

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 14, 2026**

**NEW ISSUE – Book-Entry Only**

**Rating: Moody's: "Aa1"  
See "RATING" herein**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.*

**\$38,024,000  
SCHOOL BONDS, SERIES 2026  
THE BOARD OF EDUCATION OF THE  
SOMERSET HILLS REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF SOMERSET, NEW JERSEY  
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**

**Dated: Date of Delivery**

**Due: April 1, as shown on inside cover**

The \$38,024,000 aggregate principal amount of School Bonds, Series 2026 (the "Bonds") of The Board of Education of the Somerset Hills Regional School District in the County of Somerset, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York ("DTC"). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of April and October in each year, commencing October 1, 2026, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Bonds 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 Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by The Busch Law Group, LLC, Metuchen, New Jersey General Counsel to the Board. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, served as Municipal Advisor to the Board in connection with the issuance of the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about May 5, 2026.

**ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY PRIOR TO 11:00 A.M. EASTERN DAYLIGHT SAVING TIME ON APRIL 21, 2026. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.**

**\$38,024,000**  
**THE BOARD OF EDUCATION OF THE**  
**SOMERSET HILLS REGIONAL SCHOOL DISTRICT**  
**IN THE COUNTY OF SOMERSET, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2026**

**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**  
**CALLABLE**

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

<u>Maturity</u> <u>(April 1)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2028	\$1,574,000			834735__
2029	1,100,000			834735__
2030	1,825,000			834735__
2031	1,845,000			834735__
2032	1,860,000			834735__
2033	1,880,000			834735__
2034	1,915,000			834735__
2035	1,995,000			834735__
2036	2,075,000			834735__
2037	2,155,000			834735__
2038	2,200,000			834735__
2039	2,200,000			834735__
2040	2,200,000			834735__
2041	2,200,000			834735__
2042	2,200,000			834735__
2043	2,200,000			834735__
2044	2,200,000			834735__
2045	2,200,000			834735__
2046	2,200,000			834735__

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\* A registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds 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 certain maturities of the Bonds.

**THE BOARD OF EDUCATION OF THE  
SOMERSET HILLS REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF SOMERSET, NEW JERSEY**

**BOARD MEMBERS**

President – Samantha Frenda  
Vice President – Heather Santoro

Felicia Ballard  
Holly Clark-Emery  
Nicole Cooper  
Gabriela Gomez  
Mindy Hoppe  
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**SUPERINTENDENT**

Dr. Brian Brotschul

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Richard D. Liguori

**BOARD ATTORNEY**

The Busch Law Group, LLC  
Metuchen, New Jersey

**BOARD AUDITOR**

Suplee, Clooney & Company  
Westfield, New Jersey

**MUNICIPAL ADVISOR**

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

**BOND COUNSEL**

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

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

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. 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 any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**OFFICIAL STATEMENT**

**OF**

**THE BOARD OF EDUCATION OF THE  
SOMERSET HILLS REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF SOMERSET, NEW JERSEY**

**\$38,024,000**

**SCHOOL BONDS, SERIES 2026**

**(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Somerset Hills Regional School District in the County of Somerset, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$38,024,000 aggregate principal amount of School Bonds, Series 2026 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

All financial and other information presented herein has been provided by the Board 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 Board.

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds shall be dated their date of delivery and shall mature on April 1 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the first day of April and October (each an "Interest Payment Date"), commencing on October 1, 2026, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each March 15 and September 15 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, Brooklyn, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry only form, without certificates. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds (the "Securities Depository"). The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM" herein.

## **Redemption**

The Bonds of this issue maturing prior to April 1, 2034 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after April 1, 2034 are redeemable at the option of the Board in whole or in part on any date on or after April 1, 2033 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

## **Notice of Redemption**

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

## **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

## **School Bond Reserve Act (1980 N.J. Laws c. 72)**

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 *et seq.* (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003 amendments to the Act provide that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued

prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the Treasurer of the State of New Jersey (the "State") shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive, any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

### **Authorization and Purpose**

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board pursuant to a resolution adopted on November 19, 2025 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on March 10, 2026 and (iii) a resolution duly adopted by the Board on March 18, 2026 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of forty percent (40%) of the eligible costs of such Project. As such, the State has agreed to pay forty percent (40%) of the annual debt service on the eligible costs financed by the Bonds each year.

