2020	328,492,676	940,104	329,432,780	86.20%	382,022,095
2021	330,077,676	931,562	331,009,238	82.26%	402,193,021
2022	331,269,526	888,223	332,157,749	76.50%	433,920,283
2023	334,297,826	838,900	335,136,726	68.61%	488,082,488
2024	345,519,526	756,800	346,276,326	66.23%	522,453,200

- (1) Net assessed valuation after deductions permitted under New Jersey statutes.
- (2) Taxable value of machinery, implements and equipment of telephone, telegraph and messenger systems companies.
- (3) Includes land and improvements equalized valuation, certain Class II railroad properties and personal tangible properties of businesses and utilities.

Source: New Jersey Abstract of Ratables.

Assessed Valuation of Real Property by Classification

	1	2	4A	4B	4C				
							Net	Ratio	
	Vacant					Public	Valuation	to	Aggregate
Year	Land	Residential	Commercial	Industrial	Apartment	Utility	Taxable	True	True Value
2024	\$1,033,200	\$289,653,226	\$23,540,700	\$387,500	\$30,904,900	\$756,800	\$346,276,326	66.38%	\$521,696,400
2023	1,033,200	280,578,526	23,993,700	387,500	28,304,900	838,900	335,136,726	68.78%	487,243,588
2022	1,033,200	277,550,226	23,933,700	387,500	28,304,900	888,223	332,157,749	76.71%	433,032,060
2021	683,200	274,392,076	25,030,300	387,500	29,584,600	931,562	331,009,238	82.49%	401,261,459
2020	804,800	273,165,476	25,030,300	387,500	29,104,600	940,104	329,432,780	91.94%	358,312,791
2019	873,200	272,936,276	24,111,550	387,500	30,239,600	979,567	329,527,693	87.54%	376,430,995

Source: New Jersey Abstract of Ratables.

**TAX APPORTIONMENT AND TAX RATE
(For Years Ending December 31)**

<u>Apportionment</u>	<u>Tax Apportionment and Tax Rate</u>				<u>2020</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	
Municipal	\$1.223	\$1.234	\$1.021	\$1.004	\$0.990
County	0.525	0.490	0.469	0.462	0.451
Local School	<u>2.074</u>	<u>2.062</u>	<u>2.048</u>	<u>2.021</u>	<u>1.876</u>
Total	3.822	3.786	3.538	\$3.487	\$3.317

Source: The Borough's 2020-2024 Audited Financial Statements.

GROSS DEBT AND NET DEBT AS A PERCENTAGE OF EQUALIZED VALUE

<u>Year</u>	<u>Gross Debt</u>		<u>Net Debt</u>	
	<u>Amount</u>	<u>Percentage*</u>	<u>Amount</u>	<u>Percentage*</u>
2024	\$4,359,167	0.91%	\$4,339,216	0.90%
2023	4,801,167	1.09%	4,781,216	1.09%
2022	4,768,863	1.18%	4,748,912	1.17%
2021	4,209,723	1.09%	4,013,728	1.04%
2020	4,826,917	1.30%	4,335,922	1.17%

*Of Average Equalizations

Source: The Borough's 2020-2024 Audited Financial Statements.

**TAX LEVY APPORTIONMENT
(For Years Ending December 31)**

<u>Apportionment</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Local School	\$7,180,929	\$6,909,503	\$6,802,420	\$6,690,375	\$6,181,512
County	1,830,691	1,647,942	1,563,022	1,528,915	1,485,610
<u>Municipal</u>	<u>4,333,499</u>	<u>4,199,543</u>	<u>3,438,934</u>	<u>3,368,428</u>	<u>3,289,330</u>
Total	13,345,119	12,756,988	11,804,376	11,587,718	10,956,452

Source: The Borough's 2020-2024 Audited Financial Statements.

TAX LEVY AND COLLECTION
(For Years Ending December 31)

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Percent Collected</u>
2024	\$13,345,119	\$13,219,225	99.05%
2023	12,756,988	12,572,702	98.55%
2022	11,804,376	11,686,373	99.00%
2021	11,587,719	11,452,170	98.83%
2020	10,956,452	10,745,402	98.08%

Source: The Borough's 2020-2024 Audited Financial Statements.

DELINQUENT TAXES AND TAX TITLE LIENS
(For Years Ending December 31)

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2024	\$90,610	17,891	\$108,501	0.81%
2023	139,121	8,106	147,227	1.15%
2022	100,542	2,031	102,573	0.87%
2021	98,220	46,500	144,721	1.25%
2020	176,841	291,779	468,621	4.28%

Source: The Borough's 2020-2024 Audited Financial Statements.

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

<u>Year</u>	<u>Amount</u>
2024	\$682,653.66
2023	\$682,653.66
2022	\$682,653.66
2021	\$682,653.66
2020	\$46,053.66

Source: The Borough's 2020-2024 Audited Financial Statements.

COMPARATIVE SCHEDULE OF FUND BALANCE

<u>Year</u>	<u>Balance (December 31)</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$700,007	\$465,000
2023	538,280	465,000
2022	786,777	605,000
2021	815,751	590,000
2020	837,337	600,000

Source: The Borough's 2020-2024 Audited Financial Statements.

DEBT INFORMATION

Statutory Debt Condition And Remaining Borrowing Power (As of December 31, 2024)

Average Equalized Valuation Bases State of New Jersey (2021, 2022, 2023)	\$ 480,657,349.33
Permitted Debt Limitations (3½%)	16,823,007.23
Net Debt Issued and Outstanding ⁽¹⁾	4,339,216.00
Remaining Borrowing Power	12,483,791.23
Percentage of Net Debt to Average Equalized Valuation	0.903%

⁽¹⁾ The State includes the amount of authorized but unissued debt but deducts school debt and self-supporting utility debt.

Source: The Borough's 2024 Annual Debt Statement.

