

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 4, 2026**

**NEW ISSUE**  
**Book-Entry-Only**

**NOT RATED**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Notes is not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Notes for certain noteholders.*

**THE BOROUGH OF BERNARDSVILLE,  
IN THE COUNTY OF SOMERSET, NEW JERSEY  
\$4,712,200 BOND ANTICIPATION NOTES  
(NON-CALLABLE) (BANK QUALIFIED)**

**Interest Rate: \_\_\_%      Yield: \_\_\_%      CUSIP\*: \_\_\_\_\_**

**Dated: Date of Delivery**

**Due: March 25, 2027**

The \$4,712,200 Bond Anticipation Notes (the “Notes”) of the Borough of Bernardsville, in the County of Somerset, New Jersey (the “Borough”) are payable as to principal and interest at maturity upon presentation and surrender at the office of the Chief Financial Officer of the Borough (the “Paying Agent”). The Notes will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York (“DTC”), which will act as Securities Depository. See “DESCRIPTION OF THE NOTES – Book-Entry System” herein. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple in excess thereof, except for one necessary odd denomination.

The Notes are being issued, along with other available funds of the Borough to: (i) currently refund the Borough’s \$1,720,000 bond anticipation notes maturing March 26, 2026; (ii) provide new money in the amount of \$3,167,000 to temporarily finance various capital improvements in and for the Borough; and (iii) pay the costs of issuance of the Notes.

The Notes are not subject to redemption prior to maturity.

The Notes are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount; provided, however, that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See “NOTEHOLDERS’ REMEDIES IN THE EVENT OF DEFAULT” and “MUNICIPAL BANKRUPTCY” herein.

The Notes are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey. Certain legal matters will be passed upon for the Borough by the Borough Attorney, John R. Pidgeon, Esq., Princeton, New Jersey. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. Delivery of the Notes is anticipated to take place on or about March 25, 2026.

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\* Registered trademark of the American Bankers Association. CUSIP data herein are 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 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 procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

**THE BOROUGH OF BERNARDSVILLE,  
IN THE COUNTY OF SOMERSET, NEW JERSEY**

**MAYOR**

Mary Jane Canose

**BOROUGH COUNCIL**

Al Ribeiro  
Jeffrey Roos  
Charlie Szrom  
Rich Traynor  
Christine Zamarra  
Ross Zazzarino

**CHIEF FINANCIAL OFFICER**

Leslie Roberson

**BOROUGH CLERK**

Anthony Suriano

**BOROUGH ATTORNEY**

John R. Pidgeon, Esq.  
Princeton, New Jersey

**AUDITOR**

Supplee, Clooney & Company  
Westfield, New Jersey

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Newark, New Jersey

**MUNICIPAL ADVISOR**

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

No dealer, broker, salesperson or other person has been authorized by the Borough to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by 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 by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

The information which is set forth herein has been provided by the Borough and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough. References in this Official Statement to the State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Borough during normal business hours. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

**IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**OFFICIAL STATEMENT  
RELATING TO  
  
THE BOROUGH OF BERNARDSVILLE,  
IN THE COUNTY OF SOMERSET, NEW JERSEY  
\$4,712,200 BOND ANTICIPATION NOTES  
(NON-CALLABLE)**

**INTRODUCTION**

This Official Statement (the “Official Statement”), which includes the cover page hereof and the appendices hereto, has been prepared by the Borough of Bernardsville, in the County of Somerset (the “Borough”), in the State of New Jersey (the “State”) and provides certain information relating to the Borough in connection with the sale of the Borough’s \$4,712,200 Bond Anticipation Notes (the “Notes”). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and its distribution and use in connection with the sale of the Notes have been authorized by the Borough.

This Official Statement contains specific information relating to the Notes including their general description, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

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

**DESCRIPTION OF THE NOTES**

The following is a summary of certain provisions of the Notes. Reference is made to the Notes themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

**Terms and Interest Payment Date**

The Notes will be dated the date of delivery thereof and will bear interest at the interest rate per annum set forth on the cover page hereof, payable at maturity, on March 25, 2027.

**Denominations and Place of Payment**

The Notes will be issued in the denominations of \$5,000 and any integral multiple in excess thereof, except for one necessary odd denomination. Principal of and interest on the Notes are payable at maturity upon presentation at the office of the Chief Financial Officer of the Borough in the capacity as paying agent. The Notes will be issued in registered form.

**Redemption**

The Notes are not subject to redemption prior to maturity.

**Book-Entry System**

The Depository Trust Company, Brooklyn, New York (“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 Notes certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Moody's rating of AA+. The DTC rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) or [www.dtc.org](http://www.dtc.org).

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

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

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

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

Principal, redemption price 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 detailed 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 Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

#### **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 shall apply: (i) the Notes may be exchanged for an equal aggregate principal amount of the Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Borough/Paying Agent for such purposes only upon the surrender thereof to the Borough/Paying Agent together with the duly executed assignment in form satisfactory to the Borough/Paying Agent; and (iii) for every exchange or registration of transfer of Notes, the Borough/Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date next preceding an Interest Payment Date.

#### **AUTHORIZATION AND PURPOSE**

The Notes have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (N.J.S.A. §40A:2-1, et seq.) (the "Local Bond Law"). The Notes are authorized by bond ordinances adopted by the governing body of the Borough. Such bond ordinances, or summaries thereof, were published after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced, began to run from the date of the first publication of such estoppel 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 any person shall be barred from questioning the sale, execution or delivery of such obligations.

Proceeds of the Notes, along with other available funds of the Borough, will be used to: (i) currently refund the Borough's \$1,720,000 bond anticipation notes maturing March 26, 2026; (ii) provide new money in the amount of \$3,167,000 to temporarily finance various capital improvements in and for the Borough; and (iii) pay the costs of issuance of the Notes. The following table sets forth certain information with respect to the bond ordinances authorizing the Notes:

<b>Ordinance Number</b>	<b>Purpose</b>	<b>Notes to be Issued</b>
2022-1914	Improvement of Various Roads	\$597,000
2022-1932	Improvements of Various Roads	948,000
2025-2017	Acquisition of Fire Company Radios	285,000
2025-2019	Acquisition of an Ambulance	312,200
2025-2023	AHTF Developers Grant (RPM)	2,570,000
	Total:	<b><u>\$4,712,200</u></b>

### **SECURITY AND SOURCE OF PAYMENT**

The Notes are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount; provided, however, that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "NOTEHOLDERS' REMEDIES IN THE EVENT OF DEFAULT" and "MUNICIPAL BANKRUPTCY" herein.

### **MARKET PROTECTION**

The Borough does not anticipate issuing any bonds or notes for the remainder of calendar year 2026.

### **CERTAIN RISK FACTORS**

#### **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 cyber-attacks, 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.

## **SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION**

Set forth below is a summary of various statutory provisions and requirements relevant to the Borough's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

### **Legal Framework**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

### **Debt Limit**

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3½%), in the case of a municipality, and two percent (2%), in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

### **Exceptions to Debt Limit - Extensions of Credit**

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a State regulatory agency. If all or any part or a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

### **Short-Term Financing**

Pursuant to the Local Bond Law, a local unit may sell short-term 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. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

## **Assessment Bonds**

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within two (2) years and the final principal payment due within twenty (20) years of an issue's date. No principal payment may be larger than a prior year's principal payment.

## **Refunding Bonds**

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a two-thirds ( $\frac{2}{3}$ ) vote of the full membership of the governing body of the local unit.

## **Tax Anticipation Notes**

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount by law to collectively thirty percent (30%) of the tax levy plus thirty percent (30%) of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within one hundred and twenty (120) days of the close of the fiscal year in which they were issued.

## **School Debt Subject to Voter Approval**

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

## **The Local Budget Law**

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. §40A:4-1, *et seq.* (the "Local Budget Law"), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of Community Affairs of the State (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it is certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must 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 preceding year, (d) reserve for uncollected taxes and (e) other reserves and nondisbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director

permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

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

Each municipality is required to forward to the County Board of Taxation (the "County Board") a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year. See the subcaption "Tax Assessment and Collection Procedure" below.

### **Appropriations Not Required for Payments on Debt**

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. §40A:4-57 states that "no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose" (emphasis added).

### **Appropriation Caps**

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. §40A:4-45.3), commonly referred to as the "CAP Law". The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a "CAP". The actual calculation of the CAP is somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year's total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2½%) or the cost-of-living adjustment (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, computed and published quarterly by the United States Department of Commerce) (the "Cost-of-Living Adjustment"), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage up to, but not to exceed, three and one-half percent (3½%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

## **Property Tax Levy Cap**

Chapter 44 of the Pamphlet Laws of 2010 imposes restrictions upon the allowable annual increase in the tax levy. In general, municipalities have their tax levies limited to a two percent (2%) increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of two percent (2%); increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of two percent (2%) of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

## **Miscellaneous Revenues**

A provision in the Local Budget Law (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”.

In addition, budget amendments must be approved by the Director, except for federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar fiscal year. However, grant revenue is generally not realized until received in cash.

## **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, which governs the anticipation of delinquent tax collections, 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”.

N.J.S.A. §40A:4-41 provides, with regard to current taxes, 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 and N.J.S.A. §40A:4-40 require that an additional amount, commonly known or referred to as 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 product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year’s percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the New Jersey Laws of 1997 authorizes any municipality to sell its “total property tax levy” to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein (N.J.S.A. §54:5-113.5).

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated and (iv) any special improvement districts within the local governmental unit, the current year’s tax rate is struck by a county’s board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

### **Emergency Appropriations/Deferral of Current Expenses**

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year’s budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

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 clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than three percent (3%) of the previous year’s final current operating appropriations may be raised in the portion of the local unit’s budget outside the CAP if approved by at least two-thirds ( $\frac{2}{3}$ ) of the members of the governing body and the Director. Emergency appropriations that aggregate more than three percent (3%) of the previous year’s final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit’s share of federal or State grants and other statutorily permitted items are outside the CAP.

