

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 20, 2025

NEW ISSUE (BOOK-ENTRY)

RATING: NOT RATED

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough (as defined herein) with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income of the owners of the Notes for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47 (N.J.S.A. 54A:1-1 et seq.), as amended and supplemented. Bond Counsel's opinions described herein are given in reliance on representations, certifications of fact, and statements of reasonable expectation made by the Borough in its Tax Certificate (as defined herein), assume continuing compliance by the Borough with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See "TAX MATTERS" herein.

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

\$8,790,000

BOND ANTICIPATION NOTES, SERIES 2025

**(BANK-QUALIFIED)
(NON-CALLABLE)**

Dated: Date of Delivery
Maturity Date: September 9, 2026
Coupon: ____%
Yield: ____%
CUSIP*: 101630 ____

The \$8,790,000 aggregate principal amount of Bond Anticipation Notes, Series 2025 (the "Notes"), dated September 10, 2025 and maturing on September 9, 2026, are general obligations of the Borough of Bound Brook, in the County of Somerset (the "Borough"), a municipal corporation organized and existing under the laws of the State of New Jersey, for which the full faith and credit of the Borough are pledged, and are payable in the first instance from the proceeds of the sale of the bonds or notes issued in anticipation of bonds, 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 located within the Borough for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Notes will be issued in fully registered book-entry form and, when issued, will be registered in the name of, and held by, 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 will be made in book-entry form (without certificates) in denominations of 5,000 each or any integral multiple of \$1,000 in excess thereof, through book entries made on the books and records of DTC and its participants.

The Notes will bear interest at the rate set forth above, commencing on their date of delivery. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent on the date of maturity of the Notes at the offices of the Borough or a duly designated paying agent.

While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, Cede & Co., which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners (as defined herein) of the Notes. See "BOOK-ENTRY SYSTEM" herein.

The Notes are authorized by, and are issued pursuant to: (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the Borough Council of the Borough on the dates set forth herein, approved by the Mayor, and published as required by law; and (iii) a resolution duly adopted by the Borough Council of the Borough on July 22, 2025.

The Notes are being issued to refund, on a current basis, outstanding bond anticipation notes of the Borough issued in the aggregate principal amount of \$8,790,000 on September 12, 2024 and maturing on September 11, 2025.

The Notes are not subject to redemption prior to their stated date of maturity. See "DESCRIPTION OF THE NOTES" under the subheading entitled "Optional Redemption".

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

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

The Notes are offered when, as and if issued and delivered to the Underwriter subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Borough, and certain other conditions. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Erik C. Peterson, Esq., Clinton, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about September 10, 2025.

ELECTRONIC BIDS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY THE MUNICIPAL ADVISOR, ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE BOROUGH, ON WEDNESDAY, AUGUST 27, 2025, VIA ELECTRONIC MAIL AT AINVERSO@MUNIADVISORS.COM, OR VIA THE PARITY ELECTRONIC BID SYSTEM OF I-DEAL LLC AT [HTTPS://NEWISSUE.MUNI.SPGLOBAL.COM](https://NEWISSUE.MUNI.SPGLOBAL.COM). FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

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

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

MAYOR

Dominic Longo

BOROUGH COUNCIL

Linda Brnicevic, Council President
Kendall Lopez
Shawn Guerra
Glen Rossi
Mark Speed
David Morris

BUSINESS ADMINISTRATOR/BOROUGH CLERK

Jasmine D. McCoy

CHIEF FINANCIAL OFFICER

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Clinton, New Jersey

BOROUGH AUDITOR

Holman Frenia Allison, P.C.
Lakewood, New Jersey

MUNICIPAL ADVISOR

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

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

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

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

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or owners of any of the 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstance, create any implication that there has been no change in any of the information herein since the date hereof or the date as of which such information is given, if earlier. The Borough has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

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

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

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

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

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

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF BOUND BROOK
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY
RELATING TO
\$8,790,000
BOND ANTICIPATION NOTES, SERIES 2025
(BANK-QUALIFIED)
(NON-CALLABLE)**

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Bound Brook (the "Borough"), in the County of Somerset (the "County"), a municipal corporation organized and existing under the laws of the State of New Jersey (the "State"), in connection with the offering, sale and issuance of the Borough's \$8,790,000 aggregate principal amount of Bond Anticipation Notes, Series 2025, dated September 10, 2025 and maturing on September 9, 2026 (the "Notes"). This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Borough Council of the Borough, executed by and on behalf of the Borough by its Chief Financial Officer, and is to be distributed in connection with the offering, sale and issuance of the Notes.

This Official Statement contains specific information relating to the Notes, including their general description, the purposes of their issuance, a summary of borrowing procedures, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Notes. This Official Statement should be read in its entirety.

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

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission.

DESCRIPTION OF THE NOTES

General Description

The Notes shall be dated the date of delivery thereof and shall bear interest at the rate as indicated on the front cover page of this Official Statement, and are payable upon the maturity date thereof. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry form and, when issued, will be issued with one certificate for the principal amount of the Notes and will be registered in the name of, and

held by, Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York (“DTC”). DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent (the “Paying Agent”) on the date of maturity of the Notes by wire transfer of immediately available funds to DTC or its nominee, Cede & Co. Purchases of beneficial ownership interests in the Notes will be made in book-entry form, without certificates, in denominations of \$5,000 each or any integral multiple of \$1,000 in excess thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or the Paying Agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants and Indirect Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “BOOK-ENTRY SYSTEM” herein.

Optional Redemption

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

Authorization for the Issuance of the Notes

The Notes are authorized by, and are issued pursuant to: (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”); (ii) various bond ordinances duly adopted by the Borough Council of the Borough on the dates set forth in the chart on the following page under the subheading “Purpose of the Notes”, approved by the Mayor, and published as required by law; and (iii) a resolution duly adopted by the Borough Council of the Borough on July 22, 2025.

The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough. Such estoppel period for each of the bond ordinances has concluded as of the date of this Official Statement.

Purpose of the Notes

The Notes are being issued to refund, on a current basis, outstanding bond anticipation notes of the Borough issued in the aggregate principal amount of \$8,790,000 on September 12, 2024 and maturing on September 11, 2025.

The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough Council of the Borough, which bond ordinances are described in the following table by Ordinance Number, Description and Date of Final Adoption and the Amount of Note Proceeds to be Used for such improvements or purposes. The bond ordinances are as follows:

\$8,790,000
Bond Anticipation Notes, Series 2025

Ordinance Number	Description and Date of Final Adoption	Amount of Note Proceeds to be Used
2021-33	Acquisition of real property commonly known as Block 1, Lot 8 located at 282 West Main Street, finally adopted 12/28/2021	\$ 295,000
2022-07	Various capital improvements, finally adopted 4/26/2022	542,500
2022-25	Reconstruction of and improvements to the pool (Phase I), finally adopted 8/9/2022	1,567,500
2022-30	Acquisition of properties, finally adopted 9/27/2022	845,000
2023-07	Acquisition of property, finally adopted 2/28/2023	1,110,000
2023-08	Various capital improvements, finally adopted 2/28/2023	1,295,800
2023-41	Various capital improvements, finally adopted 9/12/2023	1,425,000
2024-14	Various capital acquisitions and improvements, finally adopted 5/7/2024	<u>1,709,200</u>
TOTAL:		<u>\$8,790,000</u>

Payment of Notes

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

SECURITY AND PAYMENT FOR THE NOTES

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

The Borough is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The

enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF NOTES" herein.

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

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 (the "Governor") 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 mitigate the spread of the disease and provide relief to State and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the Borough have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, the degree of any future impact to the Borough's operations and finances is difficult to predict due to the dynamic nature of the COVID-19 pandemic and any additional actions that may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

AMERICAN RESCUE PLAN ACT OF 2021

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 11, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan included various forms of financial relief including up to a \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan, in part, provided funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan included \$350 billion in relief funds to public entities, such as the Borough.

In 2021, the Borough was allocated approximately \$1,065,525.88 from the Plan. Such funds were received in two equal payments, one within sixty (60) days of enactment of the Plan and the balance not earlier than twelve (12) months from the date of the initial payment. The Borough received \$532,762.94 in Federal aid under the Plan in 2021 and received another \$532,762.94 in Federal aid under the Plan in 2022. The deadline to commit the funds was December 31, 2024, and the deadline to spend the funds is December 31, 2026.

CLIMATE

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods, earthquakes 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.

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 cyberattacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Borough maintains certain insurance coverage for cyberattacks and related events. No assurances can be given that the Borough’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the Borough.

NO DEFAULT

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

MARKET PROTECTION

The Borough does not anticipate issuing any additional debt in 2025.

BOOK-ENTRY SYSTEM*

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for the Notes in the principal amount of the Notes, as set forth on the cover page hereof, and will be deposited with DTC.

* Source: The Depository Trust Company.

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

To facilitate subsequent transfers, all Notes deposited by 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "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).

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

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

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

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

Discontinuance of Book-Entry System

In the event that the book-entry 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 Chief Financial Officer of the Borough or Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Chief Financial Officer of the Borough or Paying Agent for such purposes only upon the surrender thereof to the Chief Financial Officer of the Borough or Paying Agent, together with the duly executed assignment in form satisfactory to the Chief Financial Officer of the Borough or Paying Agent; and (iii) for every exchange or registration of transfer of the Notes, the Chief Financial Officer of the Borough or Paying Agent may make a charge sufficient to reimburse itself 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 the maturity date of the Notes to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short Term Financing

Local governmental units (including the Borough) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such notes at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

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

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

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including temporary emergency appropriations, emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. Refunding bonds issued to pay, fund or refund

outstanding bonds may be issued in accordance with N.J.A.C. 5:30-2.5 and, therefore, no approval is required by the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board"); however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within ten (10) days of the delivery of the refunding bonds.

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

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

As shown in APPENDIX A, the Borough has not exceeded its statutory debt limit.

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

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

As shown in APPENDIX A, the Borough has not exceeded its debt limit.

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

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

business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles in the United States.

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

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

Investment of Municipal Funds

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

DEBT INFORMATION OF THE BOROUGH

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

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

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

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

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

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Borough's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997, the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the Borough was not eligible for local examination of its budget in 2025. The Borough introduced its 2025 budget on February 25, 2025 and adopted its budget on April 8, 2025, in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)"

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "Cap" banking to the Local Budget Law. Municipalities are permitted to appropriate available "Cap Bank" in either of the next two (2) succeeding years' final appropriations. The Borough utilized \$102,507.00 of its "Cap Bank" in its 2025 Budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "Cap".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%),

certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%), plus one (1) vote.

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

Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Additionally, a special emergency appropriation may be made to fund a deficit in prior year operations experienced by any municipality, utility or enterprise during, or in the fiscal year immediately following, a fiscal year in which a public health emergency pursuant to the "Emergency Health Powers Act," P.L.2005, c.222 (C.26:13-1 et seq.), or a state of emergency, pursuant to P.L.1942, c.251 (C.App.A:9-33 et seq.), or both, has been declared by the Governor in response to COVID-19, the adoption of which shall be subject to approval of the Director. Such special emergency appropriation related to the COVID-19 pandemic may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

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

Anticipation of Real Estate Taxes

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

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

This provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

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

Anticipation of Miscellaneous Revenues

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

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

CAPITAL IMPROVEMENT PROGRAM

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

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formulae used to calculate tax bills under P.L. 1994, C. 72 is as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous year's billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

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

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

Tax Appeals

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

TAX MATTERS

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Notes in order for the interest on the Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. 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 will represent in a tax certificate (the "Tax Certificate") relating to the Notes that it reasonably expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Borough ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough with the requirements of the Code and the representations and covenants made by the Borough in its Tax Certificate, interest on the Notes is not includable in gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Additional Federal Income Tax Consequences Relating to the Notes

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income tax credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is further of the opinion that, under existing laws of the State, interest on the Notes and any gain on the sale thereof are not includable in gross income of the owners thereof under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47 (N.J.S.A. 54A:1-1 et seq.), as amended and

supplemented. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Notes.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the market value of the Notes or the marketability of the Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Other Tax Consequences

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3) of the Code.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF NOTES

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

Municipal Bankruptcy

The undertakings of the Borough should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

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

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

THE BOROUGH HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE AND THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOROUGH EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

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

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

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

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

CERTIFICATES OF THE BOROUGH

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion with respect to the Notes will be delivered with the Notes substantially in the form set forth as APPENDIX C hereto. Certain legal matters with respect to the Notes will be passed upon for the Borough by the Borough Attorney, Erik C. Peterson, Esq., Clinton, New Jersey (the "Borough Attorney"). The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to: Daishawn Kemp, Chief Financial Officer, Borough of Bound Brook, 230 Hamilton Street, Bound Brook, New Jersey 08805, Telephone: (732) 356-0833, ext. 638, E-mail: skemp@boundbrook-nj.org; the Borough's Bond Counsel, Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, Telephone: (732) 855-6149, E-mail: ejohnson@wilentz.com; or the Borough's Municipal Advisor, Anthony P. Inverso, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, Telephone: (609) 291-0130, E-mail: ainverso@muniadvisors.com.