## **BOOK-ENTRY ONLY SYSTEM\***

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

DTC will act as Securities Depository for the Bonds. The Bonds 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 bond certificate will be issued for each maturity of the Bonds, as set forth on the inside cover hereof, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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\* Source: The Depository Trust Company

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

The Paying Agent, upon direction of the Board, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, Bond 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 Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.**

### **Discontinuance of Book-Entry Only System**

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

agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

### **THE SCHOOL DISTRICT AND THE BOARD**

The Board is a ten (10) member board with members from the Borough of Bernardsville, the Borough of Far Hills and the Borough of Peapack and Gladstone (the "Constituent Municipalities") elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools.

The School District is a Type II school district and provides a full range of educational services appropriate to grades pre-kindergarten ("Pre-K") through twelve (12), including regular and special education programs for the Constituent Municipalities. The School District operates one (1) elementary schools, one (1) middle school and one (1) high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

### **THE STATE'S ROLE IN PUBLIC EDUCATION**

The Constitution of the State of New Jersey provides that the State shall provide for the maintenance and support of a thorough and efficient ("T&E") system of free public schools for the instruction of all children between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey State Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts, to acquire land and other property.

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been approved by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, effective April 3, 2007, the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational

efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

## **STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY**

### **Categories of School Districts**

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally classified in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate. The board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, and approves all fiscal matters;

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, and approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters within the school district elect members of the board of education and vote upon all fiscal matters with certain exceptions. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State-operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of county commissioners of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of county commissioners and a fifth member being the county executive or the director of the board of county commissioners of the county, which approves all fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of county commissioners of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school, two (2) members appointed by the board of county commissioners and a fifth member being the commissioner-director of the board of county commissioners, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I district, or the board of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district with a board of school estimate.

## **School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)**

In a Type I school district and a Type II school district with a board of school estimate, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, a budget is no longer required to be submitted to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the Tax Levy Cap Law (as hereinafter defined).

The Budget Election Law, P.L. 2011, c. 202, effective January 17, 2012 (the "Budget Election Law") establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least fifteen percent (15%) of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

The Board conducts its annual election in November.

### **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

#### **Levy and Collection of Taxes**

School districts in the State do not levy or collect taxes to pay those budgeted amounts which are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

#### **Budgets and Appropriations**

School districts in the State must operate on an annual modified accrual basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and Federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State Constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards (as defined herein) required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

#### **Tax and Spending Limitations**

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed), first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitations were known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 (the “QEA”) (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the “CEIFA”), as amended by P.L. 2004, c. 732, effective July 1, 2004, also limited the annual increase in a school district's net budget by a spending growth limitation. The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the “Spending Growth Limitations”). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of sixty percent (60%) at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007, provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by four percent (4%) over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expense and capital outlay budgets created by CEIFA (as amended by P.L. 2004, c. 73, effective July 1, 2004). However, chapter 62 was in effect only through fiscal year 2012. Without an extension of chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the four percent (4%) cap on the tax levy increase imposed by chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, effective July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of two percent (2%) over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the “Tax Levy Cap Law”). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy cap by a separate proposal can bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of “banked cap” only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, effective July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to overfunded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban districts formerly referred to as Abbott Districts referred to herein under “SUMMARY OF STATE AID TO SCHOOL DISTRICTS”, are permitted increases in the tax levy over the two percent (2%) limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property

within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one (1) year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its two percent (2%) tax levy cap on spending.

### **Issuance of Debt**

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district and a Type II school district with a board of school estimate), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

### **Annual Audit (N.J.S.A. 18A:23-1 et seq.)**

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year or by the date extended by statute or by the State of New Jersey Department of Education. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

### **Temporary Financing (N.J.S.A. 18A:24-3)**

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; 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 said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

### **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), repealed the authorization to enter into facilities leases in excess of five (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, lease purchase payments on leases in excess of five (5) years issued under prior law are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