### **Budget Transfers**

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year’s budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ( $\frac{2}{3}$ ) vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriation or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

### **Municipal Public Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate

budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “Current” or operating budget.

### **Capital Budget**

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three (3) or six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

### **Fiscal Year Adjustment Law**

Chapter 75 of the New Jersey of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. §40A: 4-3.1). Municipalities that change fiscal years must adopt a six (6) month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the six (6) month transition budget (N.J.S.A. §40A:2-51.2). The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue fiscal year adjustment bonds as well.

### **State Supervision**

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, Borough 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 (as hereinafter defined) 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 a cash deficit.

### **Tax Assessment and Collection Procedure**

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the Borough. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit’s current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits one hundred percent (100%) of the county taxes, payable quarterly on the fifteenth days of February, May, August and November.

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

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on the first days of February, May, August and November. 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 ( $\frac{1}{4}$ ) or one-half ( $\frac{1}{2}$ ) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

## **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to the first day of February in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before the first day of April of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

## **The Local Fiscal Affairs Law**

N.J.S.A. §40A:5-1 et seq. (the “Local Fiscal Affairs Law”) regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An independent examination of the local unit’s accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvements of the local unit’s financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

A local unit’s funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. §40A:5-12.1. A local unit is not authorized to invest funds in derivative products or reverse repurchase agreements.

## **Basis of Accounting**

The accounting policies applicable to local governmental units have been prescribed by the Division. The following is a summary of the significant policies:

*Basis of Accounting* - 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 the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

*Fixed Assets* - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit’s various departments.

## **NOTEHOLDERS’ REMEDIES IN THE EVENT OF DEFAULT**

Neither the Notes nor the proceedings with respect thereto specifically provide any remedies to the noteholders if the Borough defaults in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the noteholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Note, a noteholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Borough to levy and collect a tax upon all taxable property within the Borough, without limitation as to rate or amount,

sufficient to pay when due the principal of and interest on the Notes as the same shall come due. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies. See the caption “MUNICIPAL BANKRUPTCY” herein.

### **MUNICIPAL BANKRUPTCY**

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that the approval of the Municipal Finance Commission of New Jersey has been obtained. The powers of the Municipal Finance Commission of New Jersey have been vested in the New Jersey Local Finance Board.

Bankruptcy proceedings by the Borough could have adverse effects on the noteholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the Borough after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The federal bankruptcy act contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of general obligation indebtedness or the Notes, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the federal bankruptcy act cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy act are not to be construed as an indication that the Borough expects to resort to the provisions of the federal bankruptcy act or that, if it did, such action would be approved by the Municipal Finance Commission.

### **NO DEFAULT**

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

### **ABSENCE OF MATERIAL LITIGATION**

In the opinion of the Borough Attorney, John R. Pidgeon, Esq., Princeton, New Jersey (the “Borough Attorney”), no litigation is now pending or, to their knowledge, threatened restraining or enjoining the issuance or delivery of the Notes or the levy or collection of any taxes to pay the interest on or principal of the Notes, or in any manner questioning the authority or proceedings for the issuance of the Notes or for the levy or collection of said taxes, or relating to the Notes or affecting the validity thereof or the levy or collection of said taxes, and neither the corporate existence or boundaries of the Borough nor the title of any of the present officers thereof to their respective offices is being contested, and no authority or proceedings for the issuance of the Notes has or have been repealed, revoked or rescinded. A signed statement to that effect will be supplied upon delivery of the Notes. In the opinion of the Borough Attorney, there is no litigation pending or, to their knowledge, threatened against the Borough which if adversely decided would have a material adverse effect on the financial condition of the Borough or which is not otherwise adequately covered by Borough insurance.

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in

calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Notes, and Bond Counsel has assumed compliance by the Borough with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Borough to be delivered in connection with the issuance of the Notes.

In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Notes is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any future action, taken or not taken, any fact or circumstance that may come to its attention, or any change in law or interpretation thereof, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Notes, the Borough will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

## **Note Premium**

In general, if an owner acquires the Notes for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Notes after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Notes will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## SECONDARY MARKET DISCLOSURE

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Borough has undertaken to provide to the Municipal Securities Rulemaking Board (the “MSRB”), in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Notices include notices of any of the following events with respect to the Notes: (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 of determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls (other than mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Borough, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Borough, and no person, including any holder of the Notes, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The undertaking may be amended or modified without consent of the holders of the Notes under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Borough upon the delivery of the Notes will be on file at the office of the Borough Clerk.

The Borough has previously entered into secondary market disclosure undertakings in accordance with Rule 15c2-12. The Borough appointed Phoenix Advisors, Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information with the MSRB as required under its prior secondary market disclosure undertakings.

## RATING

The Notes have not been rated. The Borough has a long-term rating of “AAA” from Standard & Poor’s Financial Services, LLC (“S&P”). Such long-term rating is neither assigned or applicable to the Notes.

The long-term rating reflects only the views of S&P and an explanation of the significance of such long-term rating may only be obtained from S&P. There can be no assurance that the long-term rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in S&P’s judgment, circumstances so warrant. Any downward change in or withdrawal of such long-term rating may have an adverse effect on the marketability or market price of the Notes.

## **UNDERWRITING**

The Notes have been purchased from the Borough at a public sale by \_\_\_\_\_ at a price of \$ \_\_\_\_\_. The Notes are being offered for sale at the yield set forth on the cover of this Official Statement, which yield may be changed from time to time by the purchasers without notice.

## **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.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Borough, whose approving opinion will be delivered with the Notes substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed upon for the Borough by the Borough Attorney.

## **FINANCIAL STATEMENTS**

The unaudited financial data of the Borough for the year ended December 31, 2025, as well as audited financial statements of the Borough for the year ended December 31, 2024, are presented in Appendix B to this Official Statement (the “Financial Statements”). The Financial Statements have been prepared by Supplee, Clooney & Company, independent certified public accountants (the “Auditor”), as stated in their Independent Auditors’ Report appearing in Appendix B hereto. See “APPENDIX B - Financial Statements of the Borough”. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

## **PREPARATION OF OFFICIAL STATEMENT**

The Chief Financial Officer of the Borough will confirm to the Underwriter, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer the descriptions and statements relating to the Borough herein, as of the date of this Official Statement and as of the date of delivery of the Notes, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

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

The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditor’s Report as presented in Appendix B.

Bond Counsel and the Borough Attorney have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

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

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Leslie Roberson, Chief Financial Officer, Municipal Building, 166 Mine Brook Road, Bernardsville, New Jersey, 07924, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey, telephone (609) 291-0130.

### **MISCELLANEOUS**

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

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as part of any contract with the holders of the Notes.

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

**THE BOROUGH OF BERNARDSVILLE,  
IN THE COUNTY OF SOMERSET, NEW  
JERSEY**

By: \_\_\_\_\_  
**Leslie Roberson**  
**Chief Financial Officer**

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING THE BOROUGH**

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## **INFORMATION REGARDING THE BOROUGH<sup>1</sup>**

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

### **General Information**

The Borough covers 12.9 square miles in the part of the County known as Somerset Hills, and the Borough is 4.2% of the total land area of the County. It is south of Morristown, north of Somerville and about 25 miles west of Newark. It is bounded on the north by Mendham Borough and Township, on the east by Harding Township and on the west by Far Hills and Peapack/Gladstone.

Settled by the Scottish, Irish, and English, the Borough was originally a section of Bernards Township known as Vealtown. In 1840, Vealtown became Bernardsville, named after Sir Francis Bernard, colonial governor of New Jersey from 1758 to 1760. The Borough did not become a separate borough until 1924, when it split from Bernards Township.

Starting in 1999, the Borough began to address a growing concern to preserve open space and farmland by installing a municipal open space tax. The Borough has purchased over 10 acres of land with the open space fund for recreation ball fields.

### **Form of Government**

The Borough is operated under the Borough form of government, with a Mayor and six council members meeting twice a month. The Mayor is elected at large to a four-year term with the council members also elected at large for three-year staggered terms. The Borough Council is responsible for both administration and legislative policy for the municipality, and their standing committees have oversight of Boards, Committees, and Commissions within the Borough. Along with conducting ongoing municipal business, the Borough Council adopts an annual budget that sets the local municipal tax rate.

Defined by local ordinance with delegated authority, a professional Administrator is the chief executive officer of the municipality and manages the day-to-day operations of the Borough. The Administrator serves as the liaison between the Borough Council, staff, professionals, and members of the public.

### **Education**

The Somerset Hills School District (the “District”) is a Type II school district located in the County. The District is an instrumentality of the State, established to function as an educational institution. The District is governed by a ten-member board, including nine members elected to three-year terms from the Borough, Borough of Peapack and Gladstone, and Borough

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<sup>1</sup> Source: The Borough, unless otherwise indicated.

of Far Hills, as well as one appointed member from the Bedminster Board of Education (the “Board”). The Board is responsible for the administrative control of the District.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include programs for regular, vocational, and special education for handicapped students.

### **Retirement Systems**

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

### **Pension Information<sup>2</sup>**

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2025, which is based upon the annual billings received from the State, amounted to \$562,181 for PERS and \$802,934 for PFRS.