Overlapping Debt

	Gross Debt	Borough Share	Amount
County of Somerset (as of 12/31/2024)	\$515,582,955	0.62%	\$3,189,861
Middlesex County Utilities Authority (as of 12/31/2023) *	98,318,382	0.57%	\$564,506
			\$3,754,367

*Most recent data available

Source: County of Somerset 2024 Annual Debt Statement and Middlesex County Utilities Authority 2023 Audit.

Statutory Debt Statement As Of December 31, 2024

GROSS DEBT:

Local School District Debt	\$-
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Municipal Debt:

General Capital	
Serial Bonds Payable	2,095,000.00
Bond Anticipation Notes Issued	1,520,000.00
Bond and Notes Authorized But Not Issued	744,166.83

TOTAL GROSS DEBT	\$4,359,166.83
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STATUTORY DEDUCTIONS:

Local School District Debt	-
Reserve for Debt Service	19,950.83

STATUTORY NET DEBT	\$4,339,216.00
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Statutory Net Debt per capita	892.29
(Based on 2020 population of 4,863)	

Net Debt expressed as percentage of equalized valuation basis:	0.903%
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APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of South Bound Brook
12 Main Street
South Bound Brook, New Jersey 08880

Report on the Financial Statements

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Matter Giving Rise to Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2024.

Unmodified Opinion on Regulatory Basis of Accounting

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

Basis for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the regulatory financial statements in accordance with the regulatory basis of accounting prescribed by the Division, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the regulatory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

SUPLEE, CLOONEY & COMPANY LLC

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2025 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Borough's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert W. Swisher
Robert W. Swisher, C.P.A., R.M.A.

March 28, 2025

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023 (as restated)
Cash	\$ 2,316,445.04	\$ 1,501,291.85
Change Funds	450.00	450.00
Due to State of New Jersey, Senior Citizens and Veterans Deductions	7,154.21	7,061.06
	<u>\$ 2,324,049.25</u>	<u>\$ 1,508,802.91</u>
Receivables and Other Assets With Full Reserves:		
Delinquent Property Taxes Receivable	\$ 90,610.09	\$ 139,121.22
Tax Title Liens Receivable	17,891.19	8,106.15
PILOT Receivables	13,778.92	36,149.14
Sewer Rents Receivable	70,707.28	62,791.40
Property Acquired for Taxes Assessed Valuation	682,653.66	682,653.66
Revenue Accounts Receivable	8,024.38	10,300.11
Interfunds Receivable	391,265.02	79,108.55
	<u>\$ 1,274,930.54</u>	<u>\$ 1,018,230.23</u>
Deferred Charges:		
Overexpenditure of Appropriations	\$	\$ 5,798.71
	<u>\$</u>	<u>\$ 5,798.71</u>
	<u>\$ 3,598,979.79</u>	<u>\$ 2,532,831.85</u>
Grant Fund:		
Grants Receivable	\$ 2,284,824.25	\$ 3,392,164.46
	<u>\$ 5,883,804.04</u>	<u>\$ 5,924,996.31</u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023 (as restated)
Liabilities:		
Appropriation Reserves	\$ 258,835.46	\$ 93,786.68
Prepaid Taxes	213,972.24	150,555.38
Tax Overpayments	39,068.65	15,080.66
Reserve for Due County - 5% PILOT	583,686.61	542,633.35
Marriage License Due State	250.00	175.00
Accounts Payable	320,225.84	124,044.83
Reserve for Tax Appeals	16,945.97	16,945.97
Reserve for JIF	46,338.98	
County Taxes Payable	14,703.24	
DCA Due State of New Jersey	1,109.00	
Sewer Overpayments	3,941.01	3,088.40
Prepaid Sewer Rents	19,172.02	5,010.87
Interfunds Payable	105,793.71	25,000.00
	<u>\$ 1,624,042.73</u>	<u>\$ 976,321.14</u>
Reserve for Receivables and Other Assets	1,274,930.54	1,018,230.23
Fund Balance	<u>700,006.52</u>	<u>538,280.48</u>
	<u>\$ 3,598,979.79</u>	<u>\$ 2,532,831.85</u>
Grant Fund:		
Reserve for Grants - Unappropriated	\$ 16,912.07	\$ 39,541.33
Reserve for Grants - Appropriated	878,156.17	1,040,404.88
Due Current Fund	172,594.12	18,054.65
Due Trust Other Fund		60,000.00
Due General Capital Fund		151,021.89
Accounts Payable	<u>1,217,161.89</u>	<u>2,083,141.71</u>
	<u>\$ 2,284,824.25</u>	<u>\$ 3,392,164.46</u>
	<u>\$ 5,883,804.04</u>	<u>\$ 5,924,996.31</u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE-REGULATORY BASIS

	<u>YEAR 2024</u>	<u>YEAR 2023</u>
<u>REVENUE AND OTHER INCOME</u>		
Fund Balance Utilized	\$ 465,000.00	\$ 605,000.00
Miscellaneous Revenues Anticipated	3,676,695.20	6,206,142.46
Receipts From Delinquent Taxes	143,500.90	100,878.50
Receipts From Current Taxes	13,219,225.19	12,572,702.39
Non-Budget Revenue	248,297.44	195,930.98
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	115,998.12	36,743.62
Accounts Payable Canceled	33,934.25	36,188.35
<u>TOTAL INCOME</u>	<u>\$ 17,902,651.10</u>	<u>\$ 19,753,586.30</u>
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations Within "CAPS":		
Operations	\$ 4,973,433.51	\$ 4,705,341.00
Deferred Charges and Statutory Expenditures	856,179.35	895,130.68
Appropriations Excluded From "CAPS":		
Operations	1,301,847.68	4,139,492.36
Capital Improvements	25,000.00	25,000.00
Municipal Debt Service	751,751.13	741,569.46
Deferred Charges		142,800.00
County Taxes	1,830,691.08	1,647,941.54
Local District School Tax	7,180,929.00	6,909,503.00
Refund of Prior Year Revenue	43,936.84	29,601.47
Interfunds Advanced	312,156.47	160,703.57
<u>TOTAL EXPENDITURES</u>	<u>\$ 17,275,925.06</u>	<u>\$ 19,397,083.08</u>
Excess in Revenue	\$ 626,726.04	\$ 356,503.22
Fund Balance, January 1	<u>538,280.48</u>	<u>786,777.26</u>
	<u>\$ 1,165,006.52</u>	<u>\$ 1,143,280.48</u>
Decreased by:		
Utilized as Anticipated Revenue	<u>465,000.00</u>	<u>605,000.00</u>
Fund Balance, December 31	<u>\$ 700,006.52</u>	<u>\$ 538,280.48</u>