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes (the "Municipal Advisor") and has assisted in matters related to the planning, structuring and terms of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent

verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LITIGATION

To the knowledge of the Borough Attorney, after due inquiry, there is no litigation of any nature now pending or threatening, restraining or enjoining the issuance, execution or the delivery of the Notes offered for sale, or the levy and collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or collection of taxes to pay the principal of and interest on the Notes, or any action contesting the corporate existence or boundaries of the Borough or the title of any of the present officers of the Borough. The original purchaser of the Notes will receive a certificate or opinion of the Borough Attorney to such effect upon the closing of the Notes.

The Borough, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits arising out of alleged torts and alleged breaches of contract. The Borough is also engaged in activities, such as police protection and public works construction, which could result in future litigation with a possible significant monetary exposure to the Borough.

Based upon the information available to date, it does not appear that any individual lawsuit or the cumulative effect of these lawsuits, excepting the pending litigation described below, will impair the Borough's ability to pay any judgments or settlements in an orderly manner, since the likelihood is that the amount of any judgments and eventual settlements are covered by insurance or will be much less than the amount claimed, and payments can be spread over two or more fiscal years. Because many lawsuits are still in the discovery stage, the Municipal Attorney is unable to determine the probability of a successful defense to them at this time.

The Borough has insurance against tort claims, which include general liability, automobile liability, employment practices, public officials and police professionals, and workers compensation lawsuits.

Pending Litigation

The following information has been compiled as of August 19, 2025. The cases listed below are not covered by insurance and have a potential monetary exposure in excess of \$1,000,000.00.

Atkins v. New Jersey Transit, Bound Brook Borough, Bound Brook Borough Administrator, Bound Brook Borough Engineer et al. SOM-L-678-23

A borough resident brought an action against State entities and County entities and the Borough alleging claims based on the alleged negligent operation of a flood gate. The Borough and its employees have no responsibility for the operation, maintenance or repair of the flood gate. The case is currently in discovery. The Borough believes this case may be dismissed, as to the Borough defendants, at the end of discovery.

Advance at Bound Brook v. The Borough of Bound Brook, et al. SOM-L-1124-19.

The Borough is currently involved in litigation with a plaintiff, Advance at Bound Brook, alleging that the Borough breached a contract designating the plaintiff as the exclusive redeveloper of a designated redevelopment area within the Borough (the "Advance Lawsuit"). The plaintiff is seeking damages of up to \$50,000,000. The Borough's insurance carrier has indicated that no portion of the claim will be covered under existing policies. An unsuccessful mediation was held in June 2025. The Borough's outside legal counsel cannot determine the likelihood of an unfavorable outcome, however, it is believed to be more likely than not that the Borough will be responsible for a material portion of the damages. In connection with the

Advance Lawsuit, the Borough has filed a professional malpractice lawsuit against its former municipal attorneys and law firm (The Borough of Bound Brook vs. Decotiis, Fitzpatrick, Cole et al. SOM-L-1141-25) (the “Decotiis Lawsuit”). In the Decotiis Lawsuit, the Borough seeks, in damages, the amount of damages, if any, from the Advance Lawsuit for which the Borough becomes liable.

According to the Borough’s Bond Counsel, in the event the Borough is adjudicated liable for damages in this matter, the Borough will borrow money, via the issuance of notes, and pay off the notes over a number of years, which would allow the Borough to continue its operations without interruption and timely pay debt service on its outstanding bonds and notes. The Borough also expects to recover all or a portion of such damages from its prior municipal attorney’s malpractice insurance carrier, which recovered amounts would be used by the Borough to pay all or a portion of any notes issued for the purpose of paying such damages, if any.

Nothing herein shall be construed as a guarantee of the outcome of any of the matters disclosed and is an opinion based on the current understanding of the pleadings.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

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 (the “Notices”), as set forth in Section (b)(5)(i)(C) of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. The Notices will be filed by the Borough or Phoenix Advisors, a division of First Security Municipal Advisors, Inc., the duly designated dissemination agent of the Borough, with the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the Notices will be detailed in a certificate (the “Disclosure Certificate”) to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in APPENDIX D hereto. Such Disclosure Certificate will be delivered concurrently with the delivery of the Notes.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, event notices with the respect to the incurrence of financial obligations in 2020, 2021, 2022, and 2023. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of the event notices, as described above. Such notices of events have since been filed with the MSRB’s Electronic Municipal Market Access (“EMMA”) Dataport. The Borough appointed Phoenix Advisors, a division of First Security Municipal Advisors, Inc., in February of 2024 to serve as continuing disclosure agent.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement, nor verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the information contained under the heading entitled “TAX MATTERS” and the information provided in APPENDIX C hereto and expresses no opinion or other assurance other than that which is specifically set forth therein with respect thereto.

The Municipal Advisor has participated in the review of this Official Statement and in the preparation of APPENDIX A, but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the information contained under the headings entitled “MUNICIPAL ADVISOR” and “COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS” (as to the second paragraph only) and expresses no opinion or other assurance other than that which is specifically set forth therein with respect thereto.

Holman Frenia Allison, P.C., Lakewood, New Jersey, the Auditor to the Borough, has not participated in the preparation of the information contained in this Official Statement, nor verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the information under the heading entitled "FINANCIAL STATEMENTS" and the audited financial statements contained in APPENDIX B hereto and expresses no opinion or other assurance other than that which is specifically set forth therein with respect thereto.

The Borough Attorney has not participated in the preparation of the information contained in this Official Statement, nor verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the sections under the headings entitled "APPROVAL OF LEGAL PROCEEDINGS" (as it relates to the Borough Attorney) and "LITIGATION" and expresses no opinion or other assurance other than that which is specifically set forth therein with respect thereto.

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

RATING

The Notes have not been rated. The Borough currently maintains a long-term rating of "A1" from Moody's Ratings. Such long-term rating is neither assigned nor applicable to the Notes.

UNDERWRITING

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

The Underwriter may offer and 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 front cover page hereof.

FINANCIAL STATEMENTS

The audited financial statements of the Borough as of and for the years ended December 31, 2024 and 2023, together with the Notes to the Financial Statements for the years then ended, are presented in APPENDIX B to this Official Statement. The audited financial statements referred to above have been audited by Holman Frenia Allison, P.C., Lakewood, New Jersey, an independent auditor, as stated in its Independent Auditor's Report appearing in APPENDIX B hereto.

MISCELLANEOUS

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

This Official Statement is not to be construed as a contract or an agreement between the Borough and 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 Notes made hereunder shall, under any circumstance, create any implication that there have been any changes in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof.

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

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

**DAISHAWN KEMP,
Chief Financial Officer**

DATED: August ____, 2025

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APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING
THE BOROUGH OF BOUND BROOK,
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY**

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INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Bound Brook (the “Borough”), in the County of Somerset (the “County”), State of New Jersey (the “State”).

General Information

Bound Brook is the oldest settlement in Somerset County. The Borough is located on land purchased from the Indians on May 4, 1681. It has always been a transportation hub. Despite its relatively small size, only 1.6 square miles, the Borough has more than 14 miles of roads. County and State roads also pass through the community. Bound Brook is a short drive from New York City and Philadelphia and is in close proximity to the New Jersey and Pennsylvania lake regions on the North and West, the New Jersey shore on the South, and the Atlantic Ocean to the East and South.

Form of Government

Bound Brook is governed by a Mayor elected for a four-year term and six elected Council Members who are elected for three-year terms.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State 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.

¹ Source: The Borough, unless otherwise indicated.

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

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which 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.

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	7,281	6,981	300	4.1%
2023	7,246	6,979	267	3.7%
2022	6,910	6,679	231	3.3%
2021	6,800	6,414	386	5.7%
2020	6,730	6,187	543	8.1%
<u>County</u>				
2024	193,133	185,726	7,407	3.8%
2023	192,408	185,662	6,746	3.5%
2022	188,697	182,855	5,842	3.1%
2021	183,890	174,359	9,531	5.2%
2020	181,257	168,195	13,062	7.2%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

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

Income (as of 2023)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$80,876	\$135,960	\$101,050
Median Family Income	81,871	167,353	123,892
Per Capita Income	42,275	70,321	53,118

Source: US Bureau of the Census, 2023 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	12,643	5.46%	357,467	3.51%	9,500,851	2.28%
2020	11,988	15.25	345,361	6.78	9,288,994	5.65
2010	10,402	2.43	323,444	8.72	8,791,894	4.49
2000	10,155	7.04	297,490	23.81	8,414,350	8.85
1990	9,487	-2.30	240,279	18.29	7,730,188	4.96

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2024</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Bound Brook LLC	\$38,440,900	3.07%
Middle Brook Center LLC	24,423,000	1.95%
Bell Atlantic c/o Duff & Phelps	8,293,800	0.66%
Garfield Park Assoc LLC	7,392,600	0.59%
IH 476, LLC & ET AL C/O WAI	5,450,000	0.44%
Somerset Savings & Loan Assoc	4,605,300	0.37%
Effinger Plaza LLC	4,603,900	0.37%
Bound Brook Holdings LLC	4,189,100	0.33%
East Gate Holdings Z LLC	3,868,900	0.31%
Effinger Plaza LLC	<u>3,388,600</u>	<u>0.27%</u>
Total	<u>\$104,656,100</u>	<u>8.36%</u>

Source: Annual Comprehensive Financial Report of the School District & Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$28,726,148	\$28,491,118	99.18%
2023	27,771,267	27,431,194	98.78%
2022	26,903,368	26,263,105	97.62%
2021	26,407,664	26,035,313	98.59%
2020	25,888,898	25,280,717	97.65%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$52,621	\$250,514	\$303,135	1.06%
2023	51,086	272,538	323,624	1.17%
2022	46,916	576,543	623,459	2.32%
2021	43,061	358,682	401,743	1.52%
2020	45,118	555,662	600,780	2.32%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$0
2023	0
2022	0
2021	0
2020	0

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2024	\$0.765	\$1.156	\$0.348	\$2.269
2023	0.800	1.200	0.358	2.358
2022	0.845	1.278	0.365	2.488
2021	0.957	1.466	0.391	2.814
2020	1.048	1.638	0.401	3.087

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2024	1,243,307,500	1,275,972,393	97.44	8,286,100	1,284,258,493
2023	1,157,866,300	1,168,381,736	99.10	8,293,800	1,176,675,536
2022	1,063,743,500	1,063,530,794	100.02	7,831,400	1,071,362,194
2021	924,804,600	954,587,737	96.88	7,734,706	962,322,443
2020	826,467,800	862,701,253	95.80	7,256,821	869,958,074