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<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

## **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:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2024	4,248	4,118	130	3.1%
2023	4,237	4,117	120	2.8%
2022	4,193	4,087	106	2.5%
2021	4,086	3,917	169	4.1%
2020	4,007	3,798	209	5.2%
<b><u>County</u></b>				
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%
<b><u>State</u></b>				
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 2024)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$236,115	\$140,374	\$103,556
Median Family Income	246,581	171,215	127,025
Per Capita Income	114,810	72,193	54,253

Source: US Bureau of the Census, 2024 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.	8,020	1.61%	357,467	3.48%	9,500,851	2.28%
2020	7,893	2.41	345,444	6.80	9,288,994	5.65
2010	7,707	4.93	323,444	8.72	8,791,894	4.49
2000	7,345	11.34	297,490	23.81	8,414,350	8.85
1990	6,597	-1.76	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>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Bernardsville Centre LLC	\$18,900,000	0.67%
Mine Mount Land Co.	13,435,000	0.48%
Individual Taxpayer	8,423,300	0.30%
Upton Pynes Real Estate LLC	8,363,400	0.30%
Falcon Crest 21 LLC	8,000,000	0.28%
B'Ville Storage, LLC	7,593,500	0.27%
Individual Taxpayer	7,378,500	0.26%
Isabella Jazz LLC	7,199,100	0.26%
Palm Family Farm LLC	7,160,900	0.25%
Fifty Faircourt LLC	7,032,000	0.25%
<b>Total</b>	<b><u>\$93,485,700</u></b>	<b><u>3.32%</u></b>

Source: Annual Comprehensive Financial Report of the School District and 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>
2025U	\$53,687,280	\$53,080,285	98.87%
2024	50,796,365	50,199,889	98.83%
2023	49,160,787	48,585,590	98.83%
2022	48,265,904	47,731,001	98.89%
2021	47,474,056	46,973,031	98.94%

U: Unaudited

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>
2025U	\$7,277	\$570,420	\$577,697	1.08%
2024	7,019	582,470	589,489	1.16%
2023	6,774	534,449	541,223	1.10%
2022	6,537	496,548	503,085	1.04%
2021	6,301	467,554	473,855	1.00%

U: Unaudited

Source: Annual Audit Reports of the Borough

### Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2025U	\$13,100
2024	13,100
2023	13,100
2022	13,100
2021	13,100

U: Unaudited

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.

	<b>Regional</b>			
<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2025	\$0.521	\$1.073	\$0.304	\$1.898
2024	0.520	1.121	0.314	1.955
2023	0.522	1.159	0.328	2.009
2022	0.526	1.194	0.336	2.056
2021	0.526	1.222	0.350	2.098

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

## **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2025	\$2,811,775,800	\$2,870,037,563	97.97%	\$5,429,000	\$2,875,466,563
2024	2,585,109,000	2,543,147,073	101.65	5,335,100	2,548,482,173
2023	2,437,214,300	2,492,803,825	97.77	5,444,700	2,498,248,525
2022	2,333,221,800	2,373,089,707	98.32	5,174,570	2,378,264,277
2021	2,244,596,100	2,262,241,584	99.22	5,219,267	2,267,460,851

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.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2025	\$21,981,800	\$2,348,745,600	\$213,579,400	\$196,451,700	\$21,156,300	\$9,861,000	\$2,811,775,800
2024	21,447,900	2,157,812,700	195,632,800	182,135,300	19,106,300	8,974,000	2,585,109,000
2023	21,036,600	2,035,664,500	179,926,300	173,872,000	17,631,200	9,083,700	2,437,214,300
2022	20,093,400	1,950,084,400	165,562,000	167,636,900	21,295,900	8,549,200	2,333,221,800
2021	20,139,700	1,874,958,100	156,522,500	163,777,900	20,945,500	8,252,400	2,244,596,100

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**

<b><u>Anticipated Revenues</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Fund Balance Utilized	\$1,600,000	\$1,875,000	\$2,030,000	\$2,075,000	\$2,050,000
Miscellaneous Revenues	3,673,005	2,667,005	2,935,054	2,989,692	4,603,482
Receipts from Delinquent Taxes	437,300	460,000	495,000	530,000	530,000
Amount to be Raised by Taxation	<u>11,386,437</u>	<u>11,841,321</u>	<u>12,266,247</u>	<u>12,961,112</u>	<u>14,098,830</u>
Total Revenue:	<u>\$17,096,741</u>	<u>\$16,843,326</u>	<u>\$17,726,301</u>	<u>\$18,555,804</u>	<u>\$21,282,312</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$11,236,610	\$11,758,498	\$12,121,121	\$12,865,457	\$13,272,133
Operations (Excluded from CAPS)	970,167	1,026,933	1,131,507	1,116,014	1,240,994
Deferred Charges and Statutory Expenditures	0	1,000	0	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	207,361	540,000	991,000	800,000	1,450,000
Municipal Debt Service	2,823,860	1,606,687	1,526,376	1,772,100	3,242,950
Reserve for Uncollected Taxes	<u>1,858,743</u>	<u>1,910,208</u>	<u>1,956,296</u>	<u>2,002,233</u>	<u>2,076,234</u>
Total Appropriations:	<u>\$17,096,741</u>	<u>\$16,843,326</u>	<u>\$17,726,301</u>	<u>\$18,555,804</u>	<u>\$21,282,312</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.

<b><u>Year</u></b>	<b><u>Fund Balance - Current Fund</u></b>	
	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025U	\$3,387,094	N/A
2024	2,808,703	2,050,000
2023	2,873,469	2,075,000
2022	2,730,055	2,030,000
2021	2,388,354	1,875,000

U: Unaudited  
Source: Annual Audit Reports of the Borough

Sewer Utility Operating Fund

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

<b><u>Fund Balance - Sewer Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2025U	\$567,257	N/A
2024	195,819	100,000
2023	172,633	100,000
2022	234,363	115,000
2021	294,363	60,000

U: Unaudited  
Source: Annual Audit Reports of the Borough

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**Borough Indebtedness as of December 31, 2025**

**General Purpose Debt**

Serial Bonds	\$9,990,000
Bond Anticipation Notes	1,720,000
Bonds and Notes Authorized but Not Issued	8,582,200
Other Bonds, Notes and Loans	0
Total:	<u>\$20,292,200</u>

**Regional School District Debt**

Serial Bonds	\$5,210,889
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$5,210,889</u>

**Self-Liquidating Debt**

Serial Bonds	\$695,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$695,000</u>

**TOTAL GROSS DEBT**

**\$26,198,089**

Less: Statutory Deductions

General Purpose Debt	\$116,395
Regional School District Debt	5,210,889
Self-Liquidating Debt	695,000
Total:	<u>\$6,022,285</u>

**TOTAL NET DEBT**

**\$20,175,805**

Source: Annual Debt Statement of the Borough

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### Overlapping Debt (as of December 31, 2025)<sup>3</sup>

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	\$7,874,000	66.18%	\$5,210,889
County	511,950,350	3.14%	<u>16,097,992</u>
Net Indirect Debt			\$21,308,881
Net Direct Debt			<u>20,175,805</u>
Total Net Direct and Indirect Debt			<u><b>\$41,484,686</b></u>

### Debt Limit

Average Equalized Valuation Basis (2023, 2024, 2025)	\$2,635,329,487
Permitted Debt Limitation (3 1/2%)	92,236,532
Less: Net Debt	<u>20,175,805</u>
Remaining Borrowing Power	<u>\$72,060,727</u>
Percentage of Net Debt to Average Equalized Valuation	0.766%
Gross Debt Per Capita based on 2020 population of 7,893	\$3,319
Net Debt Per Capita based on 2020 population of 7,893	\$2,556

Source: Annual Debt Statement of the Borough

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<sup>3</sup> Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE BOROUGH**

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**INDEPENDENT AUDITOR'S REPORT**

**ACCOUNTANT'S COMPILATION REPORT**

**AUDITED AND UNAUDITED FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

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# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Telephone 908-789-9300

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E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Bernardsville  
County of Somerset  
Bernardsville, New Jersey 07927

### ***Report on the Audit of the Financial Statements***

#### ***Adverse and Unmodified Opinions***

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

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

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

***Basis for Adverse and Unmodified Opinions***

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

***Matter Giving Rise to Adverse Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

## SUPLEE, CLOONEY & COMPANY LLC

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Borough's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY LLC  
Certified Public Accountants

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

September 15, 2025



# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Bernardsville  
County of Somerset  
Bernardsville, New Jersey 07080

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2024 Annual Financial Statement (AFS) of the Borough of Bernardsville, County of Somerset, New Jersey as of December 31, 2025 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information, that is the representation of management of the Borough of Bernardsville. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Borough of Bernardsville has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough of Bernardsville's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY LLC  
Certified Public Accountants

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

March 2, 2026

BOROUGH OF BERNARDSVILLE

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Current Fund:			
Cash	\$ 5,668,692.46	\$ 5,433,230.22	\$ 5,318,202.05
Change Funds	700.00	700.00	700.00
Due State of New Jersey-Senior Citizens and Veterans Deductions	17,897.72	17,397.72	17,147.72
	<u>\$ 5,687,290.18</u>	<u>\$ 5,451,327.94</u>	<u>\$ 5,336,049.77</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	\$ 570,420.29	\$ 582,470.04	\$ 534,460.82
Tax Title Liens Receivable	7,276.66	7,018.53	6,774.15
Property Acquired for Taxes - Assessed Valuation	13,100.00	13,100.00	13,100.00
Revenue Accounts Receivable	2,066.26	2,066.26	3,031.86
Interfunds Receivable	5,197.10	5,197.10	14,400.55
	<u>\$ 598,060.31</u>	<u>\$ 609,851.93</u>	<u>\$ 571,767.38</u>
	<u>\$ 6,285,350.49</u>	<u>\$ 6,061,179.87</u>	<u>\$ 5,907,817.15</u>
Grant Fund:			
Cash	\$ 168,749.07	\$ 153,175.54	\$ 145,920.22
Grants Receivable	8,083.44	51.04	20,151.62
	<u>\$ 176,832.51</u>	<u>\$ 153,226.58</u>	<u>\$ 166,071.84</u>
	<u>\$ 6,462,183.00</u>	<u>\$ 6,214,406.45</u>	<u>\$ 6,073,888.99</u>