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	ANTICIPATED BUDGET	N.J.S.A. 40A: 4-87	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Appropriated	\$ 465,000.00		\$ 465,000.00	
Miscellaneous Revenues:				
Licenses - Alcoholic Beverage	\$ 8,500.00	\$	\$ 8,075.00	\$ (425.00)
Other Licenses	7,500.00		15,376.00	7,876.00
Fees and Permits - Other	79,000.00		172,170.30	93,170.30
Municipal Court - Fines and Costs	90,000.00		131,354.29	41,354.29
Interest and Costs on Taxes	34,000.00		47,183.87	13,183.87
Energy Receipts Tax	424,294.00		424,293.53	(0.47)
Construction Code Official	55,000.00		48,400.00	(6,600.00)
Drunk Driving Enforcement Fund	1,470.00		1,470.00	
NJ DOT- Madison, Charlotte & Somers Streets		541,880.00	541,880.00	
Body Armor	1,395.83		1,395.83	
Click it or Ticket	1,885.00		1,885.00	
CDBG - Sidewalk Improvements		99,805.00	99,805.00	
Somerset County- Staats House		34,790.50	34,790.50	
Uniform Fire Safety Act	2,500.00		4,644.90	2,144.90
Cable TV Franchise Fee	20,000.00		21,739.00	1,739.00
Verizon Franchise Fee	20,000.00		19,636.86	(363.14)
P.I.L.O.T.	920,000.00		780,012.03	(139,987.97)
Sale of Municipal Assets	400,000.00		400,000.00	
Jobs 4 Blue Admin Fees	15,000.00		73,537.50	58,537.50
Sewer Charges	505,000.00		689,335.76	184,335.76
Capital Surplus	150,000.00		150,000.00	
Franklin Township Sewerage Authority	12,946.00		9,709.83	(3,236.17)
	\$ 2,748,490.83	\$ 676,475.50	\$ 3,676,695.20	\$ 251,728.87
Receipts From Delinquent Taxes	\$ 100,000.00	\$	\$ 143,500.90	\$ 43,500.90
Amount to be Raised by Taxation for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 4,235,650.06	\$	\$ 4,525,008.96	\$ 289,358.90
<u>Budget Totals</u>	\$ 7,549,140.89	\$ 676,475.50	\$ 8,810,205.06	\$ 584,588.67
Non-Budget Revenue			248,297.44	248,297.44
	\$ 7,549,140.89	\$ 676,475.50	\$ 9,058,502.50	\$ 832,886.11

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:		
Collections on a Cash Basis	\$	13,219,225.19
Allocated to:		
School Taxes	\$	7,180,929.00
County Taxes		<u>1,830,691.08</u>
		9,011,620.08
Balance for Support of Municipal Budget Appropriations	\$	4,207,605.11
Add: Appropriation "Reserve for Uncollected Taxes"		<u>317,403.85</u>
Amount for Support of Municipal Budget	\$	<u>4,525,008.96</u>
Other Licenses:		
Borough Clerk	\$	<u>15,376.00</u>
	\$	<u>15,376.00</u>
Fees and Permits - Other:		
Clerk	\$	32,455.00
Fire Official		5,879.00
Building Department		104,828.00
Escrow		1,500.00
Miscellaneous		17,796.00
Police		<u>9,712.30</u>
	\$	<u>172,170.30</u>
P.I.L.O.T. Revenue:		
Revenue	\$	837,821.72
Less:		
Due County - 5% PILOT	\$	41,053.26
PILOT Administrative Costs		<u>16,756.43</u>
		57,809.69
	\$	<u>780,012.03</u>

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenues Not Anticipated:		
Interest on Investments and Deposits	\$	3,331.71
State Dated Checks		5,640.12
SC and Veterans' Administrative Costs		349.41
Discovery Reports		10.92
Cannabis Transfer Tax		172,561.75
Insurance Refunds/Reimbursements		12,372.43
Forfeited LOSAP		17,719.74
Certificates- Board of Health		523.00
Miscellaneous		12,887.72
Fire Safety		926.00
Tax Collector		<u>5,218.21</u>
	\$	231,541.01
PILOT Administrative Costs		<u>16,756.43</u>
	\$	<u>248,297.44</u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS			EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Mayor and Council:						
Salaries and Wages	\$ 10,500.00	\$ 12,100.00	\$ 12,025.72	\$ 74.28	\$	
Other Expenses	10,000.00	7,000.00	6,910.03	89.97		
General Administration:						
Salaries and Wages	54,000.00	54,400.00	53,612.39	787.61		
Other Expenses	25,000.00	25,000.00	24,955.21	44.79		
Clerk:						
Salaries and Wages	105,000.00	123,000.00	122,964.46	35.54		
Other Expenses	16,000.00	16,000.00	13,304.60	2,695.40		
Elections:						
Salaries and Wages	6,500.00	7,500.00	7,499.99	0.01		
Other Expenses	2,000.00	2,000.00	1,581.92	418.08		
Financial Administration:						
Salaries and Wages	45,000.00	43,000.00	42,952.00	48.00		
Miscellaneous	20,000.00	21,000.00	20,550.78	449.22		
Audit	32,000.00	32,000.00	32,000.00			
Assessment of Taxes:						
Salaries and Wages	22,000.00	21,000.00	20,872.75	127.25		
Other Expenses	17,500.00	7,500.00	1,455.02	6,044.98		
Collection of Taxes:						
Salaries and Wages	65,000.00	65,000.00	64,963.38	36.62		
Other Expenses	18,000.00	18,000.00	16,622.79	1,377.21		
Information Technology:						
Other Expenses	40,000.00	40,000.00	39,907.21	92.79		
Legal Services and Costs:						
Other Expenses	100,000.00	70,000.00	37,853.61	32,146.39		
Municipal Prosecutor:						
Other Expenses	22,000.00	22,000.00	16,994.59	5,005.41		
Engineering Services and Costs:						
Other Expenses	80,000.00	50,000.00	42,268.34	7,731.66		
Planning Board:						
Salaries and Wages	8,000.00	5,000.00	4,517.05	482.95		
Other Expenses	10,000.00	13,000.00	10,084.84	2,915.16		