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2024	36,672,200	955,857,500	0	168,291,400	2,438,800	80,047,600	1,243,307,500
2023	32,347,100	891,298,300	0	158,248,600	2,253,800	73,718,500	1,157,866,300
2022	24,907,900	816,769,500	0	149,352,900	2,031,300	70,681,900	1,063,743,500
2021	18,961,600	692,522,500	0	143,433,500	1,883,800	68,003,200	924,804,600
2020	17,160,900	612,804,900	0	143,734,100	1,865,000	50,902,900	826,467,800

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$800,000	\$983,673	\$1,307,033	\$1,351,980	\$2,364,271
Miscellaneous Revenues	4,989,439	5,792,974	9,933,774	8,515,097	8,193,383
Receipts from Delinquent Taxes	400,000	375,000	400,000	265,000	240,000
Amount to be Raised by Taxation	<u>8,928,888</u>	<u>9,054,808</u>	<u>9,330,051</u>	<u>9,573,457</u>	<u>10,032,712</u>
Total Revenue:	<u>\$15,118,327</u>	<u>\$16,206,455</u>	<u>\$20,970,857</u>	<u>\$19,705,534</u>	<u>\$20,830,366</u>
<u>Appropriations</u>					
General Appropriations	\$11,895,845	\$12,698,648	\$13,559,806	\$14,993,154	\$15,887,961
Operations (Excluded from CAPS)	35,100	169,570	2,880,951	331,295	464,189
Deferred Charges	77,522	184,915	294,083	186,583	111,583
Transferred to Board of Education	136,115	133,547	131,737	130,502	130,633
Capital Improvement Fund	100,000	100,000	416,000	283,000	244,000
Municipal Debt Service	1,973,745	1,968,775	2,688,280	2,681,000	2,792,000
Reserve for Uncollected Taxes	<u>900,000</u>	<u>951,000</u>	<u>1,000,000</u>	<u>1,100,000</u>	<u>1,200,000</u>
Total Appropriations:	<u>\$15,118,327</u>	<u>\$16,206,455</u>	<u>\$20,970,857</u>	<u>\$19,705,534</u>	<u>\$20,830,366</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

Fund Balance - Current Fund

	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$8,260,880	\$2,364,271
2023	5,971,014	1,351,980
2022	5,918,625	1,307,033
2021	4,192,348	983,673
2020	3,107,384	800,000

Source: Annual Audit Reports of the Borough

Sewer Utility Fund

In 2024, the Borough's Sewer Utility fund balance was transferred to the Current Fund.

<u>Fund Balance - Sewer Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2024	\$0	\$0
2023	2,392,641	0
2022	1,802,681	0
2021	267,921	0

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2024

General Purpose Debt

Serial Bonds	\$17,750,000
Bond Anticipation Notes	8,790,000
Bonds and Notes Authorized but Not Issued	573,730
Other Bonds, Notes and Loans	<u>61,919</u>
Total:	\$27,175,649

Local School District Debt

Serial Bonds	\$19,640,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$19,640,000

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$46,815,649

Less: Statutory Deductions	
General Purpose Debt	\$37,919
Local School District Debt	19,640,000
Regional School District Debt	0
Self-Liquidating Debt	<u>0</u>
Total:	\$19,677,919

TOTAL NET DEBT

\$27,137,730

Source: Annual Audit Reports of the Borough

Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$19,640,000	100.00%	\$19,640,000
County	515,582,955	1.54%	<u>7,944,136</u>
Net Indirect Debt			\$27,584,136
Net Direct Debt			<u>27,137,730</u>
Total Net Direct and Indirect Debt			<u>\$54,721,866</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$1,169,294,974
Permitted Debt Limitation (3 1/2%)	40,925,324
Less: Net Debt	<u>27,137,730</u>
Remaining Borrowing Power	<u>\$13,787,594</u>
Percentage of Net Debt to Average Equalized Valuation	2.321%
 Gross Debt Per Capita based on 2020 population of 11,988	 \$3,905
Net Debt Per Capita based on 2020 population of 11,988	\$2,264

Source: Annual Audit Reports of the Borough

² Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH OF BOUND BROOK
FOR THE YEARS ENDING DECEMBER 31, 2024 AND 2023**

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**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET**

**AUDIT REPORT FOR
THE YEAR ENDED DECEMBER 31, 2024**

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**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET**

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Bound Brook
County of Somerset
Bound Brook, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the various funds and account group of the Borough of Bound Brook, which comprise the statements of assets, liabilities, reserves and fund balance – regulatory basis as of December 31, 2024 and 2023, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the statements of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2024, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance – regulatory basis of the Borough of Bound Brook, as of December 31, 2024 and 2023, and the results of its operations and changes in fund balance – regulatory basis for the years then ended and the statements of revenues – regulatory basis, statements of expenditures – regulatory basis for the year ended December 31, 2024, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the 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 Borough of Bound Brook, as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the years then ended.

Basis for Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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(s) 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 of Bound Brook'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 of Bound Brook'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.

Prior Period Financial Statements

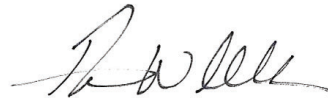
The financial statements as of December 31, 2023, were audited by other auditors whose report dated April 29, 2024, expressed an adverse opinion on U.S. Generally Accepted Accounting Principles and an unmodified opinion on the regulatory basis of accounting.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2025, on our consideration of the Borough of Bound Brook'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 of Bound Brook's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Bound Brook's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'R. W. Allison', written in a cursive style.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA No. 483

Lakewood, New Jersey
July 28, 2025

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members
of the Borough Council
Borough of Bound Brook
County of Somerset
Bound Brook, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Borough of Bound Brook, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 28, 2025. Our report indicated that the Borough's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Bound Brook's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Bound Brook's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Bound Brook's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

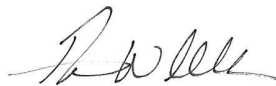
As part of obtaining reasonable assurance about whether the Borough of Bound Brook's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Bound Brook's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Borough of Bound Brook's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.



Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA No. 483

Lakewood, New Jersey
July 28, 2025

BASIC FINANCIAL STATEMENTS

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BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Fund:		
Cash & Cash Equivalents	\$ 13,067,130.03	\$ 8,790,989.06
Cash - Change Fund	620.00	620.00
Due from State of New Jersey	2,606.07	2,131.41
Total	<u>13,070,356.10</u>	<u>8,793,740.47</u>
Receivables & Other Assets With Full Reserves:		
Delinquent Property Taxes Receivable	250,514.16	272,537.58
Tax Title Liens Receivable	52,621.04	51,086.01
Refuse Disposal Fees Receivable	51,526.39	56,162.50
Revenue Accounts Receivable	54,518.44	29,747.20
Interfunds Receivable	1,191,739.67	1,421,668.54
Total Receivable & Other Assets With Full Reserves	<u>1,600,919.70</u>	<u>1,831,201.83</u>
Deferred Charges:		
Emergency Appropriations	<u>223,165.85</u>	<u>409,748.85</u>
Total Current Fund	<u>14,894,441.65</u>	<u>11,034,691.15</u>
Federal & State Grants:		
Cash	239,582.94	843,810.55
Grants Receivable	<u>2,595,634.03</u>	<u>4,499,100.93</u>
Total Federal & State Grants	<u>2,835,216.97</u>	<u>5,342,911.48</u>
Total Assets	<u><u>\$ 17,729,658.62</u></u>	<u><u>\$ 16,377,602.63</u></u>

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

EXHIBIT A

BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2024 AND 2023

<u>LIABILITIES, RESERVES & FUND BALANCE</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
Current Fund:		
Liabilities:		
Appropriation Reserves	\$ 767,278.94	\$ 614,722.91
Reserve for Encumbrances	760,629.71	689,648.22
Prepaid Taxes	123,088.51	123,424.63
Accounts Payable	97,716.41	209,033.22
Reserve Due County - 5% PILOT	427,666.44	342,575.16
County Taxes Payable	13,941.00	3,893.86
Local School Taxes Payable	-	322,436.20
Prepaid Refuse Disposal Fees	62,844.27	58,026.12
Reserve For:		
Sale of Municipal Assets	200,543.50	387,053.50
Various Reserves	428,185.52	481,661.73
Sale of Sewer Utility	258,305.83	-
Sewer Fund Balance	1,892,441.98	-
Total Liabilities	<u>5,032,642.11</u>	<u>3,232,475.55</u>
Reserves for Receivables	1,600,919.70	1,831,201.83
Fund Balance	<u>8,260,879.84</u>	<u>5,971,013.77</u>
Total Current Fund	<u>14,894,441.65</u>	<u>11,034,691.15</u>
State & Federal Grants:		
Reserve for Grants Appropriated	1,168,339.79	2,056,060.96
Grants - Unappropriated	59,263.87	5,672.70
Encumbrances Payable	337,341.14	1,829,067.94
Interfunds Payable	1,270,272.17	1,452,109.88
Total State & Federal Grants	<u>2,835,216.97</u>	<u>5,342,911.48</u>
Total Liabilities, Reserves & Fund Balance	<u>\$ 17,729,658.62</u>	<u>\$ 16,377,602.63</u>

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

BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2024 AND 2023

	2024	2023
Revenue & Other Income Realized:		
Fund Balance Utilized	\$ 1,351,980.00	\$ 1,307,033.00
Miscellaneous Revenue Anticipated	10,480,868.71	11,458,776.74
Receipts from Delinquent Taxes	297,445.09	576,542.64
Receipts from Current Taxes	28,491,117.74	27,431,194.21
Nonbudget Revenues	332,631.72	651,936.84
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	486,381.68	300,561.40
Cancelled Reserves	-	66,261.86
Grant Reserve Cancelled	1,170,514.13	-
Cancelled Accounts Payable	158,005.55	3,612.80
Interfunds Returned	185,719.69	-
Total Income	42,954,664.31	41,795,919.49
Expenditures:		
Budget & Emergency Appropriations:		
Appropriations Within "CAPS":		
Operations	13,099,267.83	11,886,573.78
Deferred Charges & Statutory Expenditures	1,879,940.00	1,667,532.00
Appropriations Excluded from "CAPS":		
Other Operations	856,737.05	3,553,601.96
Capital Improvements	283,000.00	416,000.00
Municipal Debt Service	2,674,749.37	2,755,214.26
Deferred Charges	186,583.00	254,083.00
Transfer to Board of Education for Use of Local Schools	130,502.00	131,737.00
County Taxes Payable	4,368,526.04	4,173,369.85
Local School District Taxes	14,462,208.00	13,988,613.00
Special Improvement District	245,000.00	243,542.72
Interfund Advanced	-	1,414,549.86
Refund of Prior Year Revenue	-	26,679.95
Grants Receivable Cancelled	1,126,304.95	-
Total Expenditures	39,312,818.24	40,511,497.38
Excess in Revenue	3,641,846.07	1,284,422.11
Adjustments to Income Before Fund Balance:		
Expenditures Included Above which are by Statute		
Deferred Charges to Budgets of Succeeding Years	-	75,000.00
Statutory Excess to Fund Balance	3,641,846.07	1,359,422.11
Fund Balance, January 1	5,971,013.77	5,918,624.66
Total	9,612,859.84	7,278,046.77
Less: Amount of Fund Balance Utilized as Revenue	1,351,980.00	1,307,033.00
Fund Balance, December 31	<u>\$ 8,260,879.84</u>	<u>\$ 5,971,013.77</u>