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	\$ 1,357,496.95	\$ 1,298,840.24	\$ 1,115,445.12
Interfunds Payable		100,000.00	417,519.59
Reserve for Miscellaneous Deposits	36,697.16	184,468.49	154,737.32
Tax Overpayments	2,907.99	52,064.63	2,046.49
Encumbrances Payable	470,389.28	456,586.64	351,326.79
Accounts Payable	96,111.72	69,072.72	86,141.26
Prepaid Taxes	299,942.06	456,989.13	329,364.26
County Taxes Payable	34,777.63	24,603.35	
Regional School Taxes Payable			5,999.98
Reserve for Municipal Open Space Added/Omitted Tax	1,873.55		
	<u>\$ 2,300,196.34</u>	<u>\$ 2,642,625.20</u>	<u>\$ 2,462,580.81</u>
Reserve for Receivables	598,060.31	609,851.93	571,767.38
Fund Balance	<u>3,387,093.84</u>	<u>2,808,702.74</u>	<u>2,873,468.96</u>
	<u>\$ 6,285,350.49</u>	<u>\$ 6,061,179.87</u>	<u>\$ 5,907,817.15</u>
Grant Fund:			
Encumbrances Payable	\$ 15,868.19	\$ 4,058.78	\$ 6,262.30
Interfunds Payable			25,876.32
Reserve for Grants-Appropriated	134,702.47	115,325.36	122,153.46
Reserve for Grants-Unappropriated	<u>26,261.85</u>	<u>33,842.44</u>	<u>11,779.76</u>
	<u>\$ 176,832.51</u>	<u>\$ 153,226.58</u>	<u>\$ 166,071.84</u>
	<u>\$ 6,462,183.00</u>	<u>\$ 6,214,406.45</u>	<u>\$ 6,073,888.99</u>

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

## BOROUGH OF BERNARDSVILLE

## CURRENT FUND

STATEMENTS OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2025 (Unaudited)	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	\$ 2,050,000.00	\$ 2,075,000.00	\$ 2,030,000.00
Miscellaneous Revenues Anticipated	4,853,889.60	3,153,493.83	3,227,759.29
Receipts from Delinquent Taxes	551,989.97	497,855.81	483,759.83
Receipts from Current Taxes	53,080,285.11	50,199,888.79	48,585,590.21
Non-Budget Revenues	56,116.71	51,383.01	26,921.08
Other Credits to Income:			
Unexpended Balance of Appropriation Reserve	720,955.30	319,149.65	475,031.11
Interfunds Returned		9,203.45	
<u>Total Income</u>	<u>\$ 61,313,236.69</u>	<u>\$ 56,305,974.54</u>	<u>\$ 54,829,061.52</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Within "CAPS":			
Operations including Contingent Deferred Charges and Statutory Expenditures - Municipal	\$ 11,314,268.40	\$ 11,112,017.00	\$ 10,448,938.00
Excluded from "CAPS"			
Operations	1,328,271.50	1,155,802.77	1,207,650.23
Capital Improvement Fund	1,650,000.00	800,000.00	991,000.00
Municipal Debt Service	3,242,949.99	1,772,100.00	1,526,376.00
Deferred Charges and Judgments			
County Tax	8,567,132.56	8,123,288.67	7,991,976.03
County Tax for Added and Omitted Taxes	34,777.63	24,603.35	14,329.89
Regional District School Tax	30,225,016.00	29,034,169.00	28,310,870.00
Municipal Open Space Tax	565,314.51	519,656.15	489,403.75
Refund of Prior Year Revenues		663.82	
Interfund Advances			11,920.14
<u>Total Expenditures</u>	<u>\$ 58,684,845.59</u>	<u>\$ 54,295,740.76</u>	<u>\$ 52,655,647.28</u>
Excess in Revenue	\$ 2,628,391.10	\$ 2,010,233.78	\$ 2,173,414.24
<u>Fund Balance</u>			
Balance, January 1	2,808,702.74	2,873,468.96	2,730,054.72
	<u>\$ 5,437,093.84</u>	<u>\$ 4,883,702.74</u>	<u>\$ 4,903,468.96</u>
Decreased by:			
Utilization as Anticipated Revenue	2,050,000.00	2,075,000.00	2,030,000.00
Balance, December 31	<u>\$ 3,387,093.84</u>	<u>\$ 2,808,702.74</u>	<u>\$ 2,873,468.96</u>

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
	BUDGET	SPECIAL N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 2,075,000.00		\$ 2,075,000.00	
Miscellaneous Revenues:				
Alcoholic Beverage Licenses	\$ 30,000.00		\$ 30,250.00	\$ 250.00
Other Licenses	16,000.00		20,240.00	4,240.00
Fees and Permits:				
Construction Code Official	295,240.00		339,065.47	43,825.47
Other	161,311.75		157,776.25	(3,535.50)
Fines and Costs - Municipal Court	42,000.00		49,019.71	7,019.71
Interest and Costs on Taxes	150,000.00		141,706.16	(8,293.84)
Interest on Investments and Deposits	355,000.00		405,676.39	50,676.39
Post Office Rent	1,500.00		1,500.00	
Pool Fees	199,000.00		202,210.46	3,210.46
Recreation Fees	275,000.00		278,424.94	3,424.94
Hotel Tax	18,000.00		19,304.34	1,304.34
Energy Receipts Tax	670,067.84		670,067.84	
Municipal Relief Fund	69,068.36		69,068.36	
Body Armor Replacement Fund	1,779.76		1,779.76	
Clean Communities Grant		28,712.24	28,712.24	
Donations - Other	10,000.00		10,000.00	
EMAA/OEM Grant	10,000.00		10,000.00	
Recycling Tonnage Grant		11,076.77	11,076.77	
Somerset County Youth Services	12,000.00		12,000.00	
Uniform Fire Safety Act	17,000.00		14,525.26	(2,474.74)
Dividend from Joint Insurance Fund	8,398.00			(8,398.00)
Library Rental	160,000.00		177,667.41	17,667.41
Workers Comp Assessment Fund	12,000.00		15,365.95	3,365.95
Due from Sewer Utility Fund - Pension Costs	50,000.00		50,000.00	
Cable Franchise Fee - Verizon	74,224.43		74,224.43	
Cable Franchise Fee - Comcast	30,989.69		30,989.69	
Due from the Library - Pension Costs	73,000.00		61,605.43	(11,394.57)
Due from Board of Education for Special Law Enforcement Officers	143,500.00		166,624.97	23,124.97
Capital Fund Balance	1,791.25		1,791.25	
Reserve for Train Station	20,000.00		20,000.00	
Additional Fees & Permits (Fire Prevention)	36,688.25		36,688.25	
Reserve for LEAP Reimbursements	46,132.50		46,132.50	
	\$ 2,989,691.83	\$ 39,789.01	\$ 3,153,493.83	\$ 124,012.99
Receipts From Delinquent Taxes	\$ 530,000.00		\$ 497,855.81	\$ (32,144.19)
Amount to be Raised by Taxes for Support of:				
Local Tax for Municipal Purposes	\$ 12,128,363.33		\$ 13,667,656.02	1,539,292.69
Minimum Library Tax	832,748.68		832,748.68	
	12,961,112.01		14,500,404.70	1,539,292.69
<b>Budget Totals</b>	\$ 18,555,803.84	\$ 39,789.01	\$ 20,226,754.34	\$ 1,631,161.49
Non-Budget Revenues			51,383.01	51,383.01
	\$ 18,555,803.84	\$ 39,789.01	\$ 20,278,137.35	\$ 1,682,544.50

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	\$	50,199,888.79
	\$	37,182,061.02
		<u>519,656.15</u>
		<u>37,701,717.17</u>
	\$	12,498,171.62
		<u>2,002,233.08</u>
	\$	<u><u>14,500,404.70</u></u>

ANALYSIS OF REALIZED REVENUES

Licenses - Other:		
Clerk/Registrar	\$	6,005.00
Health Officer		<u>14,235.00</u>
	\$	<u><u>20,240.00</u></u>
Other Fees and Permits:		
Borough Clerk/Registrar	\$	3,647.50
Engineering Department		3,120.00
Fire Department		53,057.00
Police Department		9,470.00
Board of Adjustments		11,850.00
Planning Board		1,970.00
Zoning Board		28,030.00
Health Officer		23,400.00
Shade Tree		5,050.00
Housing		54,420.00
Tax Collector		<u>450.00</u>
	\$	<u><u>194,464.50</u></u>

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

Construction Code Fees	\$	340,297.27
Less: Refunds		<u>1,231.80</u>
	\$	<u>339,065.47</u>
Library Rental	\$	202,789.16
Less: Refunds		<u>25,121.75</u>
	\$	<u>177,667.41</u>
Miscellaneous Revenue Not Anticipated:		
Police Outside Duties Administrative Fees	\$	10,141.93
Miscellaneous Reimbursements		9,781.77
Sale of Assets		3,019.90
Senior Citizens and Veterans Administrative Fees		500.00
Parking Lot Fees		28.00
Overpayment Refund from Prior Year		532.50
Miscellaneous		<u>27,378.91</u>
	\$	<u>51,383.01</u>