### **Financing Under County School Construction Financing Law**

Recently enacted P.L. 2023, c. 311, approved January 16, 2024, as amended by P.L. 2024, c. 79, approved September 12, 2024, provides a means by which a county and a county improvement authority can assist a local school district with financing and construction of a school capital project without the school

district authorizing and issuing school bonds. Under the newly enacted legislation, a school district can lease a school property to a county improvement authority, which would issue its bonds for the financing and construction of a school project. The county improvement authority would then lease the school property to the county and the county would further lease it back to the school district. The school district would be obligated to cover the cost of principal and interest on the authority bonds through its lease payments to the county, and the county would pass through the payments to the authority through its lease to the authority for the payment of the bonds. The leases would remain valid and binding and in effect until the bonds are fully paid off. When the leases expire, the school property will be fully vested in the school district. The lease payments would be outside the caps on spending and raising taxes for both the school district and the county. The obligation would not be limited by the school district's legal borrowing limit as the school district is not issuing school bonds. The law requires the annual school district lease payments to be included in each school budget over the life of the bonds. The county improvement authority bonds would receive debt service aid otherwise available to the school district project as if the school district had authorized and issued school bonds. The program requires the cooperation of the county, the county improvement authority and the school district. Under the county improvement authorities law, the county or municipality could agree to guaranty the authority bonds as well if the credit support would help reduce financing costs. The program could help school districts that otherwise have difficulty getting voter approval to be able to obtain financing at a reduced cost, as (i) the State would still pay a share of the debt service due on the improvement authority bonds for which the project is entitled under the Educational Facilities Construction and Financing Act and (ii) if guaranteed, the improvement authority bonds could benefit from the credit enhancement provided by a county or municipality.

#### **Debt Limitation (N.J.S.A. 18A:24-19)**

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grades Pre-K through twelve (12) school district, the School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. The School District has not exceeded its four percent (4%) debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

#### **Exceptions to Debt Limitation**

A Type II school district (other than a regional district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e. the excess of three and one-half percent (3.5%) of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

#### **Energy Saving Obligations**

Under P.L. 2009, c. 4, approved January 21, 2009 and effective sixty (60) days thereafter, school districts may issue "energy savings obligations" without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements provided that the amount of the savings will cover the cost of the improvements.

### **SUMMARY OF STATE AID TO SCHOOL DISTRICTS**

In 1973, the Supreme Court of the State of New Jersey (the "Court") ruled in *Robinson v. Cahill* that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (the "Public School Education Act") (as amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, as amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in *Abbott v. Burke* that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts (previously called “Abbott Districts”, now referred to as “SDA Districts”) were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State’s responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included QEA, CEIFA and EFCFA. For many years aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, effective January 1, 2008, attempts to remove the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State’s then current plan for school aid was a “constitutionally adequate scheme.” However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. Since 2019 and in accordance with the enactment of P.L. 2018, c. 67, effective July 24, 2018, the State has increased funding for underfunded school districts and decreased funding for overfunded school districts, and will continue to do so as set forth therein. It has also provided cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over thirty-five (35) years of litigation, the State provides State aid to school districts of the State in amounts provided in the State budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, distance learning network aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State upfront and debt service aid must be appropriated annually by the State.

The State has reduced debt service aid by fifteen percent (15%) annually since fiscal year 2011. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the “EDA”), were assessed an amount in each fiscal year budget since 2011 representing fifteen percent (15%) of the school district’s proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

Pursuant to P.L. 2018, c. 67, effective July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven (7) year transition period during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one (1) year.

## SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such Federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

## MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain 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 expenditures for municipal purposes. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of the Constituent Municipalities is limited by statute, subject to certain exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its average equalized valuation basis. 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 the Constituent Municipalities as annually determined by the New Jersey Board of Taxation is set forth in APPENDIX A.

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

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

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the State local finance system is the modified accrual basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government

Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been 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 the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (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.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

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

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[no] miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

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

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body. However, with minor exceptions, 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 section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -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 as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may 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 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable 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.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (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 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 from the annual operating budget if the terms were detailed.

### **Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)**

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. 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 act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. 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 act 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, school district or special district for two (2)

consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., 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.

### **Appropriations “Cap”**

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “cap” banking to the Local Budget Law. Municipalities are permitted to appropriate available “cap bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “cap”.

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

The Division has advised that counties and municipalities must comply with both the budget “cap” and the tax levy limitation. Neither the tax levy limitation nor the Cap Law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

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

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income (where appropriate). Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

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

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county 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 \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 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 assessment deemed excessive. The taxpayer has a right to petition the county Board of Taxation on or before April 1 of the current year for review. The county Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the county Board of Taxation, appeal may be made to the Tax Court of the State of New Jersey (the "State Tax Court") for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the 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 or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Director. A synopsis of the report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the local unit's receipt of the audit report.