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

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

	ANTICIPATED			
	ADOPTED	SPECIAL		EXCESS
	BUDGET	N.J.S.40A:4-87	REALIZED	(DEFICIT)
Fund Balance Anticipated	\$ 1,351,980.00	\$ -	\$ 1,351,980.00	\$ -
Miscellaneous Revenues Anticipated:				
Licenses:				
Alcoholic Beverages	38,000.00	-	40,388.00	2,388.00
Other	24,000.00	-	18,577.00	(5,423.00)
Fees & Permits	40,000.00	-	53,110.85	13,110.85
Municipal Court:				
Fines & Costs	240,000.00	-	509,914.96	269,914.96
Interest & Costs on Taxes	79,000.00	-	76,992.71	(2,007.29)
Parking Meter - Municipal	150,000.00	-	269,191.40	119,191.40
Interest on Investments and Deposits	420,000.00	-	944,071.63	524,071.63
Utility Fees (Refuse)	890,000.00	-	942,759.21	52,759.21
Fire Protection Fees	53,000.00	-	66,435.51	13,435.51
Housing Inspection & Vacant Property Fees	370,000.00	-	502,578.00	132,578.00
Rental Income	35,000.00	-	42,096.00	7,096.00
Municipal Relief Aid	116,688.26	-	116,688.26	-
Energy Receipts Tax	1,132,050.03	-	1,132,050.02	(0.01)
Uniform Construction Code Fees	500,000.00	-	168,385.00	(331,615.00)
Board of Education-SLEO III	120,080.00	-	122,086.00	2,006.00
Recycling Tonnage Program	8,338.60	-	8,338.60	-
Firefighters EMS	50,000.00	-	50,000.00	-
Body Armor Replacement Fund	2,227.68	-	2,227.68	-
Federal Bulletproof Vest Partnership	2,138.00	6,218.62	8,356.62	-
Clean Communities Program	-	23,777.66	23,777.66	-
Clean Fleet Grant	-	8,000.00	8,000.00	-
Somerset County Youth Services Program	-	13,068.00	13,068.00	-
NJ Department of Transportation - Alternatives	-	60,737.39	60,737.39	-
DOT Train Waiting Room	-	91,691.68	91,691.68	-
CDBG LaMonte Ave	-	150,000.00	150,000.00	-
CHPP	-	3,000.00	3,000.00	-
SAFER	-	162,000.00	162,000.00	-
Stormwater Grant	15,000.00	-	15,000.00	-
Local Arts	-	3,500.00	3,500.00	-
Alcohol Education Rehabilitation Fund	-	1,348.42	1,348.42	-
Payment in Lieu of Taxes (PILOT)	1,114,574.49	-	1,574,617.59	460,043.10
Administrative Fees - Police Outside Overtime	180,000.00	-	233,196.68	53,196.68
Capital Surplus	200,000.00	-	200,000.00	-
Utility Operating Surplus of Prior Year	500,000.00	-	500,000.00	-
Proceeds from Sale of Sewer Utility	1,745,000.00	-	1,745,000.00	-
Ambulance Billing	200,000.00	-	337,297.47	137,297.47
Cable TV Franchise Fees	90,000.00	-	84,386.37	(5,613.63)
Sale of Municipal Assets	200,000.00	-	200,000.00	-
Subtotal Local Revenues	8,515,097.06	523,341.77	10,480,868.71	1,442,429.88
Receipts From Delinquent Taxes	265,000.00	-	297,445.09	32,445.09
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	9,573,456.84	-	10,515,383.70	941,926.86
Budget Totals	19,705,533.90	523,341.77	22,645,677.50	2,416,801.83
Non-Budget Revenues	-	-	332,631.72	332,631.72
Total Revenues	\$ 19,705,533.90	\$ 523,341.77	\$ 22,978,309.22	\$ 2,749,433.55

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

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

ANALYSIS OF REALIZED REVENUE

Allocation of Current Tax Collections:	
Revenue From Collection	\$ 28,491,117.74
Allocated to:	
School, County & Special District	19,075,734.04
Support of Municipal Budget Appropriations	9,415,383.70
Add: Appropriation Reserve for Uncollected Taxes	1,100,000.00
Amount for Support of Municipal Budget Appropriations	\$ 10,515,383.70
Analysis of Delinquent Taxes:	
Delinquent Taxes	\$ 297,445.09
	\$ 297,445.09
Other Licenses:	
Clerk	
Bingo/Raffle License	\$ 1,940.00
Taxi Owner License	500.00
Tax Operator License	400.00
Limo License	200.00
Towing License	200.00
Pool License	1,350.00
Games License	350.00
Theater License	200.00
Food License	13,375.00
Vending License	62.00
	\$ 18,577.00
Fees and Permits - Other:	
Clerk	\$ 17,288.05
Police O/S Duty - Police Vehicle Fee	2,245.80
Zoning	9,450.00
Planning	4,300.00
Street Openings	6,300.00
Uniform Construction Code	4,190.00
Certification of Fire Arms	8,128.00
Fire Safety Bureau	210.00
Recreation	999.00
	\$ 53,110.85
Utility Fees (Refuse):	
Collections:	
Refuse Disposal Charges (Stickers)	\$ 23,448.16
Refuse Disposal Fees	804,114.31
Delinquent Refuse Fees	56,069.62
Prepaid Refuse Fees	58,026.12
Additional/Replaced Refuse Fees	1,101.00
Total	\$ 942,759.21

**BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative & Executive:						
Salaries and Wages	\$ 135,000.00	\$ 135,000.00	\$ 126,550.34	\$ -	\$ 8,449.66	\$ -
Other Expenses	121,500.00	121,500.00	87,939.83	26,503.89	7,056.28	-
Borough Clerk:						
Salaries and Wages	192,000.00	192,000.00	189,449.63	-	2,550.37	-
Other Expenses	37,000.00	37,000.00	26,674.62	7,417.12	2,908.26	-
Elections:						
Other Expenses	4,100.00	4,100.00	3,391.38	-	708.62	-
Codification:						
Other Expenses	9,500.00	9,500.00	7,023.58	-	2,476.42	-
Financial Administration:						
Salaries and Wages	244,000.00	244,000.00	236,431.57	-	7,568.43	-
Other Expenses	28,250.00	39,250.00	36,184.03	-	3,065.97	-
Audit Services:						
Other Expenses	67,000.00	67,000.00	6,510.00	60,000.00	490.00	-
Collection of Taxes:						
Salaries and Wages	40,000.00	40,000.00	39,999.98	-	0.02	-
Other Expenses	51,000.00	43,500.00	34,422.33	-	9,077.67	-
Assessment of Taxes:						
Salaries and Wages	47,000.00	47,000.00	45,819.32	-	1,180.68	-
Other Expenses	29,650.00	30,150.00	10,223.46	19,579.00	347.54	-
Legal Services & Costs:						
Other Expenses	360,000.00	360,000.00	108,040.00	238,228.50	13,731.50	-
IT Services:						
Other Expenses	100,000.00	125,000.00	102,981.45	18,942.86	3,075.69	-
Engineering Services & Costs:						
Other Expenses	30,000.00	30,000.00	3,000.00	25,000.00	2,000.00	-
Economic Development:						
Other Expenses	10,000.00	1,000.00	-	-	1,000.00	-
Planning Board:						
Salaries and Wages	8,000.00	13,000.00	12,289.32	-	710.68	-
Other Expenses	31,925.00	33,925.00	20,556.92	13,090.12	277.96	-
Housing Inspections:						
Salaries and Wages	168,000.00	150,000.00	127,970.14	-	22,029.86	-
Other Expenses	15,500.00	15,500.00	13,462.42	-	2,037.58	-
Insurance:						
Other Insurance	610,000.00	600,000.00	594,427.79	0.03	5,572.18	-
Group Insurance for Employees	2,046,989.00	2,136,989.00	2,133,189.45	2,345.93	1,453.62	-
Health Benefit Waiver	45,000.00	45,000.00	35,790.81	-	9,209.19	-
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	3,211,969.38	3,211,969.38	3,001,768.44	-	210,200.94	-
Other Expenses	640,483.50	640,483.50	496,156.13	140,103.41	4,223.96	-
Fire Hydrant Service:						
Other Expenses	132,000.00	134,500.00	123,184.76	1.00	11,314.24	-
Parking:						
Salaries and Wages	52,000.00	52,000.00	50,918.40	-	1,081.60	-
Other Expenses	25,000.00	25,000.00	22,463.99	835.89	1,700.12	-
Emergency Management Services:						
Other Expenses	16,630.00	16,630.00	12,299.74	2,422.10	1,908.16	-
Aid to Fire Companies:						
Other Expenses	124,750.00	134,750.00	99,052.66	32,940.49	2,756.85	-
Aid to Volunteer Ambulance Companies:						
Other Expenses	50,000.00	50,000.00	50,000.00	-	-	-
Emergency Medical Services:						
Salaries and Wages	370,000.00	405,000.00	402,412.27	-	2,587.73	-
Other Expenses	68,220.00	68,220.00	44,272.17	6,782.86	17,164.97	-
Fire Prevention Bureau:						
Salaries and Wages	179,882.32	154,882.32	153,442.14	-	1,440.18	-
Other Expenses	11,250.00	11,250.00	9,300.98	479.53	1,469.49	-

**BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	APPROPRIATIONS		EXPENDED			UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
<u>PUBLIC WORKS:</u>						
Streets and Roads:						
Salaries and Wages	1,243,577.42	1,253,577.42	1,212,780.67	-	40,796.75	-
Other Expenses	157,000.00	157,000.00	124,255.07	31,326.84	1,418.09	-
Buildings & Grounds:						
Salaries and Wages	28,000.00	28,000.00	24,665.70	-	3,334.30	-
Other Expenses	150,000.00	150,000.00	137,160.69	9,881.05	2,958.26	-
Tree Commission:						
Other Expenses	41,855.00	41,855.00	17,783.00	23,674.06	397.94	-
<u>SANITATION:</u>						
Recycling:						
Other Expenses	110,000.00	110,000.00	110,000.00	-	-	-
Solid Waste Collection:						
Other Expenses	350,000.00	370,000.00	349,289.41	1,104.81	19,605.78	-
<u>HEALTH & WELFARE:</u>						
Board of Health:						
Other Expenses	100,000.00	100,000.00	91,094.16	26.46	8,879.38	-
Dog Regulation:						
Other Expenses	30,000.00	30,000.00	9,280.00	9,027.20	11,692.80	-
PEOSHA:						
Other Expenses	500.00	500.00	-	-	500.00	-
Senior Programs:						
Other Expenses	5,000.00	5,000.00	5,000.00	-	-	-
<u>RECREATION & EDUCATION</u>						
Recreation Programs:						
Salaries and Wages	134,160.00	99,160.00	80,638.33	2,965.00	15,556.67	-
Other Expenses	81,680.00	66,734.21	43,579.77	7,865.32	15,289.12	-
Parks & Playgrounds:						
Other Expenses	30,000.00	15,000.00	2,633.32	927.76	11,438.92	-
<u>MUNICIPAL COURT:</u>						
Municipal Court:						
Salaries and Wages	242,000.00	197,000.00	183,798.88	-	13,201.12	-
Other Expenses	32,400.00	32,400.00	19,557.16	5,650.00	7,192.84	-
Municipal Public Defender:						
Other Expenses	15,000.00	25,000.00	12,650.00	6,750.00	5,600.00	-
<u>STATE UNIFORM CONSTRUCTION CODE:</u>						
Construction Official:						
Salaries and Wages	220,000.00	220,000.00	199,505.40	-	20,494.60	-
Other Expenses	19,842.00	19,842.00	13,275.00	998.40	5,568.60	-
<u>OTHER COMMON OPERATING FUNCTIONS:</u>						
Celebration of Public Events	5,000.00	5,000.00	136.41	415.60	4,447.99	-
Accumulated Leave Compensation	61,600.00	61,600.00	61,600.00	-	-	-
Salary Adjustment	10,000.00	-	-	-	-	-
<u>UTILITIES:</u>						
Electricity/Heating	160,000.00	160,000.00	146,596.48	3,746.27	9,657.25	-
Street Lighting	180,000.00	183,000.00	166,962.58	1.00	16,036.42	-
Telephone	110,000.00	95,000.00	73,827.72	3,869.00	17,303.28	-
Water	85,000.00	70,000.00	43,832.70	403.24	25,764.06	-
Gasoline	150,000.00	146,500.00	96,633.14	13,142.48	36,724.38	-
Postage	37,000.00	32,000.00	19,677.74	-	12,322.26	-
TOTAL OPERATIONS WITHIN "CAPS"	13,103,213.62	13,099,267.83	11,713,813.38	716,447.22	669,007.23	-
Detail:						
Salaries and Wages	6,632,189.12	6,442,589.12	6,088,440.53	2,965.00	351,183.59	-
Other Expenses	6,471,024.50	6,656,678.71	5,625,372.85	713,482.22	317,823.64	-