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Financial Administration:					
Salaries and Wages	136,000.00	131,000.00	123,463.56	7,536.44	
Other Expenses	37,000.00	37,000.00	29,119.45	7,880.55	
Human Resources:					
Other Expenses	75,000.00	53,000.00	37,362.87	15,637.13	
Audit Services:					
Other Expenses	39,500.00	39,500.00	39,292.00	208.00	
General Administration:					
Salaries and Wages	195,000.00	195,000.00	195,000.00		
Other Expenses	180,000.00	205,000.00	187,664.25	17,335.75	
Assessment of Taxes:					
Salaries and Wages	95,000.00	95,000.00	85,871.41	9,128.59	
Other Expenses	29,250.00	24,250.00	11,046.25	13,203.75	
Collection of Taxes:					
Salaries and Wages	65,000.00	65,000.00	59,196.66	5,803.34	
Other Expenses	8,200.00	8,200.00	5,591.29	2,608.71	
Legal Services and Costs:					
Other Expenses	170,000.00	165,000.00	117,738.66	47,261.34	
Computer Information and Technology:					
Salaries and Wages	19,000.00	19,000.00	5,796.51	13,203.49	
Other Expenses	132,000.00	132,000.00	94,141.60	37,858.40	
Planning Board:					
Salaries and Wages	34,000.00	34,000.00	33,213.99	786.01	
Other Expenses	25,000.00	33,000.00	26,139.36	6,860.64	
Board of Adjustment:					
Salaries and Wages	34,000.00	34,000.00	33,213.99	786.01	
Other Expenses	25,000.00	20,000.00	13,971.37	6,028.63	
Housing/Zoning:					
Salaries and Wages	144,000.00	144,000.00	139,671.28	4,328.72	
Other Expenses	9,390.00	9,390.00	2,968.64	6,421.36	

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>			<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>				
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>						
Engineering Services:						
Salaries and Wages	\$ 185,000.00	\$ 175,000.00	\$ 163,108.35	\$ 11,891.65	\$	
Other Expenses	46,250.00	46,250.00	41,453.23	4,796.77		
Local Historian:						
Other Expenses	1,000.00	1,000.00		1,000.00		
Municipal Clerk:						
Salaries and Wages	145,000.00	145,000.00	114,335.65	30,664.35		
Other Expenses	15,000.00	15,000.00	11,392.94	3,607.06		
Insurance:						
Group Health Insurance	995,260.00	980,260.00	734,838.87	245,421.13		
General Liability Insurance	217,350.00	217,350.00	128,760.50	88,589.50		
Worker's Compensation Insurance	191,575.00	191,575.00	143,681.25	47,893.75		
Health Benefit Waiver	50,000.00	50,000.00	43,524.06	6,475.94		
<u>PUBLIC SAFETY</u>						
Aid to Volunteer Fire Companies	113,000.00	113,000.00	99,330.00	13,670.00		
Police:						
Salaries and Wages	3,081,800.00	3,081,800.00	2,962,824.05	118,975.95		
Other Expenses	175,200.00	175,200.00	167,867.56	7,332.44		
Purchase of Police Vehicles	60,000.00	50,000.00	19,616.02	30,383.98		
Municipal Radio and Communications:						
Salaries and Wages	350,000.00	350,000.00	314,535.41	35,464.59		
Other Expenses	22,000.00	22,000.00	19,352.79	2,647.21		
Aid to Volunteer Rescue Squad	62,000.00	62,000.00	62,000.00			
Emergency Management Services:						
Salaries and Wages	10,000.00	10,000.00	7,500.00	2,500.00		
Other Expenses	6,200.00	6,200.00	6,199.30	0.70		
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	820,000.00	810,000.00	692,871.21	117,128.79		
Other Expenses	435,000.00	435,000.00	362,485.80	72,514.20		
Fire Hydrant Service	116,000.00	120,000.00	119,984.12	15.88		

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
Shade Tree Committee:					
Other Expenses	\$ 45,000.00	\$ 45,000.00	\$ 41,179.13	\$ 3,820.87	\$
Somerset County Mandatory Recycling Program	99,000.00	99,000.00	79,920.00	19,080.00	
Senior Citizen Van:					
Other Expenses	7,500.00	7,500.00	6,302.60	1,197.40	
Public Buildings and Grounds:					
Salaries and Wages	280,000.00	290,000.00	275,199.51	14,800.49	
Other Expenses	400,000.00	400,000.00	392,855.83	7,144.17	
Vehicle Maintenance:					
Salaries and Wages	84,872.00	84,872.00	84,872.00		
Other Expenses	80,000.00	90,000.00	80,338.35	9,661.65	
Snow Removal (Municipal Services Act):					
Salaries and Wages	3,000.00				
Other Expenses	8,000.00				
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Other Expenses	111,000.00	111,000.00	108,374.44	2,625.56	
Environmental Commission:					
Other Expenses	3,000.00	3,000.00	305.30	2,694.70	
Animal Control Regulations:					
Other Expenses	23,100.00	23,100.00	20,686.00	2,414.00	
Workers and Community Right to Know:					
Other Expenses	500.00	500.00		500.00	
<u>RECREATION AND EDUCATION</u>					
Swimming Pool:					
Salaries and Wages	190,550.00	190,550.00	160,051.90	30,498.10	
Other Expenses	100,000.00	100,000.00	93,393.27	6,606.73	
Recreation:					
Salaries and Wages	298,700.00	334,700.00	331,686.44	3,013.56	
Other Expenses	70,000.00	70,000.00	67,603.92	2,396.08	
Celebration of Public Events:					
Other Expenses	12,500.00	12,500.00	9,984.07	2,515.93	

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS			PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION				
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>						
<u>SANITATION</u>						
Sanitary Landfill:						
Other Expenses	\$ 64,200.00	\$ 64,200.00	\$ 51,763.86	\$ 12,436.14	\$	
<u>UNIFORM CONSTRUCTION CODE NJAC 5.23-4.17</u>						
Construction Official:						
Salaries and Wages	190,000.00	190,000.00	185,120.84	4,879.16		
Other Expenses	10,000.00	10,000.00	9,628.48	371.52		
Fire Prevention Official:						
Salaries and Wages	82,000.00	67,000.00	62,424.01	4,575.99		
Other Expenses	6,120.00	6,120.00	4,256.12	1,863.88		
<u>UNCLASSIFIED</u>						
Utilities:						
Telephone	110,000.00	110,000.00	106,770.11	3,229.89		
Electricity	58,000.00	61,000.00	57,336.65	3,663.35		
Gasoline	115,000.00	115,000.00	99,813.42	15,186.58		
Street Lighting	50,000.00	64,000.00	59,583.97	4,416.03		
Natural Gas	30,000.00	31,000.00	25,012.13	5,987.87		
Salary and Wage Adjustment Program:						
Salaries and Wages	32,000.00	32,000.00		32,000.00		
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	\$ 11,114,017.00	\$ 11,112,017.00	\$ 9,870,586.60	\$ 1,241,430.40	\$	

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>PAID OR</u>	<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>CHARGED</u>		<u>BALANCE</u>
		<u>MODIFICATION</u>			<u>CANCELLED</u>
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</u>					
Contribution to:					
Public Employees' Retirement System	\$ 608,713.00	\$ 608,713.00	\$ 608,713.00	\$	\$
Social Security System (O.S.A.I.)	350,000.00	350,000.00	299,569.50	50,430.50	
Police and Firemen's Retirement System of NJ	750,727.00	750,727.00	750,727.00		
Unemployment Insurance	24,000.00	25,000.00	20,295.68	4,704.32	
Defined Contribution Retirement Program	18,000.00	19,000.00	16,824.98	2,175.02	
	<u>\$ 1,751,440.00</u>	<u>\$ 1,753,440.00</u>	<u>\$ 1,696,130.16</u>	<u>\$ 57,309.84</u>	<u>\$</u>
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</u>					
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 12,865,457.00</u>	<u>\$ 12,865,457.00</u>	<u>\$ 11,566,716.76</u>	<u>\$ 1,298,740.24</u>	<u>\$</u>
<u>MANDATED EXPENDITURES PER N.J.S. 40A:4-45.3g EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library	\$ 918,000.00	918,000.00	918,000.00	\$	\$
Group Health Insurance	6,484.00	6,484.00	6,484.00		
Liability Insurance	82,650.00	82,650.00	82,650.00		
	<u>\$ 1,007,134.00</u>	<u>\$ 1,007,134.00</u>	<u>\$ 1,007,134.00</u>	<u>\$</u>	<u>\$</u>
<u>TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"</u>					
<u>SHARED SERVICES AGREEMENT</u>					
Municipal Court	\$ 75,000.00	75,000.00	75,000.00	\$	\$
	<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>	<u>\$</u>	<u>\$</u>
<u>TOTAL SHARED SERVICES AGREEMENT</u>					
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUE</u>					
Municipal Alliance:					
EMAA/OEM Grant	\$ 10,000.00	10,000.00	10,000.00		
Clean Communities Grant (40A:4-87 + \$28,712.24)		28,712.24	28,712.24		
Donations - Other	10,000.00	10,000.00	10,000.00		

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>			<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>				
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>						
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUE (CONTINUED)</u>						
Recycling Tonnage Grant (40A-4-87 + \$11,076.77)	\$	\$ 11,076.77	\$	11,076.77	\$	\$
Body Armor Replacement Fund - State		1,779.76		1,779.76		
Somerset County Youth Services		12,000.00		12,000.00		
Matching Grant Funds		100.00			100.00	
<u>TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUE</u>	\$	<u>33,879.76</u>	\$	<u>73,668.77</u>	\$	<u>100.00</u>
<u>TOTAL OPERATIONS - EXCLUDED FROM "CAPS"</u>	\$	<u>1,116,013.76</u>	\$	<u>1,155,802.77</u>	\$	<u>100.00</u>
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	\$	800,000.00	\$	800,000.00	\$	\$
<u>TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>	\$	<u>800,000.00</u>	\$	<u>800,000.00</u>	\$	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	\$	1,195,000.00	\$	1,195,000.00	\$	\$
Payment of Bond Anticipation Note		100,000.00		100,000.00		
Interest on Bonds		322,975.00		322,975.00		
Interest on Notes		154,125.00		154,125.00		
<u>TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>	\$	<u>1,772,100.00</u>	\$	<u>1,772,100.00</u>	\$	<u>\$</u>