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
Insurance:					
Group-Employees	\$ 607,150.00	\$ 637,150.00	\$ 617,921.84	\$ 19,228.16	\$
Other Insurance	237,652.00	237,652.00	234,926.76	2,725.24	
Unemployment Compensation Insurance	11,000.00	9,500.00	8,900.71	599.29	
Health Benefits Waiver	5,000.00	5,000.00		5,000.00	
Fire:					
Other Expenses:					
Miscellaneous	80,000.00	80,000.00	78,765.07	1,234.93	
Rent	37,000.00	37,000.00			
Bureau of Fire Safety:					
Salaries and Wages	26,500.00	26,500.00	25,812.53	687.47	
Other Expenses	2,600.00	2,600.00	2,470.03	129.97	
Police:					
Salaries and Wages	1,651,000.00	1,596,300.00	1,531,574.93	64,725.07	
Other Expenses	175,000.00	205,000.00	204,816.03	183.97	
Municipal Court:					
Salaries and Wages	152,000.00	152,200.00	151,326.55	873.45	
Other Expenses	20,700.00	20,700.00	20,427.59	272.41	
First Aid Organization - Other Expenses		1,000.00	750.00	250.00	
Emergency Management Services:					
Salaries and Wages		2,000.00		2,000.00	
Other Expenses	3,700.00	1,200.00	1,105.61	94.39	
Public Buildings:					
Other Expenses	75,000.00	75,000.00	70,126.99	4,873.01	
Road Repair and Maintenance:					
Other Expenses	35,000.00	35,000.00	30,737.31	4,262.69	
Sewer System:					
Other Expenses	16,000.00	16,000.00	7,549.97	8,450.03	
Department of Public Works:					
Salaries and Wages	278,726.53	268,726.53	263,126.84	5,599.69	
Other Expenses	13,000.00	13,000.00	13,000.00		
Property Maintenance for Foreclosed Property	6,000.00	6,000.00		6,000.00	

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
Garbage and Trash:					
Other Expenses	\$ 310,000.00	\$ 310,000.00	\$ 310,000.00	\$	\$
Solid Waste Recycling:					
Other Expenses	85,000.00	105,000.00	100,682.33	4,317.67	
Board of Health:					
Salaries and Wages	2,065.00	2,165.00	2,104.95	60.05	
Other Expenses	48,000.00	48,000.00	47,335.32	664.68	
Dog Regulation:					
Other Expenses	15,000.00	16,500.00	15,050.62	1,449.38	
Parks and Playgrounds:					
Other Expenses	18,000.00	8,900.00	8,900.00		
Board of Recreation Commissioners:					
Salaries and Wages	1,644.98	1,644.98	1,062.16	582.82	
Other Expenses	8,000.00	8,000.00	2,997.58	5,002.42	
Celebration of Public Events	7,000.00	7,000.00	3,194.69	3,805.31	
Inspection of Plumbing:					
Salaries and Wages	9,600.00	600.00		600.00	
Electrical Inspector:					
Salaries and Wages	9,500.00	7,500.00	6,780.36	719.64	
Inspection of Buildings:					
Salaries and Wages	50,000.00	49,000.00	48,933.09	66.91	
Other Expenses	9,900.00	10,900.00	10,346.00	554.00	
Fire Officials:					
Salaries and Wages	6,195.00	6,195.00	6,000.00	195.00	
Safety and Health Act:					
Other Expenses	2,000.00	2,000.00		2,000.00	
Unclassified:					
Street Lighting	66,000.00	66,000.00	66,000.00		
Fire Hydrant Service	55,000.00	62,000.00	52,160.74	9,839.26	
Telephone	38,000.00	38,000.00	37,409.80	590.20	
Fuel Oil	40,000.00	50,000.00	37,817.83	12,182.17	
Gas/Electricity	52,000.00	82,000.00	59,778.02	22,221.98	
Water	5,000.00	10,000.00	6,304.68	3,695.32	