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

**BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
DEFERRED CHARGES & STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS":						
Deferred Charges:						
Prior Year Bills	240.00	240.00	240.00	-	-	-
Statutory Expenditures:						
Contribution to:						
Public Employment Retirement System of New Jersey	383,604.00	383,604.00	383,604.00	-	-	-
Social Security System (O.A.S.I.)	350,000.00	350,000.00	300,894.09	-	49,105.91	-
Police & Fireman's Retirement System of New Jersey	1,131,096.00	1,131,096.00	1,131,096.00	-	-	-
Unemployment Compensation Insurance	10,000.00	-	-	-	-	-
Defined Contribution Retirement Program (DCRP)	15,000.00	15,000.00	867.44	1.00	14,131.56	-
TOTAL DEFERRED CHARGES & STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS":	1,889,940.00	1,879,940.00	1,816,701.53	1.00	63,237.47	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	14,993,153.62	14,979,207.83	13,530,514.91	716,448.22	732,244.70	-
OPERATIONS EXCLUDED FROM "CAPS"						
Health Insurance	55,011.00	55,011.00	13,018.51	41,981.49	11.00	-
Length of Service Award (LOSAP)	43,000.00	45,100.00	42,900.00	2,200.00	-	-
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	98,011.00	100,111.00	55,918.51	44,181.49	11.00	-
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
CPAC - Somerset County	35,500.00	35,500.00	15,625.00	-	19,875.00	-
Board of Education SLEO III	120,080.00	120,080.00	104,931.76	-	15,148.24	-
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	155,580.00	155,580.00	120,556.76	-	35,023.24	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Clean Communities Program [N.J.S.A 40A: 4-87 + \$20,934.10]	-	23,777.66	23,777.66	-	-	-
Clean Fleet	-	8,000.00	8,000.00	-	-	-
Body Armor Replacement Fund	2,227.68	2,227.68	2,227.68	-	-	-
Youth Services [N.J.S.A 40A: 4-87 + \$17,843.00]	-	13,068.00	13,068.00	-	-	-
CHPP	-	3,000.00	3,000.00	-	-	-
Recycling Tonnage Grant	8,338.60	8,338.60	8,338.60	-	-	-
Transportation Alternative	-	60,737.39	60,737.39	-	-	-
DOT Train Waiting Room	-	91,691.68	91,691.68	-	-	-
Local Arts Program [N.J.S.A 40A: 4-87 + \$3,000.00]	-	3,500.00	3,500.00	-	-	-
Alcohol EDU Rehab[N.J.S.A 40A: 4-87 + \$1,946.92]	-	1,348.42	1,348.42	-	-	-
Firefighter/EMS Grant	-	162,000.00	162,000.00	-	-	-
CDBG-East Second Street [N.J.S.A 40A: 4- 87 + \$225,277.28]	-	150,000.00	150,000.00	-	-	-
ARP FFG	50,000.00	50,000.00	50,000.00	-	-	-
Stormwater	15,000.00	15,000.00	15,000.00	-	-	-
Bulletproof Vests [N.J.S.A 40 A: 4-87 + \$3,361.95]	2,138.00	8,356.62	8,356.62	-	-	-
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	77,704.28	601,046.05	601,046.05	-	-	-
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	331,295.28	856,737.05	777,521.32	44,181.49	35,034.24	-
Detail:						
Salaries and Wages	120,080.00	120,080.00	104,931.76	-	15,148.24	-
Other Expenses	211,215.28	736,657.05	672,589.56	44,181.49	19,886.00	-
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"						
Capital Improvement Fund	283,000.00	283,000.00	283,000.00	-	-	-
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	283,000.00	283,000.00	283,000.00	-	-	-

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

**BOROUGH OF BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELLED
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	1,745,000.00	1,745,000.00	1,745,000.00	-	-	-
Interest on Bonds	679,000.00	679,000.00	678,475.00	-	-	525.00
Interest on Notes	182,000.00	193,845.79	193,845.79	-	-	-
Somerset County Improvement Authority- Capital Lease Program	63,000.00	63,000.00	46,438.02	-	-	16,561.98
NJ Environmental Infrastructure Trust	12,000.00	12,000.00	10,990.56	-	-	1,009.44
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	2,681,000.00	2,692,845.79	2,674,749.37	-	-	18,096.42
<u>DEFERRED CHARGES-MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Special Emergency Authorization- 5 Years (N.J.S.A. 40A:4-55)	111,583.00	111,583.00	111,583.00	-	-	-
Emergency Authorization	75,000.00	75,000.00	75,000.00	-	-	-
TOTAL DEFERRED CHARGES-MUNICIPAL - EXCLUDED FROM "CAPS"	186,583.00	186,583.00	186,583.00	-	-	-
Transfer to Board of Education for Use of Local Schools	130,502.00	130,502.00	130,502.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,612,380.28	4,149,667.84	4,052,355.69	44,181.49	35,034.24	18,096.42
SUB-TOTAL GENERAL APPROPRIATIONS	18,605,533.90	19,128,875.67	17,582,870.60	760,629.71	767,278.94	18,096.42
RESERVE FOR UNCOLLECTED TAXES	1,100,000.00	1,100,000.00	1,100,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 19,705,533.90	\$ 20,228,875.67	\$ 18,682,870.60	\$ 760,629.71	\$ 767,278.94	\$ 18,096.42
Amendment by (NJSA 40A:4-87)		\$ 523,341.77				
Budget		19,705,533.90				
Total		<u>\$ 20,228,875.67</u>				
Reserve for Uncollected Taxes			\$ 1,100,000.00			
Deferred Charges			186,583.00			
Reserve for Grants Appropriated			601,046.05			
Disbursements			16,795,241.55			
Total			<u>\$ 18,682,870.60</u>			

EXHIBIT B

**BOROUGH OF BOUND BROOK
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Assessment Fund:		
Cash	\$ -	\$ 15,611.46
Assessment Receivable	-	3,641.64
	<u>-</u>	<u>19,253.10</u>
Animal Control Trust Fund:		
Cash	16,275.87	12,405.87
Due Trust Other Fund	49.90	-
	<u>16,325.77</u>	<u>12,405.87</u>
Other Funds:		
Cash & Cash Equivalents	2,342,366.70	2,413,858.20
Accounts Receivable - IRS	-	31,944.94
	<u>2,342,366.70</u>	<u>2,445,803.14</u>
Length of Service Award Program Fund ("LOSAP"):		
Investments	1,043,476.89	-
	<u>1,043,476.89</u>	<u>0.00</u>
 Total Assets	 <u>\$ 3,402,169.36</u>	 <u>\$ 2,477,462.11</u>
 <u>LIABILITIES, RESERVES & FUND BALANCE</u>		
Assessment Fund:		
Assessment Overpayments	\$ -	\$ 2,254.06
Reserve for Assessments	-	445.74
Fund Balance	-	16,553.30
	<u>-</u>	<u>19,253.10</u>
Animal Control Trust Fund:		
Due Current Fund	5,314.77	385.20
Prepaid Dog Licenses	-	669.00
Reserve For Encumbrances Payable	-	3,212.00
Reserve for Expenditures	10,951.60	8,139.67
Reserve for Due to State Licenses	59.40	-
	<u>16,325.77</u>	<u>12,405.87</u>
Other Funds:		
Due Current Fund	23,519.44	5,591.23
Reserve for Due State of New Jersey - Marriage Licenses	1,000.00	375.00
Reserve for Due State of New Jersey - DCA Training Fee	2,042.00	6,465.00
Reserve for Various Trust Deposits	2,315,556.76	2,433,371.91
Due Sewer Utility Operating Fund	198.60	-
Due Animal Control Trust Fund	49.90	-
Total Other Funds	<u>2,342,366.70</u>	<u>2,445,803.14</u>
Length of Service Award Program Fund ("LOSAP"):		
Miscellaneous Reserves	1,043,476.89	-
	<u>1,043,476.89</u>	<u>-</u>
 Total Liabilities, Reserves & Fund Balance	 <u>\$ 3,402,169.36</u>	 <u>\$ 2,477,462.11</u>

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

**BOROUGH OF BOUND BROOK
GENERAL TRUST FUND
SCHEDULE OF ASSESSMENT TRUST FUND BALANCE REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

Balance, December 31, 2023	\$ 16,553.30
Decreased by:	
Disbursements	<u>16,553.30</u>
Balance, December 31, 2024	<u><u>\$ -</u></u>

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

**BOROUGH OF BOUND BROOK
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Cash & Cash Equivalents	\$ 5,853,354.80	\$ 8,020,435.46
Deferred Charges to Future Taxation:		
Funded	17,811,918.91	19,702,942.30
Unfunded	8,987,579.36	7,654,233.86
Due Grant Fund	126,965.73	86,417.77
Grants Receivable	1,082,352.25	278,108.75
Developer Contribution Receivable	200,000.00	200,000.00
	<u> </u>	<u> </u>
Total Assets	<u>\$ 34,062,171.05</u>	<u>\$ 35,942,138.14</u>
 <u>LIABILITIES, RESERVES & FUND BALANCE</u>		
Serial Bonds	\$ 17,750,000.00	\$ 19,495,000.00
Bond Anticipation Notes	8,790,000.00	6,243,300.00
NJEIT Loan Payable	-	10,755.08
Improvement Authority Loans Payable	61,918.91	197,187.22
Capital Improvement Fund	214,971.15	99,265.15
Improvement Authorizations:		
Funded	919,205.08	1,123,752.64
Unfunded	1,453,959.09	2,270,293.27
Due Current Fund	19,354.53	-
Reserve for:		
Various Capital Reserves	360,640.49	814,325.88
Encumbrances Payable	4,279,400.96	5,229,917.26
Fund Balance	212,720.84	458,341.64
	<u> </u>	<u> </u>
Total Liabilities, Reserves & Fund Balance	<u>\$ 34,062,171.05</u>	<u>\$ 35,942,138.14</u>

There were bonds and notes authorized but not issued on December 31, 2024 in the amount of \$573,729.86 and on December 31, 2023 in the amount of \$1,410,933.86.