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

BOROUGH OF BERNARDSVILLE

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2024

	<u>APPROPRIATIONS</u>		<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>			
<u>OPERATIONS EXCLUDED FROM "CAPS" (CONTINUED)</u>					
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	\$ 3,688,113.76	\$ 3,727,902.77	\$ 3,727,802.77	\$ 100.00	\$
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	\$ 16,553,570.76	\$ 16,593,359.77	\$ 15,294,519.53	\$ 1,298,840.24	\$
<u>TOTAL GENERAL APPROPRIATIONS</u>	\$ 18,555,803.84	\$ 18,595,592.85	\$ 17,296,752.61	\$ 1,298,840.24	\$

Budget  
Budget Amendments

18,555,803.84  
39,789.01  
\$ 18,595,592.85

Disbursements  
Reserve for Encumbrances  
Reserve for Grants Appropriated  
Payment of Bond Anticipation Note  
Reserve for Uncollected Taxes

\$ 14,664,364.12  
456,586.64  
73,568.77  
100,000.00  
2,002,233.08  
\$ 17,296,752.61

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

BOROUGH OF BERNARDSVILLE

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2025 (Unaudited)	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
<b><u>ASSETS</u></b>			
Animal Control Fund:			
Interfunds Receivable	\$ 10,235.88	\$ 9,796.12	\$ 14,099.25
	<u>\$ 10,235.88</u>	<u>\$ 9,796.12</u>	<u>\$ 14,099.25</u>
Other Funds:			
Cash	\$ 12,196,792.50	\$ 10,692,050.92	\$ 8,715,399.71
Accounts Receivable	8,522.17	5,899.75	
Due from Somerset County - Dunster Squibb			111,087.50
Interfund Receivable			<u>433,395.91</u>
	<u>\$ 12,205,314.67</u>	<u>\$ 10,697,950.67</u>	<u>\$ 9,259,883.12</u>
	<u>\$ 12,215,550.55</u>	<u>\$ 10,707,746.79</u>	<u>\$ 9,273,982.37</u>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>			
Animal Control Fund:			
Prepaid Licenses	\$	\$	\$ 475.80
Due State of New Jersey		17.40	1.20
Reserve for Animal Control Expenditures	10,138.68	9,247.12	9,324.04
Interfund Payable	97.20		4,021.21
Encumbrances Payable		<u>531.60</u>	<u>277.00</u>
	<u>\$ 10,235.88</u>	<u>\$ 9,796.12</u>	<u>\$ 14,099.25</u>
Other Funds:			
Encumbrances Payable	\$ 93,593.40	\$ 135,797.01	\$ 106,354.37
Various Trust Reserves	11,738,168.14	10,197,160.44	9,054,429.50
Interfund Payable	<u>373,553.13</u>	<u>364,993.22</u>	<u>99,099.25</u>
	<u>\$ 12,205,314.67</u>	<u>\$ 10,697,950.67</u>	<u>\$ 9,259,883.12</u>
	<u>\$ 12,215,550.55</u>	<u>\$ 10,707,746.79</u>	<u>\$ 9,273,982.37</u>

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

BOROUGH OF BERNARDSVILLEGENERAL CAPITAL FUNDBALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
<u>ASSETS</u>			
Cash	\$ 3,506,647.14	\$ 4,918,439.95	\$ 5,196,212.48
Grants Receivable	386,250.00	461,250.00	686,250.00
Due Other Trust Fund - Open Space			85,000.00
Due Other Trust Fund - Payroll	360,000.00	350,000.00	
Due Current Fund		100,000.00	
Due Sewer Operating Fund			105,118.76
Deferred Charges to Future Taxation:			
Funded	9,990,000.00	11,210,000.00	12,405,000.00
Unfunded	<u>10,302,200.00</u>	<u>8,740,000.00</u>	<u>8,840,000.00</u>
	<u>\$ 24,545,097.14</u>	<u>\$ 25,779,689.95</u>	<u>\$ 27,317,581.24</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	\$ 9,990,000.00	\$ 11,210,000.00	\$ 12,405,000.00
Bond Anticipation Notes	1,720,000.00	3,325,000.00	3,425,000.00
Improvement Authorizations:			
Funded	2,871,833.41	4,029,259.01	4,088,250.73
Unfunded	7,365,142.63	5,847,892.11	6,166,351.21
Capital Improvement Fund	153,051.55	334,955.11	506,155.11
Contracts Payable	2,156,805.78	773,232.60	602,287.04
Various Reserves	211,437.81	241,651.61	122,256.30
Due Current Fund			379.34
Fund Balance	<u>76,825.96</u>	<u>17,699.51</u>	<u>1,901.51</u>
	<u>\$ 24,545,097.14</u>	<u>\$ 25,779,689.95</u>	<u>\$ 27,317,581.24</u>

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

BOROUGH OF BERNARDSVILLE  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE-REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2023	C	\$	1,901.51
Increased by:			
Premium on Bond Anticipation Notes Issued	C-2	\$ <u>17,589.25</u>	<u>17,589.25</u>
			<u>19,490.76</u>
Decreased by:			
Anticipated in Current Fund Budget	C-2	<u>1,791.25</u>	<u>1,791.25</u>
Balance, December 31, 2024	C	\$ <u><u>17,699.51</u></u>	

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

BOROUGH OF BERNARDSVILLE

SEWER UTILITY CAPITAL FUND

STATEMENTS OF CHANGE IN FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2023	\$	176,135.55
Balance, December 31, 2024	\$	<u>176,135.55</u>

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

BOROUGH OF BERNARDSVILLE

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Operating Fund:			
Cash	\$ <u>701,035.70</u>	\$ <u>322,507.69</u>	\$ <u>429,376.92</u>
	<u>701,035.70</u>	<u>322,507.69</u>	<u>429,376.92</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	<u>130,018.80</u>	<u>132,184.35</u>	<u>121,222.67</u>
<u>Total Operating Fund</u>	<u>831,054.50</u>	<u>454,692.04</u>	<u>550,599.59</u>
Capital Fund:			
Cash	971,570.91	1,014,538.32	1,054,173.76
Fixed Capital	4,114,200.46	3,309,281.46	3,309,281.46
Fixed Capital Authorized and Uncompleted	<u>865,000.00</u>	<u>1,375,000.00</u>	<u>1,275,000.00</u>
<u>Total Capital Fund</u>	<u>5,950,771.37</u>	<u>5,698,819.78</u>	<u>5,638,455.22</u>
	\$ <u><u>6,781,825.87</u></u>	\$ <u><u>6,153,511.82</u></u>	\$ <u><u>6,189,054.81</u></u>

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

BOROUGH OF BERNARDSVILLE

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	BALANCE DECEMBER <u>31, 2025</u> (Unaudited)	BALANCE DECEMBER <u>31, 2024</u>	BALANCE DECEMBER <u>31, 2023</u>
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 23,215.16	\$ 16,485.98	\$ 98,103.73
Encumbrances Payable	84,558.36	85,875.54	31,800.77
Accounts Payable	4,850.88	4,850.88	4,850.88
Prepaid Sewer Rents	13,886.56	11,449.13	7,810.01
Interfunds Payable	D		105,118.76
Accrued Interest on Bonds and Loans	7,267.97	8,027.35	8,744.54
	<u>133,778.93</u>	<u>126,688.88</u>	<u>256,428.69</u>
Reserve for Receivables	130,018.80	132,184.35	121,222.67
Fund Balance	<u>567,256.77</u>	<u>195,818.81</u>	<u>172,948.23</u>
<u>Total Operating Fund</u>	<u>831,054.50</u>	<u>454,692.04</u>	<u>550,599.59</u>
Capital Fund:			
Serial Bonds Payable	695,000.00	785,000.00	870,000.00
Improvement Authorizations:			
Funded	307,200.37	165,695.51	165,983.01
Capital Improvement Fund	442,003.55	541,922.55	515,722.55
Contracts Payable	46,231.44	130,784.71	196,332.65
Reserve for:			
Amortization	2,971,281.46	2,881,281.46	2,796,281.46
Deferred Amortization	1,312,919.00	1,018,000.00	918,000.00
Fund Balance	<u>176,135.55</u>	<u>176,135.55</u>	<u>176,135.55</u>
<u>Total Capital Fund</u>	<u>5,950,771.37</u>	<u>5,698,819.78</u>	<u>5,638,455.22</u>
	<u>\$ 6,781,825.87</u>	<u>\$ 6,153,511.82</u>	<u>\$ 6,189,054.81</u>

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

BOROUGH OF BERNARDSVILLE  
SEWER UTILITY OPERATING FUND  
STATEMENTS OF OPERATIONS  
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2025 (Unaudited)	YEAR ENDED DECEMBER 31, 2024	YEAR ENDED DECEMBER 31, 2023
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 100,000.00	\$ 100,000.00	115,000.00
Sewer Rents	1,459,988.33	1,362,448.49	1,369,311.16
Connection Fees	350,437.00	31,984.00	
Interest	46,270.08	48,720.83	40,321.11
Interest on Sewer User Fees	13,468.82	13,755.47	10,970.92
Non-Budget Revenue			9,600.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	51,920.61	101,072.60	20,506.74
<u>TOTAL INCOME</u>	<u>2,022,084.84</u>	<u>1,657,981.39</u>	<u>1,565,709.93</u>
<u>EXPENDITURES</u>			
Operating	1,155,000.00	1,149,998.44	1,132,017.87
Capital Improvements	195,000.00	190,000.00	180,000.00
Debt Service	110,646.88	107,601.56	104,443.76
Statutory Expenditures and Deferred Charges	90,000.00	84,000.00	95,663.37
Refund of Prior Year Revenue		3,510.81	
<u>TOTAL EXPENDITURES</u>	<u>1,550,646.88</u>	<u>1,535,110.81</u>	<u>1,512,125.00</u>
Excess in Revenue to Fund Balance	471,437.96	122,870.58	53,584.93
<u>Fund Balance</u>			
Balance, January 1	195,818.81	172,948.23	234,363.30
	667,256.77	295,818.81	287,948.23
Decreased by:			
Utilization by Sewer Utility Operating Budget	100,000.00	100,000.00	115,000.00
Balance, December 31	<u>\$ 567,256.77</u>	<u>\$ 195,818.81</u>	<u>\$ 172,948.23</u>