## **FINANCIAL STATEMENTS**

The financial statements of the School District for the fiscal year ended June 30, 2025 are presented in APPENDIX B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Suplee, Clooney & Company, Westfield, New Jersey, an independent auditor (the "Board Auditor"), as stated in its Independent Auditors' Report appearing in APPENDIX B to this Official Statement. See "APPENDIX B – Financial Statements of The Board of Education of the Somerset Hills Regional School District for the Fiscal Year Ending June 30, 2025." Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein. The Board Auditor has not participated in the preparation of this Official Statement, other than providing the Independent Auditors' Report included in APPENDIX B.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Board in connection with the issuance of the Bonds (the "Municipal

Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **LITIGATION**

To the best of the knowledge, information and belief of the Board Attorney, The Busch Law Group, LLC, Metuchen, New Jersey (the "Board Attorney"), and without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. Except as set forth below, to the best of the knowledge, information and belief of the Board Attorney, and without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

The Board is a defendant in two (2) pending litigation matters related to allegations of sexual abuse by former staff members dating back several decades. The Board has been unable to locate insurance policies with applicable coverage for the time periods at issue. As a result, any resolutions/judgments in these matters would be funded directly by the Board. It is anticipated that in the event that the Board does not prevail in the trials of these matters, each of the claims could expose the Board to liability of \$1 million or more.

## **TAX EXEMPTION**

### **Federal Income Tax Treatment**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

### **Premium Bonds**

[The Bonds [maturing on April 1 in the years 20\_\_ through 20\_\_, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable

for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

## **Discount Bonds**

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on April 1 in the years 20\_\_ through 20\_\_, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

## **Additional Federal Income Tax Consequences Relating to Bonds**

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

## **State Taxation**

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

## **Prospective Tax Law Changes**

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

## **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on

the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

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

**PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.**

### **RISK TO HOLDERS OF BONDS**

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

#### **Municipal Bankruptcy**

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

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

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

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

## **Cyber Security**

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats, including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. To mitigate these risks to the greatest extent possible, the School District uses multi-factor authentication for all staff members accessing systems storing sensitive information. Furthermore, the School District leverages network segmentation to harden security, and all workstations and servers are running Endpoint Detection and Response (EDR) with 24/7 Managed Detection and Response (MDR). In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

## **Climate Change**

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District maintains a comprehensive insurance policy and maintains adequate reserves that could be used in the event of extreme weather.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C. Certain legal matters will be passed upon for the Board by its Board Attorney.

## **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm the same to the Underwriter (as hereinafter defined) by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

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

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 Board 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 has not participated in the preparation of this Official Statement, other than providing the Independent Auditors' Report included in APPENDIX B to the extent specified in its Independent Auditors Report.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has the Board Attorney verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

### **RATING**

Moody's Ratings (the "Rating Agency"), has assigned an underlying rating of "Aa1" to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

### **UNDERWRITING**

The Bonds are being purchased from the Board by \_\_\_\_\_ (the "Underwriter"), at a price of \$\_\_\_\_\_. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

### **SECONDARY MARKET DISCLOSURE**

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate." These

covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

In accordance with the SEC Rule and prior secondary market disclosure undertakings, within the five (5) years immediately preceding the date of this Official Statement, the Board failed to timely file disclosure event notices associated with certain financial obligations. Such information has since been filed with EMMA. The Board has engaged Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its prior secondary market disclosure undertakings.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Richard D. Liguori, (908) 204-1930, ext. 1117 or to Charles Anthony Solimine, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6430 or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., (609) 291-0130.

### **CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one or more of its authorized officials to the effect that he/she has examined this Official Statement (including the Appendices) and the financial and other data concerning the School District contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds, there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

### **MISCELLANEOUS**

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

The Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE SOMERSET HILLS  
REGIONAL SCHOOL DISTRICT IN THE COUNTY OF  
SOMERSET, NEW JERSEY**

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**RICHARD D. LIGUORI,  
Business Administrator/Board Secretary**

**DATED: \_\_\_\_\_, 2026**

**APPENDIX A**

**Certain Economic and Demographic Information Relating to the  
School District and the Constituent Municipalities**

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## INFORMATION REGARDING THE SCHOOL DISTRICT<sup>1</sup>

### Type

The Board of Education of the Somerset Hills Regional School District in the County of Somerset, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) is a Type II school district that is coterminous with the borders of the Borough of Bernardsville, Borough of Far Hills and Borough of Peapack and Gladstone (the “Constituent Municipalities”). The School District provides a full range of educational services appropriate to pre-kindergarten (PreK) through the twelfth (12) grades.