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

BOROUGH OF BOUND BROOK
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

Balance, December 31, 2023		\$	458,341.64
Increased by:			
Premium on Bond Anticipation Notes			39,379.20
			<u>497,720.84</u>
Decreased by:			
Improvement Authorization- Funded	\$	85,000.00	
Utilized as Anticipated Revenue Current Fund		<u>200,000.00</u>	
			<u>285,000.00</u>
Balance, December 31, 2024		\$	<u><u>212,720.84</u></u>

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

EXHIBIT D

**BOROUGH OF BOUND BROOK
SEWER UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	2024	2023
<u>ASSETS</u>		
<u>Utility Operating Fund</u>		
Cash & Cash Equivalents	\$ -	\$ 4,395,946.41
Total Utility Operating Fund	-	4,395,946.41
<u>Utility Capital Fund</u>		
Cash	-	50,000.00
Total Utility Capital Fund	-	50,000.00
Total Assets	\$ -	\$ 4,445,946.41
<u>LIABILITIES, RESERVES & FUND BALANCE</u>		
<u>Utility Operating Fund</u>		
Liabilities:		
Reserve for Sale of Sewer Utility	\$ -	\$ 2,003,305.83
Fund Balance	-	2,392,640.58
Total Utility Operating Fund	-	4,395,946.41
<u>Utility Capital Fund</u>		
Liabilities:		
Due Current Fund	-	50,000.00
Total Utility Capital Fund	-	50,000.00
Total Liabilities, Reserves & Fund Balance	\$ -	\$ 4,445,946.41

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

BOROUGH OF BOUND BROOK
SEWER UTILITY FUND
STATEMENTS OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2024 AND 2023

	2024	2023
Revenue & Other Income Realized:		
Sewer Use Charges	\$ -	\$ 112,122.65
Miscellaneous Revenue Not Anticipated	-	280,535.37
Other Credits to Income:		
Accounts Payable Canceled	-	6,108.83
Unexpended Balance of Appropriation Reserves	-	691,708.32
	<u>-</u>	<u>691,708.32</u>
Total Revenue	<u>-</u>	<u>1,090,475.17</u>
Expenditures:		
Revenue Anticipated- Current Fund	\$ -	\$ 500,000.00
Refund of Prior Year Revenue	-	515.87
	<u>-</u>	<u>515.87</u>
Total Expenditures	<u>-</u>	<u>500,515.87</u>
Excess/(Deficit) in Revenue	<u>-</u>	<u>589,959.30</u>
Fund Balance, January 1	<u>2,392,640.58</u>	<u>1,802,681.28</u>
Adjustment to Fund Balance:		
Transfer Fund Balance to Current Fund	<u>(2,392,640.58)</u>	<u>-</u>
Fund Balance, December 31	<u><u>\$ -</u></u>	<u><u>\$ 2,392,640.58</u></u>

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

EXHIBIT G

**BOROUGH OF BOUND BROOK
PAYROLL FUND
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
REGULATORY BASIS
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash	\$ 154,103.69	\$ 60,604.18
Interfund Receivable	<u>-</u>	<u>31,944.94</u>
	<u><u>\$ 154,103.69</u></u>	<u><u>\$ 92,549.12</u></u>
<u>Liabilities</u>		
Interfund Payable- Current Fund	\$ 820.04	\$ -
Payroll Deductions Payable	<u>153,283.65</u>	<u>92,549.12</u>
Totals	<u><u>\$ 154,103.69</u></u>	<u><u>\$ 92,549.12</u></u>

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

BOROUGH OF BOUND BROOK
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
REGULATORY BASIS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
General Fixed Assets:		
Land & Land Improvements	\$ 10,765,500.00	\$ 10,765,000.00
Building & Building Improvements	2,383,400.00	2,380,200.00
Machinery and Equipment	7,185,612.00	6,973,886.00
Vehicles	<u>723,922.00</u>	<u>653,668.00</u>
	<u>\$ 21,058,434.00</u>	<u>\$ 20,772,754.00</u>
<u>Liabilities</u>		
Investment in General Fixed Assets	<u>\$ 21,058,434.00</u>	<u>\$ 20,772,754.00</u>

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

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**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

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**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity

The Borough of Bound Brook, County of Somerset, New Jersey ("Borough") is governed by the Borough form of government, with a mayor and a 6-member Borough Council. The financial statements of the Borough include every board, body, officer or commission maintained wholly or in part by funds appropriated by the Borough, as required by the provision of N.J.S. 40A:5-5. The financial statements, however, do not include the operation of School Boards, Volunteer Fire Departments/Fire Districts and First Aid Squads which are subject to separate audit. Included within the financial statements are taxes levied, collected and turned over to School Boards and appropriations for contributions to Volunteer Fire Departments and First Aid Squads. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

Component Units - GASB Statement 14, as amended by GASB Statements 39, 61, 80, 90 and 97, establishes criteria to be used in determining the component units, which should be included in the financial statements of a primary government. The financial statements of the Borough are not presented in accordance with GAAP (as discussed below). Therefore, the Borough had no component units as defined by GASB Statement No. 14, as amended by GASB Statements 39, 61, 80, 90 and 97.

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

In accordance with the "Requirements", the Borough accounts for its financial transactions through the use of separate funds, which are described as follows:

Current Fund – This fund accounts for revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds – These funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund – This fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Operating and Capital Funds – The Sewer Utility Operating and Capital Funds were sold to a private company. Operations ended in 2023 and the remaining balance of the Sewer Utility Fund was transferred to the Current Fund.

General Fixed Asset Account Group – The Fixed Asset Account Group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other funds of the Borough.

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 1. Summary of Significant Accounting Policies (continued)

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

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Cash, Cash Equivalents and Investments - Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Under GAAP, investments are reported at fair value but under regulatory basis of accounting, investments are stated at cost [with the exception of LOSAP investments which may be reported at fair and contract value]. Therefore unrealized gains or losses on investments have not been recorded.

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

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

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

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

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 1. Summary of Significant Accounting Policies (continued)

Inventories and 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 statements of assets, liabilities, reserves and fund balance.

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

General Fixed Assets – Accounting for governmental fixed assets, as required by *N.J.A.C.5:30-5.6*, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

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

Foreclosed Property – Foreclosed Property or "Property Acquired for Taxes" is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the Borough to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance – Fund Balance included in the Current Fund represent the amount available for anticipation as revenue in future year's budgets, with certain restrictions.

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

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

County Taxes – The municipality is responsible for levying, collecting and remitting County taxes for the County of Somerset. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Bound Brook School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district July 1 to June 30.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July I to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount.

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

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

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled by the governing body.

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 1. Summary of Significant Accounting Policies (continued)

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled by the governing body. Appropriation reserves and reserve for encumbrances at current year end are available until December 31st of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding year. Any unspent balances at this time are lapsed appropriation reserves and recorded as income.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences.

Recent Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB adopts accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare their financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

Accounting Pronouncements Adopted in Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2024:

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. Management has determined that the implementation of this Statement did not have a significant impact on the Borough’s financial statements.
- Statement No. 101, *Compensated Absences*. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Implementation of this Statement resulted in additional footnote disclosures on the Borough’s financial statements. See Note 15 for further detail.

Accounting Pronouncements Effective in Future Reporting Periods

- Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.
- Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Management has not yet determined the potential impact these Statements will have on the Borough’s financial statements.

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 2. Deposits and Investments

The Borough is governed by the deposit and investment limitations of New Jersey state law.

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned. Although the Borough does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the

New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Borough relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2024, the Borough's bank balance of \$21,685,578.38 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$ 19,342,383.94
Uninsured and Uncollateralized	<u>2,343,194.44</u>
	<u><u>\$ 21,685,578.38</u></u>

Investments

Under the regulatory basis of accounting, investments are measured at cost in the Borough's financial statements. However, had the financial statements been prepared in accordance with generally accepted accounting principles (GAAP), investments would be reported at fair value (except for fully benefit-responsive investment contracts, which would be reported at contract value). Contract value is the relevant measure for the portion of the Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP Plan.

Investments at Fair Value – The fair value measurements of investments are required to be reported based on the hierarchy established by GAAP. Under GAAP, investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available. As of December 31, 2024, the Borough had no investments held at Level 2 or 3.

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 2. Deposits and Investments (continued)

Investments (continued)

Following is a description of the valuation methodologies used for investments measured at fair value:

Mutual Funds: Valued at quoted market prices which represent the net asset value (“NAV”) shares held by the Borough at year-end.

The Borough’s fair value, hierarchy level and maturities of its investments at December 31, 2024 was as follows:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value as of December 31, 2024</u>		<u>Investment Maturities (in Years)</u>
		<u>Level 1</u>	<u>Total</u>	<u>Less Than 1 Year</u>
Money Markets	\$ 1,013.09	\$ 1,013.09	\$ 1,013.09	\$ 1,013.09
Mutual Funds	892,344.52	892,344.52	892,344.52	892,344.52
	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>
<u>Fund</u>				
Trust Fund - LOSAP	\$ 893,357.61	\$ 893,357.61	\$ 893,357.61	\$ 893,357.61
	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>	<u>\$ 893,357.61</u>

Investments at Contract Value - The Borough held a fully benefit-responsive investment contract with the Lincoln Financial Group (Lincoln) totaling \$150,119.28 as of December 31, 2024. Lincoln Financial Group maintains the contributions in the group fixed annuity contract (fixed account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the Borough is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP Plan. The Borough’s ability to receive amounts

due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer’s ability to meet its financial obligations. The fixed account continues in-force until they are terminated by Lincoln Financial Group or the LOSAP Plan and do not define a maturity date.

No events are probable of occurring that might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. The total Trust Fund LOSAP value held by the Borough at December 31, 2024 was as follows:

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 2. Deposits and Investments (continued)

Investments (continued)

	<u>12/31/2024</u>
Trust Fund - LOSAP (Fair Value)	\$ 893,357.61
Trust Fund - LOSAP (Contract Value)	<u>150,119.28</u>
Total Trust Fund - LOSAP	<u>\$ 1,043,476.89</u>

Custodial Credit Risk Related to Investments - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Borough will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Borough has no investment policy to limit exposure to custodial credit risk.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A: 5-15.1, the Borough's investment policies place no limit in the amount the Borough may invest in any one issuer. More than 5% of the Borough's investments are in mutual funds and money markets and these investments represent 100% of the Borough's total investments.

Note 3. Property Taxes

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

Comparison Schedule of Tax Rates

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Tax Rate	<u>\$ 2.269</u>	<u>\$ 2.358</u>	<u>\$ 2.488</u>
Apportionment of Tax Rate:			
Municipal	0.765	0.800	0.845
County	0.348	0.358	0.365
Local School	1.156	1.200	1.278

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 3. Property Taxes (continued)

Net Valuation Taxable

<u>Year</u>	<u>Amount</u>
2024	\$ 1,251,593,600.00
2023	1,166,160,100.00
2022	1,071,574,900.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2024	\$ 28,726,147.70	\$ 28,491,117.74	99.18%
2023	27,771,267.45	27,431,194.21	98.77%
2022	26,903,367.87	26,263,105.40	97.62%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2024	\$ 52,621.04	\$ 250,514.16	\$ 303,135.20	1.06%
2023	51,086.01	272,537.58	323,623.59	1.17%
2022	46,916.20	576,542.64	623,458.84	2.32%

The last tax sale was held on November 22, 2024.

Note 4. Property Acquired By Tax Title Lien Liquidation

No properties have been acquired, reported or recorded as of December, 31, 2024 but foreclosure or deed.

Note 5. Comparison of Refuse Billings and Collections (Component of Current Fund)

The following is a three-year comparison of refuse billings and refuse collections for the current and previous two years.

<u>Year</u>	<u>Billings</u>	<u>Collections</u>
2024	\$ 843,369.21	\$ 841,924.09
2023	843,237.60	841,792.48
2022	781,093.72	726,376.34

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 6. Fund Balances Appropriated

The following schedule details the amount of fund balances available at the end of the current year and two previous years and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
Current Fund:			
2024	\$ 8,260,879.84	\$ 2,364,271.00	28.62%
2023	5,971,013.77	1,351,980.00	22.64%
2022	5,918,624.66	1,307,033.00	22.08%

Note 7. Interfund Receivables, Payables and Transfers

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

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 1,191,739.67	\$ -
State and Federal Grant Fund	-	1,270,272.17
Animal Control Trust	49.90	5,314.77
Trust Other Fund	-	24,012.43
Capital Fund	126,965.73	19,354.53
Utility Operating Fund	198.60	-
	<u>\$ 1,318,953.90</u>	<u>\$ 1,318,953.90</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

A summary of interfund transfers is as follows:

Fund	Transfers In	Transfers Out
Current Fund	\$ 5,114,120.41	\$ 403,707.99
State and Federal Grant Fund	44,513.27	270,560.16
Animal Control Trust	622.68	759.70
Trust Other Fund	97,015.97	98,294.58
General Capital Fund	302,354.53	323,547.96
Utility Operating Fund	2.00	4,396,147.01
Utility Capital Fund	-	50,000.00
Assessment	-	15,611.46
	<u>\$ 5,558,628.86</u>	<u>\$ 5,558,628.86</u>

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 7. Interfund Receivables, Payables and Transfers (continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (i.e. interest earning), (2) provide cash flow to other funds to temporary finance expenditures that are on a reimbursable basis (i.e. grants), (3) when no bank account exists for a fund, and (4) utilizing surplus or fund balance from one fund as budgeted revenue in another.