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

BOROUGH OF BERNARDSVILLE

SEWER UTILITY OPERATING FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>(DEFICIT)</u>
Fund Balance Anticipated	\$ 100,000.00	\$ 100,000.00	\$
Sewer Use Fees	1,375,000.00	1,362,448.49	(12,551.51)
Connection Fees	9,600.00	31,984.00	22,384.00
Interest on Investments	39,000.00	48,720.83	9,720.83
Interest on Sewer User Fees	8,000.00	13,755.47	5,755.47
	<u>\$ 1,531,600.00</u>	<u>\$ 1,556,908.79</u>	<u>\$ 25,308.79</u>

ANALYSIS OF REALIZED REVENUE

Sewer User Fees:

Treasurer:

Receipts

Prepaid Applied

\$ 1,354,638.48  
7,810.01

\$ 1,362,448.49

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

BOROUGH OF BERNARDSVILLE

SEWER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED
Operating:				
Salaries and Wages	\$ 534,000.00	\$ 534,000.00	\$ 521,882.89	\$ 12,117.11
Other Expenses	619,998.44	615,998.44	611,629.57	4,368.87
<u>Total Operating</u>	<u>1,153,998.44</u>	<u>1,149,998.44</u>	<u>1,133,512.46</u>	<u>16,485.98</u>
Capital Improvements:				
Capital Improvement Fund	190,000.00	190,000.00	190,000.00	
<u>Total Capital Improvements</u>	<u>190,000.00</u>	<u>190,000.00</u>	<u>190,000.00</u>	
Debt Service:				
Payment of Bond Principal	85,000.00	85,000.00	85,000.00	
Interest on Bonds	22,601.56	22,601.56	22,601.56	
<u>Total Debt Service</u>	<u>107,601.56</u>	<u>107,601.56</u>	<u>107,601.56</u>	
Statutory Expenditures:				
Contributions to:				
Public Employees Retirement System	50,000.00	50,000.00	50,000.00	
Social Security System (O.A.S.I.)	30,000.00	34,000.00	34,000.00	
<u>Total Deferred Charges and Statutory Expenditures</u>	<u>80,000.00</u>	<u>84,000.00</u>	<u>84,000.00</u>	
	<u>\$ 1,531,600.00</u>	<u>\$ 1,531,600.00</u>	<u>\$ 1,515,114.02</u>	<u>\$ 16,485.98</u>
			\$ 1,406,636.92	
			85,875.54	
			<u>22,601.56</u>	
			\$ 1,515,114.02	

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

"E"

BOROUGH OF BERNARDSVILLE

GENERAL FIXED ASSETS ACCOUNT GROUP

BALANCE SHEETS - REGULATORY BASIS

	<u>DECEMBER</u> <u>31, 2024</u>	<u>DECEMBER</u> <u>31, 2023</u>
General Fixed Assets:		
Land	\$ 4,268,582.70	\$ 4,268,582.70
Buildings and Building Improvements	12,840,207.61	12,792,975.36
Machinery and Equipment	<u>8,177,638.12</u>	<u>8,015,296.72</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$ 25,286,428.43</u>	<u>\$ 25,076,854.78</u>
Investment in General Fixed Assets	<u>\$ 25,286,428.43</u>	<u>\$ 25,076,854.78</u>

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

BOROUGH OF BERNARDSVILLE

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization.

Except as noted below, the financial statements of the Borough of Bernardsville include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Bernardsville, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Bernardsville do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Bernardsville conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Under this method of accounting, the financial transactions and accounts of the Borough of Bernardsville are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account group:

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

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

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

Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

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

C. Basis of Accounting

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System.

Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31<sup>st</sup> of each year and recorded as liabilities except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - New Jersey Administrative Code (NJAC 5:30-5.6), Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Fixed Capital - Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of NJAC 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction cost or current value. The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Accounting and Financial Reporting for Pensions - Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68. Local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 68.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75, however local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pension and Benefits reporting on GASB 75. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Leases

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

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

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

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

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

The Borough of Bernardsville had the following cash and cash equivalents at December 31, 2024:

<u>Fund</u>	<u>Change Fund</u>	<u>Cash on Deposit</u>	<u>Reconciling Items</u>	<u>Reconciled Total</u>
Current Fund	\$ 700.00	\$ 5,514,552.27	\$ (81,322.05)	\$ 5,433,930.22
Grant Fund		153,600.64	(425.10)	153,175.54
Trust Fund		10,470,522.47	221,528.45	10,692,050.92
General Capital Fund		4,827,012.37	91,427.58	4,918,439.95
Sewer Operating Fund		455,386.08	(132,878.39)	322,507.69
Sewer Capital Fund		1,086,574.02	(72,035.70)	1,014,538.32
<u>Total December 31, 2024</u>	<u>\$ 700.00</u>	<u>\$ 22,507,647.85</u>	<u>\$ 26,294.79</u>	<u>\$ 22,534,642.64</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of \$22,507,647.85, \$250,000.00 was covered by Federal Depository Insurance, \$22,257,647.85 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Bernardsville had no investments outstanding at December 31, 2024.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

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

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 14,535,000.00	\$ 15,830,000.00	\$ 14,321,000.00
Sewer Utility:			
Bonds and Notes	<u>785,000.00</u>	<u>870,000.00</u>	<u>950,000.00</u>
	<u>\$ 15,320,000.00</u>	<u>\$ 16,700,000.00</u>	<u>\$ 15,271,000.00</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	<u>5,415,000.00</u>	<u>5,415,000.00</u>	<u>7,225,000.00</u>
Total Authorized but not Issued	<u>5,415,000.00</u>	<u>5,415,000.00</u>	<u>7,225,000.00</u>
Net Bonds and Notes Issued and and Authorized but not issued	<u>\$ 20,735,000.00</u>	<u>\$ 22,115,000.00</u>	<u>\$ 22,496,000.00</u>

ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a regulatory net debt of .789%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$6,924,607.24	\$6,924,607.24	-0-
Sewer Utility Debt	785,000.00	785,000.00	-0-
General Debt	<u>19,950,000.00</u>	<u>116,395.31</u>	<u>\$19,833,604.69</u>
	<u>\$27,659,607.24</u>	<u>\$7,826,002.55</u>	<u>\$19,833,604.69</u>

NET DEBT \$19,833,604.69 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$2,513,166,289.67 EQUALS .789%.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

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

Equalized Valuation Basis* - December 31, 2024	\$2,513,166,289.67
3-1/2 of Equalized Valuation Basis	87,960,820.14
Net Debt	<u>19,833,604.69</u>
Remaining Borrowing Power	<u><u>\$68,127,215.45</u></u>

CALCULATION OF "SELF-LIQUIDATING PURPOSE"  
SEWER UTILITY PER N.J.S.40A:2-45

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year		\$ 1,556,908.79
Deductions:		
Operating and Maintenance Cost	\$ 1,233,998.44	
Debt Service	<u>107,601.56</u>	
		\$ <u>1,341,600.00</u>
Excess in Revenue		\$ <u><u>215,308.79</u></u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

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

<u>YEAR</u>	<u>GENERAL CAPITAL</u>		<u>SEWER UTILITY CAPITAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2025	\$1,220,000.00	\$284,950.00	\$90,000.00	\$21,406.26	\$1,616,356.26
2026	1,240,000.00	254,800.00	95,000.00	19,381.26	1,609,181.26
2027	1,255,000.00	223,000.00	100,000.00	17,125.00	1,595,125.00
2028	1,265,000.00	189,700.00	100,000.00	14,625.00	1,569,325.00
2029	1,270,000.00	156,900.00	100,000.00	12,000.00	1,538,900.00
2030	1,300,000.00	122,200.00	100,000.00	9,000.00	1,531,200.00
2031	1,320,000.00	87,000.00	100,000.00	6,000.00	1,513,000.00
2032	1,340,000.00	51,400.00	100,000.00	3,000.00	1,494,400.00
2033	500,000.00	15,000.00			515,000.00
2034	500,000.00	5,000.00			505,000.00
	<u>\$11,210,000.00</u>	<u>\$1,389,950.00</u>	<u>\$785,000.00</u>	<u>\$102,537.52</u>	<u>\$13,487,487.52</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

OUTSTANDING  
BALANCE DECEMBER  
31, 2024

General Serial Bonds:

\$12,984,000 in General Improvement Bonds dated August 27, 2015 due in annual remaining installments ranging between of \$550,000.00 and \$900,000 due on August 15 of each year ending in 2032 with interest rates from 2.250% to 3.00%

\$7,200,000.00

\$4,835,000 in General Bonds dated April 22, 2021, due in annual remaining installments ranging between \$255,000.00 and \$500,000.00 due on April 15 of each year ending in 2034 with an interest rates from 3.000% to 2.000%.