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u> <u>CANCELED</u>
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	\$ 4,979,433.51	\$ 4,973,433.51	\$ 4,717,093.61	\$ 256,339.90
<u>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</u>	\$ 4,979,433.51	\$ 4,973,433.51	\$ 4,717,093.61	\$ 256,339.90
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"</u>				
Deferred Charges:				
Overexpenditure of Appropriations	\$ 95,291.18	\$ 95,291.18	\$ 95,291.18	\$
Expenditure without Appropriation- Grant Fund	5,798.71	5,798.71	5,798.71	
Deficit- Animal Control	3,674.15	3,674.15	3,674.15	
Statutory Expenditures:				
Contribution to:				
Police and Firemen's Retirement System of N.J.	425,237.35	425,237.35	425,237.35	
Public Employees Retirement System of N.J.	121,177.96	121,177.96	121,177.96	
Social Security System (O.A.S.I.)	200,000.00	205,000.00	202,860.29	2,139.71
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	\$ 851,179.35	\$ 856,179.35	\$ 854,039.64	\$ 2,139.71
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	\$ 5,830,612.86	\$ 5,829,612.86	\$ 5,571,133.25	\$ 258,479.61
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>				
Sewerage Authority-Share of Costs	\$ 563,454.35	\$ 563,454.35	\$ 563,098.50	\$ 355.85
Length of Service Award Program (LOSAP)	11,000.00	12,000.00	12,000.00	
Health Insurance Exclusion	17,850.00	17,850.00	17,850.00	
Liability Insurance Exclusion	27,317.00	27,317.00	27,317.00	
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	\$ 619,621.35	\$ 620,621.35	\$ 620,265.50	\$ 355.85

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES					
NJ DOT - (N.J.S.A. 40A:4-87+\$541,880.00)	\$	\$ 541,880.00	541,880.00	\$	\$
CDBG Sidewalk Grant (N.J.S.A. 40A:4-87+\$99,805.00)		99,805.00	99,805.00		
Somerset County Staats House (N.J.S.A. 40A:4-87+\$34,790.50)		34,790.50	34,790.50		
Body Armor Replacement Fund	1,395.83	1,395.83	1,395.83		
Click It or Ticket	1,885.00	1,885.00	1,885.00		
Drunk Driving Enforcement Fund	1,470.00	1,470.00	1,470.00		
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUE	\$ 4,750.83	\$ 681,226.33	\$ 681,226.33	\$	\$
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 624,372.18	\$ 1,301,847.68	\$ 1,301,491.83	\$ 355.85	\$
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$	\$
TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$	\$
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 442,000.00	\$ 442,000.00	\$ 442,000.00	\$	\$
Interest on Bonds	106,494.00	106,494.00	106,494.00		
Interest on Notes	79,800.00	79,800.00	79,800.00		
Lease Purchase- Fire Truck	123,458.00	123,458.00	123,457.13		0.87
TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"	\$ 751,752.00	\$ 751,752.00	\$ 751,751.13	\$	\$ 0.87

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	CANCELED
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 1,401,124.18	\$ 2,078,599.68	\$ 2,078,242.96	\$ 355.85	\$ 0.87
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 7,231,737.04	\$ 7,908,212.54	\$ 7,649,376.21	\$ 258,835.46	\$ 0.87
	317,403.85	317,403.85	317,403.85		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 7,549,140.89</u>	<u>\$ 8,225,616.39</u>	<u>\$ 7,966,780.06</u>	<u>\$ 258,835.46</u>	<u>\$ 0.87</u>
Budget	\$ 7,549,140.89				
Appropriation by 40A-4-87		676,475.50			
	\$ 8,225,616.39				
Disbursements			\$ 6,543,260.00		
Deferred Charges- Deficit in Animal Control			3,674.15		
Deferred Charges- Payroll Trust Fund			95,291.18		
Expenditure Without Appropriation			5,798.71		
Accounts Payable			320,125.84		
Reserve for Grants Appropriated			681,226.33		
Reserve for Uncollected Taxes			317,403.85		
			<u>\$ 7,966,780.06</u>		

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

"B"

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>ASSETS</u>		
Assessment Fund:		
Cash	\$	\$ 1,853.61
Prospective Assessments Funded		22,802.50
	\$	\$ 24,656.11
Animal Control Trust Fund:		
Cash	\$ 10,187.30	\$ 4,626.80
Deficit in Animal Control Expenditures		3,674.15
	\$ 10,187.30	\$ 8,300.95
Other Funds:		
Cash	\$ 327,108.46	\$ 249,152.14
Due Current Fund	105,793.71	65,556.95
Due Grant Fund		60,000.00
Deficit in Payroll Deductions Payable		95,291.18
	\$ 432,902.17	\$ 470,000.27
	\$ 443,089.47	\$ 502,957.33
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Assessment Fund:		
Reserve for Assessments	\$	\$ 22,802.50
Fund Balance		1,853.61
	\$	\$ 24,656.11
Animal Control Trust Fund:		
Due Current Fund	\$ 8,313.10	\$ 8,300.95
Reserve for Animal Control Expenditures	1,874.20	
	\$ 10,187.30	\$ 8,300.95
Other Funds:		
Reserve for Various Deposits	\$ 279,030.61	\$ 179,317.54
Reserve for Escrow Deposits	118,587.03	135,541.18
Reserve for COAH Deposits	25,870.75	25,831.98
Reserve for Law Enforcement Trust Fund	9,177.78	10,763.67
Reserve for Community Development Block Grants	236.00	236.00
Due Current Fund		118,309.90
	\$ 432,902.17	\$ 470,000.27
	\$ 443,089.47	\$ 502,957.33

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

"C"

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>A S S E T S</u>		
Cash	\$ 5,687.71	\$ 29,631.06
Deferred Charges to Future Taxation-Unfunded	2,264,166.83	2,264,166.83
Deferred Charges to Future Taxation-Funded	2,095,000.00	2,537,000.00
Due Current Fund		25,000.00
Due Grant Fund		151,021.89
	<u>\$ 4,364,854.54</u>	<u>\$ 5,006,819.78</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Capital Improvement Fund	\$ 79,859.85	\$ 54,859.85
Improvement Authorizations:		
Funded	49,916.52	49,539.94
Unfunded	260,268.03	540,446.97
Reserve for Debt Service	19,950.83	19,950.83
Reserve for Police Vehicles- Lease	291.90	
Contracts Payable	6,539.00	12,351.58
General Serial Bonds Payable	2,095,000.00	2,537,000.00
Bond Anticipation Notes Payable	1,520,000.00	1,520,000.00
Due Current Fund	210,357.80	
Fund Balance	<u>122,670.61</u>	<u>272,670.61</u>
	<u>\$ 4,364,854.54</u>	<u>\$ 5,006,819.78</u>