Note 8. Fixed Assets

The following is a summary of changes in 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	\$ 10,765,000.00	\$ 500.00	\$ -	\$ 10,765,500.00
Buildings and Improvements	2,380,200.00	3,200.00	-	2,383,400.00
Machinery & Equipment	6,973,886.00	292,864.00	81,138.00	7,185,612.00
Vehicles	653,668.00	70,254.00	-	723,922.00
	<u>\$ 20,772,754.00</u>	<u>\$ 366,818.00</u>	<u>\$ 81,138.00</u>	<u>\$ 21,058,434.00</u>

Note 9. Pension Obligations

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued):

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

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2023, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2023, the Borough's contractually required contribution to PERS plan was \$363,981.

Components of Net Pension Liability - At December 31, 2023, the Borough's proportionate share of the PERS net pension liability was \$3,944,579. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from 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 the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. The Borough's proportion measured as of June 30, 2023, was 0.0272333391% which was an increase of 0.0021217657% from its proportion measured as of June 30, 2022.

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Balances at December 31, 2023 and December 31, 2022

	<u>12/31/2023</u>	<u>12/30/2022</u>
Actuarial valuation date (including roll forward)	June 30, 2023	June 30, 2022
Deferred Outflows of Resources	\$ 841,160	\$ 932,704
Deferred Inflows of Resources	255,182	591,586
Net Pension Liability	3,944,579	3,789,682
Borough's portion of the Plan's total Net Pension Liability	0.02723%	0.02511%

Pension Expense/(Credit) and Deferred Outflows/Inflows of Resources - At December 31, 2023, the Borough's proportionate share of the PERS expense/(credit), calculated by the plan as of the June 30, 2023 measurement date is \$274,017. This expense/(credit) is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$363,981 to the plan in 2023.

At December 31, 2023, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 37,715	\$ 16,124
Changes of Assumptions	8,665	239,058
Net Difference between Projected and Actual Earnings on Pension Plan Investments	18,165	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	776,615	-
	<u>\$ 841,160</u>	<u>\$ 255,182</u>

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ (52,936)
2025	39,081
2026	317,764
2027	126,253
2028	<u>155,818</u>
	<u>\$ 585,980</u>

Special Funding Situation – Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001.

The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Borough as of December 31, 2023. At December 31, 2023, the State's proportionate share of the PERS expense, associated with the Borough, calculated by the plan as of the June 30, 2022 measurement date was \$7,974.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

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.

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 Expected 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

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

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 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 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 were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the Net Pension Liability	<u>\$ 5,178,294</u>	<u>\$ 3,944,579</u>	<u>\$ 2,956,085</u>

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

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

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

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

The following represents the membership tiers for PFRS:

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

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

Basis of Presentation - The schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS, the participating employers, or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2023, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19,

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

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

P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2023, the Borough's contractually required contributions to PFRS plan was \$1,058,721.

Net Pension Liability and Pension Expense - At December 31, 2023 the Borough's proportionate share of the PFRS net pension liability was \$8,787,236. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2022, to the measurement date of June 30, 2023. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. The Borough's proportion measured as of June 30, 2023, was 0.07953107%, which was a decrease of 0.0040776100% from its proportion measured as of June 30, 2022.

	<u>12/31/2023</u>	<u>12/31/2022</u>
Actuarial valuation date (including roll forward)	June 30, 2023	June 30, 2022
Deferred Outflows of Resources	\$ 1,594,540	\$ 2,428,905
Deferred Inflows of Resources	1,421,989	1,906,112
Net Pension Liability	8,787,236	9,570,170
 Borough's portion of the Plan's total net pension Liability	 0.07953%	 0.08361%

Pension Expense/(Credit) and Deferred Outflows/Inflows of Resources – At December 31, 2023, the Borough's proportionate share of the PFRS expense/(credit), calculated by the plan as of the June 30, 2023 measurement date was \$626,151. This expense/(credit) is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$1,058,721 to the plan in 2023.

At December 31, 2023, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 376,252	\$ 419,073
Changes of Assumptions	18,966	593,349
Net Difference between Projected and Actual Earnings on Pension Plan Investments	447,517	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>751,805</u>	<u>409,567</u>
	<u>\$ 1,594,540</u>	<u>\$ 1,421,989</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PFRS that will be recognized in future periods:

<u>Year Ending December 31,</u>	<u>PFRS</u>
2024	\$ (273,521)
2025	(259,731)
2026	596,455
2027	23,035
2028	84,657
Thereafter	<u>1,657</u>
	<u>\$ 172,552</u>

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

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

expense associated with the employers as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Additionally, the State's proportionate share of the PFRS net pension liability attributable to the Borough is \$1,619,150 as of December 31, 2023. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2022, to the measurement date of June 30, 2023. The State's proportion of the net pension liability associated with the Borough 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 members, actuarially determined. The State's proportion measured as of June 30, 2023 was 0.0795312600%, which was a decrease of 0.0040776100% from its proportion measured as of June 30, 2022, which is the same proportion as the Borough's. At December 31, 2023, the Borough's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$ 8,787,236
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,619,150</u>
	<u>\$ 10,406,386</u>

At December 31, 2023, the State's proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2023 measurement date was \$184,175.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

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

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.

Long-Term Expected 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 9. Pension Obligations (continued)

B. 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 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 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 were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the Net Pension Liability	\$ 12,243,475	\$ 8,787,236	\$ 5,909,015
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>2,256,002</u>	<u>1,619,150</u>	<u>1,088,804</u>
	<u><u>\$ 14,499,477</u></u>	<u><u>\$ 10,406,386</u></u>	<u><u>\$ 6,997,819</u></u>

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Borough.

Note 10. Postemployment Benefits Other Than Pensions

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the year ended June 30, 2024. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2023.

General Information About The OPEB Plan

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 10. Postemployment Benefits Other Than Pensions (continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 10. Postemployment Benefits Other Than Pensions (continued)

inflows of resources, and collective OPEB (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2023 were \$3,461,898,890 and \$11,427,677,896, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2023 were \$3,461,898,890 and \$11,427,677,896, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

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

Salary Increases*:

Public Employees' Retirement System (PERS)	
Rate for all future years	2.75% to 6.55% based on years of service

Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 16.25% based on years of service

Police and Firemen's Retirement System (PFRS)	
Rate for all future years	

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.
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PERS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.
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* - Salary Increases are based on years of service within the respective plan.

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 10. Postemployment Benefits Other Than Pensions (continued)

OPEB Obligation and OPEB (benefit) Expense - The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Borough's as of June 30, 2023 was \$15,627,960. The Borough's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2023, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The State's proportionate share of the OPEB Obligation associated with the Borough was based on projection of the State's long-term contributions to the OPEB plan associated with the Borough relative to the projected contributions by the State associated with all participating

Municipalities, actuarially determined. At June 30, 2023, the State proportionate share of the OPEB Obligation attributable to the Borough was 0.1041409982%, which was an increase of 0.0203799961% from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2023, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$108,750 for the State's proportionate share of the OPEB (benefit) expense attributable to the Borough. This OPEB (benefit) expense was based on the OPEB plans June 30, 2023 measurement date.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% decreasing to 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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:

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 10. Postemployment Benefits Other Than Pensions (continued)

	At 1% Decrease (2.65%)	At Discount Rate (3.65%)	At 1% Increase (4.65%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Borough	\$ 18,102,159.02	\$ 15,627,960.00	\$ 13,637,848.52
State of New Jersey's Total Nonemployer OPEB Liability	17,382,355,978.00	15,006,539,477.00	13,095,561,553.00

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

The following presents the net OPEB liability as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Borough	\$ 13,281,927.13	\$ 15,627,960.00	\$ 18,631,599.02
State of New Jersey's Total Nonemployer OPEB Liability	12,753,792,805.00	15,006,539,477.00	17,890,743,651.00

Additional Information – The following is a summary of the collective balances of the local group at June 30, 2023:

Collective Balances at December 31, 2023 and December 31, 2022

	12/31/2023	12/31/2022
Actuarial valuation date (including roll forward)	June 30, 2023	June 30, 2022
Collective Deferred Outflows of Resources	\$ 9,133,524,491.00	\$ 7,897,070,518.00
Collective Deferred Inflows of Resources	14,817,220,551.00	13,408,600,309.00
Collective Net OPEB Liability	16,149,595,478.00	17,999,781,235.00
Borough's Portion	0.104141%	0.083761%

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 10. Postemployment Benefits Other Than Pensions (continued):

Year Ending June 30:		
2024	\$	(1,702,483,126)
2025		(1,394,440,795)
2026		(754,368,466)
2027		(353,621,247)
2028		(713,799,887)
Thereafter		<u>(764,982,539)</u>
	\$	<u><u>(5,683,696,060)</u></u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2023, 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2023, the Program membership consisted of the following:

	<u>June 30, 2022</u>
Active Plan Members	65,613
Retirees Currently Receiving Benefits	<u>34,771</u>
Total Plan Members	<u><u>100,384</u></u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2023 (measurement date June 30, 2022) is as follows:

Service Cost	\$ 597,135,801.00
Interest on the Total OPEB Liability	581,375,849.00
Change of Benefit Terms	23,039,435.00
Differences Between Expected and Actual Experience	(2,123,324,632.00)
Changes of Assumptions	255,103,873.00
Contributions From the Employer	(431,386,179.00)
Contributions From Non-Employer Contributing Entity	(55,614,978.00)
Net Investment Income	(2,001,914.00)
Administrative Expense	<u>12,616,744.00</u>
Net Change in Total OPEB Liability	(1,143,056,001.00)
Total OPEB Liability (Beginning)	<u>16,149,595,478.00</u>
Total OPEB Liability (Ending)	<u><u>\$ 15,006,539,477.00</u></u>

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 11. Municipal Debt

The following schedule represents the Borough's summary of debt, as filed in the Borough's Annual Debt Statement required by the Local Bond Law of New Jersey for the current and two previous years:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 26,601,918.91	\$ 25,946,242.32	\$ 21,518,650.99
Total Debt Issued	<u>26,601,918.91</u>	<u>25,946,242.32</u>	<u>21,518,650.99</u>
Authorized but not issued:			
General:			
Bonds, Notes and Loans	573,729.86	1,410,933.86	3,828,143.31
Total Authorized But Not Issued	<u>573,729.86</u>	<u>1,410,933.86</u>	<u>3,828,143.31</u>
Total Gross Debt	<u>\$ 27,175,648.77</u>	<u>\$ 27,357,176.18</u>	<u>\$ 25,346,794.30</u>
Deductions:			
General:			
Funds on Hand For Payment of Bonds and Notes:			
Reserve for Debt Service	\$ 37,918.74	\$ 275,110.86	\$ -
Total Deductions	<u>37,918.74</u>	<u>275,110.86</u>	<u>-</u>
Total Net Debt	<u>\$ 27,137,730.03</u>	<u>\$ 27,082,065.32</u>	<u>\$ 25,346,794.30</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The following schedule is a summary of the previous schedule and is prepared in accordance with the required method of setting up the Annual Debt Statement:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 19,640,000.00	\$ 19,640,000.00	\$ -
General Debt	27,175,648.77	37,918.74	27,137,730.03
	<u>\$ 46,815,648.77</u>	<u>\$ 19,677,918.74</u>	<u>\$ 27,137,730.03</u>

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 11. Municipal Debt (continued)

Net Debt \$27,137,730.03 divided by the average Equalized Valuation Basis per N.J.S.A 40A:2-2 as amended, \$1,169,294,974.33 equals 2.321%. New Jersey statute 40A:2-6, as amended, limits the debt of a Municipality to 3.5% of the last three preceding year's average equalized valuations of real estate, including improvements and the assessed valuation of Class II Railroad Property. The remaining borrowing power in dollars at December 31, 2024 is calculated as follows:

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 40,925,324.10
Net Debt	<u>27,137,730.03</u>
Remaining Borrowing Power	<u><u>\$ 13,787,594.07</u></u>