4,010,000.00

\$11,210,000.00

Sewer Utility Serial Bonds:

\$1,360,000 in General Improvement Bonds dated August 27, 2015, due in annual remaining installments ranging between of \$60,000.00 and \$100,000 due on August 15 of each year ending 2032 with interest rates from 2.250% to 3.00%

\$785,000.00

\$785,000.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SHORT TERM DEBT

The Borough had the following Bond Anticipation Notes outstanding at December 31, 2024:

General Capital Fund

<u>Ordinance Number</u>	<u>Date of Issue Of Original Note</u>	<u>Date Of Issue</u>	<u>Date Of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2024</u>
2022-1914	03/28/23	03/27/24	03/27/25	4.00%	\$735,000.00
2022-1924	03/28/23	03/27/24	03/27/25	4.00%	1,430,000.00
2022-1932	03/28/23	03/27/24	03/27/25	4.00%	1,160,000.00
					<u>\$ 3,325,000.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

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

Current Fund	\$2,050,000.00
Sewer Utility Operating	100,000.00

NOTE 5: PROPERTY TAXES

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

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

	BALANCE DECEMBER 31, <u>2024</u>	BALANCE DECEMBER 31, <u>2023</u>
Prepaid Taxes	<u>\$456,989.13</u>	<u>\$329,364.26</u>

NOTE 6: PENSION PLANS

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

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

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

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

Vesting and Benefit Provisions

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

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

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

Funding Policy

The contribution policy is set by PERS is set by N.J.S.A. 43:15A and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.50% of base salary. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

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

Certain portions of the cost are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$1,359,440.00 for 2024, \$1,283,343.00 for 2023, and \$1,166,729.00 for 2022.

All contributions were equal to the required contributions for each of the three years, respectively. Certain Borough employees are also covered by Federal Insurance Contribution Act.

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB 68

Public Employees Retirement System (PERS)

At June 30, 2024, the State reported a net pension liability of \$5,613,835.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the Borough's proportion was 0.0413145104 percent, which was a decrease of 0.0042298656 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the State recognized an actuarially determined pension expense of \$19,649.00 for the Borough's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statements based on the April 1, 2024 billing was \$608,713.00.

At June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 112,455.00	\$ 14,946.00
Changes of assumptions	6,974.00	63,873.00
Net difference between projected and actual earnings on pension plan investments		260,298.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>425,780.00</u>	<u>848,948.00</u>
	<u>\$ 545,209.00</u>	<u>\$ 1,188,065.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2025	(\$322,983.60)
2026	99,794.40
2027	(190,738.60)
2028	(145,887.60)
2029	<u>(83,040.60)</u>
	<u>(\$642,856.00)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which rolled forward to June 30, 2024. These actuarial valuations used the following assumptions:

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

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2024 asset are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.55%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2024 calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2024		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Borough's proportionate share of the pension liability	\$7,459,406.00	\$5,613,835.00	\$4,043,264.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2024, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of June 30, 2024 was 0.0415053862%, which was a decrease of 0.0042119082 percent from its proportion measured as of June 30, 2023. The non-employer contributing entities' contribution and employer pension expense and related revenue for the year ended June 30, 2024 and June 30, 2023 was \$18,099.00 and \$20,573.00, respectively.

Pension plan fiduciary net position

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2024, the State reported a net pension liability of \$5,994,319.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2024, the Borough's proportion was 0.05804736 percent, which was an increase of 0.00165265 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the State recognized an actuarially determined pension expense of \$422,594.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2024 billing was \$750,727.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

At June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 377,637.00	\$ 205,212.00
Changes of assumptions	9,476.00	176,043.00
Net difference between projected and actual earnings on pension plan investments		46,916.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>459,032.00</u>	<u>301,369.00</u>
	<u>\$ 846,145.00</u>	<u>\$ 729,540.00</u>

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

Year Ended June 30	Amount
2025	\$ (258,818.40)
2026	366,084.60
2027	(52,436.40)
2028	(7,460.40)
2029	66,222.60
Thereafter	<u>3,013.00</u>
	<u>\$ 116,605.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which rolled forward to June 30, 2024. This actuarial valuation used the following assumptions:

Inflation rate:

Price	2.75%
Wage	3.25%

Salary Increases

All Future Years
3.25-16.25%
Based on years of service

Investment Rate of Return

7.00%

Employee mortality rates were based on the Pubs-2010 Safety Employee amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pubs-2010 Safety Retiree Below Median amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount weighted mortality table for males and 100% for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

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

The following presents the Borough’s proportionate share of the net pension liability of the participating employers as of June 30, 2024 calculated using the discount rate as disclosed above as well as what the Borough’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2024		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the PFRS pension liability	\$8,564,547.00	\$5,994,319.00	\$3,853,881.00

Special Funding Situation

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

The non-employer contributing entities’ total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2024 and 2023 is 0.05804748% and 0.05639478% respectively, the non-employer contributing entities’ contribution for the year ended June 30, 2024 and 2023 was \$135,953.00 and \$131,301.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2024 and 2023 was \$135,953.00 and \$130,596.00, respectively.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation (Continued)

At June 30, 2024 and 2023, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,181,767.00 and \$1,148,121.00, respectively.

At June 30, 2024, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$5,994,319.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,181,767.00</u>
	<u>\$7,176,086.00</u>

Pension plan fiduciary net position

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

NOTE 7: COMPENSATED ABSENCES

Under existing policy of the Borough, employees are not allowed to accrue unused vacation and compensatory time after May 31<sup>st</sup> of the subsequent year. Borough policy does allow employees with 20 years of service to the Borough to be entitled to Retirement Leave calculated in accordance with the policy. It is estimated that the current cost of such unpaid compensation at December 31, 2024 would approximate \$541,814.12. The Borough has established a reserve in the Trust Other Fund in the amount of \$413,585.55. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2024.

NOTE 8: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 9: CONTINGENT LIABILITIES

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

The Borough has received approval by the New Jersey Department of Environmental Protection for the closure of the Borough's sanitary landfill. The landfill has not received municipal waste for several years. The ultimate costs of the closure of the landfill will most likely exceed the funds held; however, no estimate of the total costs can be made at this time. It is expected that this project will be funded by a capital ordinance when the Borough proceeds with the project.

NOTE 10: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for 2024 and prior years. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51, if not paid through normal operations.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough participates in a self-insurance program through the Suburban Municipal Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Borough's contribution to the Fund for claim payments is based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

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

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 5,197.10	\$ 100,000.00
Animal Control Fund	9,796.12	
Trust Other Fund		364,993.22
General Capital Fund	<u>450,000.00</u>	<u>                    </u>
	<u>\$ 464,993.22</u>	<u>\$ 464,993.22</u>

All balances resulted from the time lag between dates that short-term loans were disbursed and payments between funds were made.

NOTE 13: DEFERRED COMPENSATION PLAN

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

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

The Plan is administered by Mission Square Retirement.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan Activities. The Borough's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for other post-employment 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.

Plan Description and Benefits Provided

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. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the 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.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

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.

Special Funding Situation

The Borough, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no Net OPEB Liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2023 and 2022, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$6,025,455.00 and \$6,567,019.00 respectively.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation (Continued)

At June 30, 2023, the Borough's and State of New Jersey's proportionate share of the Net OPEB Liability were as follows:

Borough's proportionate share of the Net OPEB Liability	\$0
State of New Jersey's proportionate share of Net OPEB Liability associated with the Borough	<u>6,025,455.00</u>
	<u><u>\$6,025,455.00</u></u>

Actuarial Assumptions and Other Inputs

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

Salary Increases:

Public Employees Retirement System (PERS):

Rate for all future years	2.75% to 6.55% based on years of service
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Police and Firemen's Retirement System (PFRS):

Rate for All Future Years	3.25% to 16.25% based on years of service
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Mortality:

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

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

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

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

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.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 15: FIXED ASSETS

The Borough’s general fixed assets are reported as follows:

	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2024</u>
Land and Buildings	\$4,268,582.70			\$4,268,582.70
Buildings and Building Improvements	12,792,975.36	\$47,232.25		12,840,207.61
Machinery & Equipment	8,015,296.72	173,106.40	\$10,765.00	8,177,638.12
	<u>\$25,076,854.78</u>	<u>\$220,338.65</u>	<u>\$10,765.00</u>	<u>\$25,286,428.43</u>

NOTE 16: LEASES

The Borough, as lessor, has entered into the following leases as lessor:

- Quest Diagnostics – Office Space. The current lease term expires 5/31/25 with one available three-year extension. Payments in 2024 totaled \$46,179.18.
- City Property USA – Office Space. The current lease term, which includes two sub-leases, expires 06/30/25 with no available extensions. Payments in 2024 totaled \$156,609.98.

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through September 15, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, no subsequent events are required to be disclosed.

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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# HAWKINS

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March 25, 2026

Borough Council of the  
Borough of Bernardsville, in the  
County of Somerset, New Jersey

\*ADMITTED IN NY ONLY  
†ADMITTED IN PA ONLY

Ladies and Gentlemen:

We have acted as bond counsel to the Borough of Bernardsville, a municipal corporation of the State of New Jersey, situate in the County of Somerset (the “Borough”), and have examined a record of proceedings relating to the issuance by the Borough of a Bond Anticipation Note in the denomination of \$4,712,200 (the “Note”). The Note is dated March 25, 2026, matures on March 25, 2027, bears interest at the rate of \_\_\_ per centum (\_\_\_%) per annum payable at maturity, is issued in registered form, is transferable as therein provided, and is issued pursuant to the Local Bond Law of the State of New Jersey, and by virtue of a bond ordinance or ordinances of the Borough and a resolution of its governing body adopted January 26, 2026.

The Note is a temporary obligation issued in anticipation of the issuance of bonds.

The Internal Revenue Code of 1986, as amended (the “Code”) establishes certain ongoing requirements to be met subsequent to the issuance and delivery of the Note in order that interest on the Note be and remain excluded from gross income for under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Borough delivered in connection with the issuance of the Note which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Borough has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Note is excluded from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Borough will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Note is a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Note is issued but, if not so paid, payable ultimately from ad valorem taxes which may be levied upon all the taxable property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Note may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Note is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in our opinion, under existing statutes, interest on the Note is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Borough other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Note.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

The form of the Note is prescribed by said resolution adopted January 26, 2026. We have not examined the executed Note.

Very truly yours,