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

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE-REGULATORY BASIS

Balance, December 31, 2023	\$	272,670.61
Decreased by:		
Utilized by Current Fund Budget		<u>150,000.00</u>
Balance, December 31, 2024	\$	<u><u>122,670.61</u></u>

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

"D"

BOROUGH OF SOUTH BOUND BROOK

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>FIXED ASSETS</u>		
Buildings	\$ 2,521,834.76	\$ 2,521,834.76
Land	2,367,601.00	2,367,601.00
Machinery and Equipment	<u>3,647,615.10</u>	<u>3,453,620.17</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 8,537,050.86</u>	<u>\$ 8,343,055.93</u>
 <u>RESERVE</u>		
Investments in General Fixed Assets	<u>\$ 8,537,050.86</u>	<u>\$ 8,343,055.93</u>

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

BOROUGH OF SOUTH BOUND BROOK

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of South Bound Brook is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Except as noted below, the financial statements of the Borough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the local school district, first aid organization, volunteer fire organization or library, inasmuch as their activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Borough of South Bound Brook conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of South Bound Brook are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set for self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account group:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal, State and local grant funds

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

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

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital 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.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. However, the system has not been updated in several years and the amounts of fixed assets are not reported in the financial statements.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Accounting and Financial Reporting for Pensions

Under GAAP, municipalities are required to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources in the statement of Net Position and total pension related expense in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68 however, local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 68. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

Leases

Under GAAP, lease receivables are measured at the present value of the lease payments expected to be received during the lease term. Payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right -to-use assets on the statements of net position.

New Jersey's municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording lease receivables, deferred outflows, lease liabilities or deferred inflows on their balance sheets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basic Financial Statements

The GASB codification also defines the financial statements of governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements, schedules and statistical data listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

E. Restatement/Reclassifications of Prior Balances

Certain accounts have been restated in the prior year to conform to categories established in the current fiscal year. None of these restated accounts were material to the financial statements taken as a whole.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, and cash in banks as cash and cash equivalents.

A. Deposits

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

Under GUDPA, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

The Borough of South Bound Brook had the following cash and cash equivalents at December 31, 2024:

<u>FUND</u>	<u>CHANGE</u> <u>FUND</u>	<u>CASH IN</u> <u>BANK</u>	<u>ON HAND/</u> <u>IN</u> <u>TRANSIT</u>	<u>OUTSTANDING</u> <u>CHECKS</u>	<u>TOTAL</u>
Current Fund	\$ 450.00	\$ 1,944,168.37	\$ 454,134.63	\$ 81,857.96	\$ 2,316,895.04
Animal Control Fund		10,187.30			10,187.30
Trust Other Fund		740,684.40	6,596.19	420,172.13	327,108.46
General Capital Fund		4,279.11	10,000.00	8,591.40	5,687.71
<u>TOTAL DECEMBER 31, 2024</u>	<u>\$ 450.00</u>	<u>\$ 2,699,319.18</u>	<u>\$ 470,730.82</u>	<u>\$ 510,621.49</u>	<u>\$ 2,659,878.51</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$267,639.61 was covered by Federal Depository Insurance and \$2,431,679.57 was covered by NJ GUDPA.

B. Investments

The purchase of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of South Bound Brook's investment activities during the year were in accordance with the above New Jersey Statute. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: GOVERNMENTAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT AND OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Loans and Notes	\$ 3,615,000.00	\$ 4,057,000.00	\$ 4,004,000.00
Less:			
Reserve to Pay Debt	<u>19,950.83</u>	<u>19,950.83</u>	<u>19,950.83</u>
<u>Net Debt Issued</u>	<u>3,595,049.17</u>	<u>4,037,049.17</u>	<u>3,984,049.17</u>
Authorized But Not Issued:			
General - Bonds and Notes	<u>744,166.83</u>	<u>744,166.83</u>	<u>764,862.74</u>
<u>Total Authorized But Not Issued</u>	<u>744,166.83</u>	<u>744,166.83</u>	<u>764,862.74</u>
NET BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	\$ <u>4,339,216.00</u>	\$ <u>4,781,216.00</u>	\$ <u>4,748,911.91</u>

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .903%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
General Debt	\$ <u>4,359,166.83</u>	\$ <u>19,950.83</u>	\$ <u>4,339,216.00</u>
	\$ <u>4,359,166.83</u>	\$ <u>19,950.83</u>	\$ <u>4,339,216.00</u>

NET DEBT \$4,339,216.00 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2 AS AMENDED \$480,657,349.33 EQUALS .903%.

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

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

Equalized Valuation Basis* - December 31, 2024	\$ <u>480,657,349.33</u>
3-1/2% of Equalized Valuation Basis	\$ 16,823,007.23
Net Debt	<u>4,339,216.00</u>
Remaining Borrowing Power	\$ <u>12,483,791.23</u>

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

LONG-TERM DEBT:

	OUTSTANDING BALANCE DECEMBER 31, 2024
<u>General Serial Bonds</u>	
\$1,165,000.00 General Obligation Bonds of 2022 due in annual installments of \$105,000.00 to \$135,000.00 through 2032 at a variable interest rate.	\$960,000.00
\$1,357,000.00 General Obligation Bonds of 2022 due in annual installments of \$125,000.00 to \$160,000.00 through 2032 at a variable interest rate.	<u>1,135,000.00</u>
Total	<u>2,095,000.00</u>
<u>Lease Purchase</u>	
\$1,160,000.00 Fire Truck Lease of 2023 due in annual installments of \$83,563.77 to \$118,731.61 through 2034 at a 3.980% interest rate.	1,002,345.62
\$194,286.83 Police Truck Lease of 2024 due in annual installments of \$31,688.54 to \$46,834.54 through 2029 at a 10.347% interest rate.	<u>194,286.83</u>
Total	<u>1,196,632.45</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