General Debt

A. Serial Bonds Payable

\$9,747,000.00 General Improvement Bonds of 2016 due in annual installments of \$447,000.00 to \$650,000.00 through 2034 at an interest rate of 3.00% to 4.00%

\$4,830,000.00 Refunding Bonds of 2016 due in annual installments of \$600,000.00 to \$615,000.00 through 2026 at an interest rate of 4.00%

\$4,660,000.00 General Improvement Bonds of 2020 due in annual installments of \$260,000.00 to \$500,000.00 through 2032 at an interest rate of 2.00% to 4.00%

\$7,230,000.00 General Improvement Bonds of 2016 due in annual installments of \$280,000.00 to \$925,000.00 through 2033 at an interest rate of 5.00%

Principal and interest due on the outstanding bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,810,000.00	\$ 613,375.00	\$ 2,423,375.00
2026	1,865,000.00	551,075.00	2,416,075.00
2027	1,890,000.00	494,968.75	2,384,968.75
2028	1,925,000.00	423,750.00	2,348,750.00
2029	1,960,000.00	359,968.75	2,319,968.75
2030-2034	8,300,000.00	752,125.00	9,052,125.00
	<u>\$ 17,750,000.00</u>	<u>\$ 3,195,262.50</u>	<u>\$ 20,945,262.50</u>

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 11. Municipal Debt (continued)

The following is a summary of bond anticipation notes payable accounted for in the General Capital Fund at December 31, 2024:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate</u>	<u>Balance December 31, 2024</u>
Acquisition of Real Property	8/27/2024	9/11/2025	3.750%	\$ 295,000.00
Various Capital Improvements	8/27/2024	9/11/2025	3.750%	542,500.00
Reconstruction & Improvements to Pool	8/27/2024	9/11/2025	3.750%	1,567,500.00
Acquisitions of Properties	8/27/2024	9/11/2025	3.750%	845,000.00
Acquisition of Propoerty	8/27/2024	9/11/2025	3.750%	1,110,000.00
Various Capital Improvements	8/27/2024	9/11/2025	3.750%	1,295,800.00
Various Capital Improvements	8/27/2024	9/11/2025	3.750%	1,425,000.00
Various Capital Acquisitions and Improvements	8/27/2024	9/11/2025	3.750%	1,709,200.00
				<u>\$ 8,790,000.00</u>

The purpose of these short-term borrowings was to provide resources for general capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq.

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2024, the Borough had \$573,729.86 in various General Capital bonds and notes authorized but not issued.

D. Somerset County Improvement Authority Loans

\$151,500.00 Somerset County Improvement Authority Loans of 2021 due in annual installments of \$31,616.46 through 2026 at an interest rate of 1.69%

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 30,698.86	\$ 917.60	\$ 31,616.46
2026	31,220.05	396.41	31,616.46
	<u>\$ 61,918.91</u>	<u>\$ 1,314.01</u>	<u>\$ 63,232.92</u>

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 11. Municipal Debt (continued)

Summary of Principal Debt

A summary of the changes in long-term and short-term debt of the Borough is as follows:

	Balance December 31, <u>2023</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2024</u>	Balance Due Within <u>One Year</u>
General Capital:					
General Bonds	\$ 19,495,000.00	\$ -	\$ 1,745,000.00	\$ 17,750,000.00	\$ 1,810,000.00
Bond Anticipation Notes	6,243,300.00	8,790,000.00	6,243,300.00	8,790,000.00	8,790,000.00
NEJIT Loan Payable	10,755.10	-	10,755.10	-	-
Improvement Authority Loans	197,187.22	-	135,268.31	61,918.91	30,698.86
Authorized but Not Issued	1,410,933.86	1,709,496.00	2,546,700.00	573,729.86	-
	<u>\$ 27,357,176.18</u>	<u>\$ 10,499,496.00</u>	<u>\$ 10,681,023.41</u>	<u>\$ 27,175,648.77</u>	<u>\$ 10,630,698.86</u>

Note 12. Deferred School Taxes

School taxes have been raised and the liability deferred by statutes. The balance of unpaid local school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, are as follows:

<u>Local Taxes</u>	Balance, December 31,	
	<u>2024</u>	<u>2023</u>
Total Balance of Local Tax	\$ -	\$ 3,893.86
Deferred Taxes	-	-
Local Tax Payable	<u>\$ -</u>	<u>\$ 3,893.86</u>

Note 13. Deferred Compensation Salary Account

The Borough offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. Amounts deferred under Section 457 plans must be held in trust for the exclusive benefits of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 14. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2024, the following deferred charges are shown on Statement of Assets, Liabilities, Reserves and Fund Balances of the following funds:

<u>Description</u>	Balance December 31, <u>2023</u>	2024 <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Current Fund:			
Covid-19 Deficit in Revenues	\$ 214,748.85	\$ 71,583.00	\$ 143,165.85
N.J.S.A. 40A: 4-55 Hurricane IDA	120,000.00	40,000.00	80,000.00
Downpayment on Improvements	75,000.00	75,000.00	-
			<u>\$ 223,165.85</u>

Note 15. Accrued Sick, Vacation and Compensation Time

GASB Statement No. 101, *Compensated Absences*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation, sick pay and compensation time. The Borough permits certain employees, within limits, to accumulate unused vacation, sick pay and compensation time, which may be taken as time off or paid at a later date at an agreed upon rate. In accordance with New Jersey accounting principles, this unused accumulated absence amount is not reported as a liability in the accompanying financial statements.

It is estimated that accrued benefits for compensated absences, in accordance with GASB Statement No. 101, are valued at \$1,107,262.79 at December 31, 2024.

Note 16. Risk Management

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

Joint Insurance Pool

The Borough is a member of the Municipal Excess Liability Joint Insurance Fund. The Fund provides the Borough with the following coverage

Worker's Compensation
General Liability
Employer's Liability
Auto Liability
Property Damage
Property/Boiler and Machinery
Auto Physical Damage
Employee Dishonesty Liability
Environmental Impairment Liability

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 16. Risk Management (continued)

Contributions to the Funds are payable in two installments and are based on actuarial assumptions determined by the Funds' actuaries. The Fund publishes its own financial report for the year ended December 31, 2024 which can be obtained on the Fund's website.

New Jersey Unemployment Compensation Insurance

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

<u>Year</u>	<u>Borough Share/ State Refund</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2024	\$ -	\$ 19,856.11	\$ 20,593.44	\$ 108,566.87
2023	-	5,566.60	8,840.70	109,304.20
2022	100,120.95	9,264.76	17,499.89	112,578.30

Note 17. Contingencies

Grantor Agencies

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2024, the Borough estimates that no material liabilities will result from such audits.

Litigation

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

Tax Appeals

Losses arising from tax appeals are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. There are no significant pending tax appeals as of December 31, 2024.

BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 18. Length of Service Awards Program

The Borough's length of service awards program ("LOSAP") is reported in the Borough's trust fund Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents of the Borough come from contributions made solely by the governing body of the Borough, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,100.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The Borough elected to contribute \$1,100.00 for the year ended December 31, 2024 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2024, the Borough contributed a total of \$43,857.33 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The Borough has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts - Each participant's account is credited with the Borough's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Borough has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries.

Such funds, although subject to the claims of the Borough's creditors until distributed as benefit payments, are not available for funding the operations of the Borough. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Borough's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2024 payouts of \$46,916.67 were made to vested participants.

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

**BOROUGH OF BOUND BROOK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 19. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2024 and July 28th, 2025, the date the financial statements were available to be issued.

The Borough is currently involved in litigation with a plaintiff alleging that the Borough breached a contract designating the plaintiff as the exclusive redeveloper of a designated redevelopment area within the Borough. The plaintiff is seeking damages of up to \$50,000,000. As of the date of issuance, the Borough's insurance carrier has indicated that no portion of the claim will be covered under existing policies. Accordingly, the Borough may be liable for approximately \$46.3 million. Per discussions with the Borough's legal counsel, we can not yet determine the likelihood of an unfavorable outcome however it is believed to be more likely than not that the Borough will be responsible for a material portion of the damages. However, the Borough is filing a malpractice complaint against its former counsel by which it is anticipated the Borough would be indemnified for any damages.

On April 8th, an Ordinance providing for Various 2025 Capital Acquisitions and Improvements, By and in the Borough of Bound Brook, in the County of Somerset, State of New Jersey, Appropriating \$1,877,700 therefor and authorizing the issuance of \$1,788,000 in Bonds or Notes of the Borough to finance part of the cost thereof.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

September ___, 2025

Mayor and Borough Council of the
Borough of Bound Brook
Bound Brook, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Borough Council of the Borough of Bound Brook, in the County of Somerset (the "Borough"), a municipal corporation organized and existing under the laws of the State of New Jersey, and other proofs submitted to us relative to the authorization, sale, issuance, execution and delivery of the \$8,790,000 aggregate principal amount of Bond Anticipation Notes, Series 2025 (the "Notes") of the Borough. The Notes are dated September 10, 2025, mature on September 9, 2026, and bear interest at the rate of ____ and _____ hundredths per centum (____%) per annum.

The Notes are issued in fully registered book-entry form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry form, without certificates, in denominations of \$5,000 each or any integral multiple of \$1,000 in excess thereof, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or a duly designated paying agent directly to Cede & Co., as nominee for DTC, which will, in turn, remit such payments to DTC participants, which will, in turn, remit such payments to the beneficial owners of the Notes.

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

The Notes are authorized by, and are issued pursuant to: (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the Borough Council of the Borough, approved by the Mayor, and published as required by law (the "Ordinances"); and (iii) a resolution duly adopted by the Borough Council of the Borough on July 22, 2025 (the "Resolution").

The Notes are being issued to refund, on a current basis, outstanding bond anticipation notes of the Borough issued in the aggregate principal amount of \$8,790,000 on September 12, 2024 and maturing on September 11, 2025.

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

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. 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 the issuance of the Notes. The Borough has covenanted in a tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough with the requirements of the Code and the aforementioned covenants and representations stated in its tax certificate, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

We are further of the opinion that the Notes constitute “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income of the owners of the Notes under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47 (N.J.S.A. 54A:1-1 et seq.), as amended and supplemented.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state, local or foreign tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state, local or foreign 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 other bond counsel.

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

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 have examined the form of the executed Note and, in our opinion, the form of the Note is regular and proper.

Very truly yours,

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APPENDIX D

FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

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CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

I, DAISHAWN KEMP, Chief Financial Officer of the Borough of Bound Brook, in the County of Somerset (the "Borough"), a municipal corporation organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY, in connection with the authorization, sale, issuance, execution and delivery of the Borough's \$8,790,000 aggregate principal amount of Bond Anticipation Notes, Series 2025, dated September 10, 2025 and maturing on September 9, 2026 (the "Notes"), that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Borough (or its duly appointed Dissemination Agent) will provide notice (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a Portable Document File (PDF file) to www.emma.msrb.org of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events effecting the tax-exempt status of the Notes; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) consummation of a merger, consolidation, or acquisition involving the Borough, or sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, 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 change of name of a trustee, if material; (15) incurrence of a Financial Obligation (as defined below) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borough, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties (collectively, the "Listed Events").

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *"Financial Obligation"* shall not include municipal securities as to which a final official statement has been provided to the MSRB, through the EMMA system, consistent with the Rule.

If the Borough (or its duly appointed Dissemination Agent) (a) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (b) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Notes, the Borough (or its duly appointed Dissemination Agent) shall file a Notice of each such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) business days after such determination.

The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed-upon fee structure.

The Borough's obligations under this Certificate shall terminate upon the redemption, defeasance or payment in full of the Notes.

In the event the Borough fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the Borough's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the Borough, the purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Borough this ____ day of September, 2025.

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

**DAISHAWN KEMP,
Chief Financial Officer**

Acknowledged and Accepted by:

**PHOENIX ADVISORS,
a division of First Security Municipal Advisors, Inc.,
as Dissemination Agent**

Authorized Signatory