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

Calendar Year	General Capital		Total
	Principal	Interest	
2025	\$ 230,000.00	\$ 88,175.00	\$ 318,175.00
2026	240,000.00	76,425.00	316,425.00
2027	250,000.00	64,175.00	314,175.00
2028	260,000.00	51,425.00	311,425.00
2029	265,000.00	38,662.50	303,662.50
2030-32	<u>850,000.00</u>	<u>49,575.00</u>	<u>899,575.00</u>
Total	\$ <u>2,095,000.00</u>	\$ <u>368,437.50</u>	\$ <u>2,463,437.50</u>

The Borough had the following short-term debt:

Outstanding Bond Anticipation Notes are summarized as follows:

	Interest Rate	Maturity Date	Amount
Bond Anticipation Note	4.400%	12/11/2025	\$ 1,045,000.00
Bond Anticipation Note	4.400%	12/11/2025	<u>475,000.00</u>
			\$ <u>1,520,000.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2024, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025 are as follows:

Current Fund \$465,000.00*

*Per introduced budget

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the county and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Prepaid Taxes	<u>\$213,972.24</u>	<u>\$150,555.38</u>

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

Plan Descriptions

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

NOTE 6: PENSION PLANS (CONTINUED)

Plan Descriptions (Continued)

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age. The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest alter four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.50% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. PFRS members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$521,741.00 for 2024, \$649,071.00 for 2023 and \$529,929.00 for 2022.

Certain Borough employees are also covered by Federal Insurance Contribution Act.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$1,264,347.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Borough's proportion was .0087290401 percent, which was a decrease of 0.0002055919 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension benefit of \$51,251.00 for the Borough's proportionate share of the total pension benefit. The pension benefit recognized in the Borough's financial statements based on the April 1, 2023 billing was \$112,670.00.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 12,089.00	\$ 5,168.00
Changes of assumptions	2,778.00	76,625.00
Net difference between projected and actual earnings on pension plan investments	5,822.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>62,332.00</u>	<u>74,119.00</u>
	\$ <u>83,021.00</u>	\$ <u>155,912.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2024	(\$69,110.40)
2025	(39,616.40)
2026	49,709.60
2027	(11,675.40)
2028	(2,198.40)
	<u>(\$72,891.00)</u>

Actuarial Assumptions

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

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

Long-Term Rate of Return

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

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

Sensitivity of the Borough's proportionate share of net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023 respectively, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$1,645,911.00	\$1,264,347.00	\$939,586.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2023, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of June 30, 2023 was 0.0087621816% which was a decrease of 0.0002055919 percent from its proportion measured as of June 30, 2022. The non-employer contributing entities' contribution and employer pension benefit and related revenue for the years ended June 30, 2023 and June 30, 2022 was \$3,943.00 and 2,837.00, respectively.

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$3,362,066.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 6: PENSION PLANS (CONTINUED)

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

At June 30, 2023, the Borough's proportion was 0.0304292900 percent, which was a decrease of 0.0108147700 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$65,023.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023, billing was \$536,401.00.

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

		Deferred Outflow of Resources		Deferred Inflow of Resources
Differences between expected and actual experience	\$	143,957.00	\$	160,341.00
Changes of assumptions		7,257.00		227,020.00
Net difference between projected and actual earnings on pension plan investments		171,224.00		
Changes in proportion and differences between Borough contributions and proportionate share of contributions		431,916.00		1,184,088.00
	\$	<u>754,354.00</u>	\$	<u>1,571,449.00</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2024	\$ (281,274.40)
2025	(275,998.40)
2026	51,585.60
2027	(167,809.40)
2028	(144,232.40)
Thereafter	<u>634.00</u>
	\$ <u>(817,095.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	All future years 3.25-16.25% Based on Years of Service
Investment Rate of Return	7.00%

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

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

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023 respectively, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$4,684,450.00	\$3,362,065.00	\$2,260,836.00

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation

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

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2023 and 2022 is 0.0304292900% and 0.0412440600% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$70,847.00 and \$104,599.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$70,467.00 and \$96,936.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$619,500.00 and \$840,189.00, respectively.

At June 30, 2023, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$3,362,066.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>619,500.00</u>
	<u><u>\$3,981,566.00</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Pension Plan Fiduciary Net Position

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

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers, which may be taken as time off, or paid at a later date, at an agreed upon rate. A reasonable estimate of such unpaid compensation is not readily available from the Borough but is probably immaterial. The Borough has established a reserve in the Other Trust Fund in the amount of \$8,467.04. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2024.

NOTE 8: CONTINGENT LIABILITIES

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

In prior years the Borough was a member of the Middlesex County Joint Insurance Fund (JIF). The JIF billed the Borough \$342,341.39 for what is their calculated pro rata share of an accumulated deficit of the JIF. On April 9, 2024, an agreement was signed between the Borough and the Municipal Excess Liability JIF (MEL) for a loan in the amount of \$388,680.37 to be paid off in annual installments of \$55,525.77 starting January 1, 2025 and ending January 1, 2031. The interest rate when the agreement was signed was at 2.39%.

NOTE 9: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All of the Borough's claims are paid by the State.

NOTE 10: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for 2024 and prior years. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. At December 31, 2024, the Borough had a reserve of \$16,945.97.

NOTE 11: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plans are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Public Employees Benefit Service Corporation (PEBSO) and Variable Life Insurance Company (VALIC).

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 12: LITIGATION, CLAIMS AND JUDGMENTS

There are several pending lawsuits in which the Borough is involved. The Borough attorney estimates that the potential claims against the Borough, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Borough.

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

The Borough of South Bound Brook has adopted an ordinance establishing a Length of Service Awards Program for the members of the South Bound Brook Fire Department and the South Bound Brook First Aid/Rescue Squad pursuant to N.J.S.A. 40A:14-183 *et seq.* in accordance with Chapter 388 of the Laws of the 1997 Internal Revenue Code.

Under this program, each volunteer of the South Bound Brook Fire Department and First Aid/Rescue Squad that performs the minimum amount of service will have an annual minimum amount of \$350.00 to a maximum amount of \$1,000.00 deposited into a tax deferred income account that will earn interest for the volunteer. These amounts will be subject to periodic increases as permitted pursuant to subsection f section 3 of P.L. 1997, c.388. The Borough's costs amounted to \$12,000.00 in 2024, \$9,000.00 in 2023 and \$13,000.00 in 2022.

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

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2024:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current Fund	\$ 391,265.02	\$ 105,793.71
Grant Fund		172,594.12
Animal Control Trust Fund		8,313.10
Trust Other Funds	105,793.71	
General Capital Fund		210,357.80
	<u>\$ 497,058.73</u>	<u>\$ 497,058.73</u>

All Interfund balances resulted from the time lag between the dates that payments between funds are made.

NOTE 15: FIXED ASSETS

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

	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2024</u>
Land	\$2,367,601.00			\$2,367,601.00
Buildings	2,521,834.76			2,521,834.76
Machinery and Equipment	3,453,620.17	\$193,994.93		3,647,615.10
	<u>\$8,343,055.93</u>	<u>\$193,994.93</u>	<u>\$0.00</u>	<u>\$8,537,050.86</u>

NOTE 16: PRIOR PERIOD ADJUSTMENTS

As stated in Note 1, restatements were made to prior year balances as follows:

	BEGINNING BALANCE <u>12/31/2023</u>	<u>ADJUSTMENT</u>	BEGINNING BALANCE (AS RESTATED) <u>12/31/2023</u>	<u>EXPLANATION</u>
<u>CURRENT FUND:</u>				
Due Grant Fund	\$102,449.65	(\$84,395.00)	\$18,054.65	To correct
Reserve for Interfunds Receivable	(163,503.55)	84,395.00	(79,108.55)	Historic Grants
<u>GRANT FUND:</u>				
Grants Receivable	\$3,317,350.46	\$74,814.00	\$3,392,164.46	To correct
Grants Appropriated	(881,195.88)	(159,209.00)	(1,040,404.88)	Historic Grants
Due Current Fund	(102,449.65)	84,395.00	(18,054.65)	

NOTE 17: SUBSEQUENT EVENTS

The Borough of South Bound Brook has evaluated subsequent events occurring after the financial statement date through March 28, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined no events needed to be disclosed.

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE
FOR THE NOTES

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the borough of South Bound Brook, in the County of Somerset, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its Bond Anticipation Notes, Series 2025, in the aggregate principal amount of \$_____ (the "Notes"). The Notes are being issued pursuant to various bond ordinances duly adopted by the Issuer. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

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

"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 MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;

12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Noteholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific

performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: December __, 2025

BOROUGH OF SOUTH BOUND BROOK,
IN THE COUNTY OF SOMERSET,
NEW JERSEY

By: _____
LORI A. RUSSO,
Chief Financial Officer

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APPENDIX D
FORM OF BOND COUNSEL'S OPINION
FOR THE NOTES

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*An opinion in substantially the following form
will be delivered at Closing assuming no
material changes in facts or law.*

December __, 2025

Mayor and Borough Council
of the Borough of South Bound Brook,
in the County of Somerset, New Jersey

RE: Borough of South Bound Brook, NJ
\$3,085,046 Bond Anticipation Notes, Series 2025

Dear Mayor and Members of the Borough Council:

We have examined a record of the proceedings relating to the issuance of \$3,085,046 Bond Anticipation Notes, Series 2025 (the "Notes") of the Borough of South Bound Brook, in the County of Somerset, a municipal corporation of the State of New Jersey (the "Borough"). The Notes are dated December __, 2025, mature December __, 2026, and bear interest at the rate of ____% per annum payable at maturity. The Notes are issued in registered form and are not subject to redemption prior to maturity.

The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the bond ordinances described in the Certificate of Determination and Award dated the date hereof (the "Bond Ordinances"). The Notes are being issued to: (i) currently refund Borough's Bond Anticipation Notes, Series 2024A, dated December 11, 2024, issued for the purpose of financing the acquisition of a municipal building (the "Refunding Project" or the "Prior Issue" hereinafter further defined); (ii) temporarily finance the cost of various general improvements to be undertaken in and by the Borough; and (iii) pay a portion of the costs of issuing the Note.

In forming our opinion, we have examined certified copies of the Bond Ordinances and the unexecuted notes. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Notes (the "Non-Arbitrage Certificate") for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the

aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes is not includable in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the Notes and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Notes. These covenants and statements relate to, *inter alia*, the use of proceeds of the Notes and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

The Borough has taken the actions necessary for the Notes to be designated or deemed designated as "qualified tax-exempt obligations," as defined in and for purposes of Section 265(b)(3) of the Code, and has made certain representations and covenants necessary to cause the Notes to continue to be obligations described in such Section of the Code during the period in which the Notes are outstanding.

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

1. The Notes are valid and legally binding obligations of the Borough and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting the enforcement of creditors' or other equitable rights in general.

2. Interest on the Notes and any gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

3. Assuming the Borough observes its covenants with respect to compliance with the Code, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In addition, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. We express no opinion regarding any other federal income tax consequences arising with respect to the Notes.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey 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, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

DILWORTH PAXSON LLP

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