The Board is a ten (10) member board with members elected for staggered three (3) year terms. The President and Vice President are chosen for one (1) year terms from among the members of the Board. The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Business Administrator/Board Secretary who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

### Description of Facilities

The Board presently operates the following school facilities:

<b>District Building</b>	<b>Grade Level</b>	<b>Construction Date</b>	<b>Functional Capacity</b>	<b>Student Enrollment</b>
Marion T. Bedwell Elementary School	PreK-4	1960	741	435
Bernardsville Middle School	5-8	1969	526	418
Bernards High School	9-12	1930	1,000	752

Source: Annual Comprehensive Financial Report of the School District

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

**Labor Contracts**

The following table presents the outstanding labor contracts.

<b><u>Type of Employee</u></b>	<b><u>Union Name</u></b>	<b><u>Contract Expiration</u></b>
Teachers	SHEA	06/30/28
Administrators	SHAA	06/30/28

**Staff**

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Business Administrator/Board Secretary is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2025, for each of the past five (5) years.

	<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>
Teaching Professionals	175	176	172	184	187
Support Staff	<u>132</u>	<u>104</u>	<u>111</u>	<u>109</u>	<u>115</u>
Total Employees	<u>307</u>	<u>280</u>	<u>283</u>	<u>293</u>	<u>302</u>

Source: Annual Comprehensive Financial Report of the School District

**Pupil Enrollments**

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

<b><u>Fiscal Year Ending 6/30</u></b>	<b><u>Pupil Enrollment</u></b>	<b><u>% Change</u></b>
2026	1,600	-0.3%
2025	1,605	-4.1%
2024	1,674	-2.4%
2023	1,715	0.2%
2022	1,711	-6.4%

Source: School District and Annual Comprehensive Financial Report of the School District

## Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the “Pension System”). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund (“TPAF”) and (2) the Public Employee's Retirement System (“PERS”). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the “Division”), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

## Budget History

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

As noted, prior to the Board’s budget for its 2013-2014 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>Operating</u> <u>Budget Total</u>	<u>Tuition</u>	<u>State</u> <u>Aid</u>	<u>Other</u>	<u>Amount Raised</u> <u>By Taxation</u>	<u>Tax Increase</u> <u>Percentage</u>
2026	\$48,204,630	\$4,642,000	\$2,589,027	\$4,413,776	\$36,559,827	3.0%
2025	46,602,622	4,935,800	2,442,478	3,740,034	35,484,310	2.5%
2024	46,005,675	5,167,300	2,298,892	3,921,737	34,617,746	2.0%
2023	43,598,714	4,585,000	2,066,554	3,008,458	33,938,702	2.0%
2022	42,071,781	4,479,500	1,816,498	2,498,667	33,277,116	2.0%

Source: Annual User-Friendly Budgets of the School District

## **Financial Operations**

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2021 through June 30, 2025 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

### **GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:**

<b><u>REVENUE</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>
Local Sources:					
Local Tax Levy	\$32,624,624	\$33,277,116	\$33,938,702	\$34,617,745	\$35,484,310
Other Local Revenue	4,694,853	5,231,742	5,247,849	6,392,876	6,566,583
State Sources	9,279,059	11,745,190	11,602,924	12,171,654	11,935,542
Federal Sources	<u>12,676</u>	<u>13,183</u>	<u>11,368</u>	<u>5,553</u>	<u>4,830</u>
Total Revenue:	<u>\$46,611,212</u>	<u>\$50,267,231</u>	<u>\$50,800,843</u>	<u>\$53,187,829</u>	<u>\$53,991,265</u>
<b><u>EXPENDITURES</u></b>					
General Fund:					
Instruction	\$15,907,468	\$16,150,272	\$16,377,692	\$16,922,758	\$18,466,264
Support Services	28,116,822	31,827,452	33,071,634	33,979,557	34,480,404
Debt Service	0	0	0	0	0
Capital Outlay	<u>426,164</u>	<u>506,787</u>	<u>880,734</u>	<u>2,878,306</u>	<u>1,645,064</u>
Total Expenditures:	<u>44,450,454</u>	<u>48,484,510</u>	<u>50,330,060</u>	<u>53,780,621</u>	<u>54,591,733</u>
Excess of Revenue Over Expenditures	<u>\$2,160,758</u>	<u>\$1,782,721</u>	<u>\$470,783</u>	<u>(\$592,793)</u>	<u>(\$600,468)</u>
<b><u>OTHER FINANCING SOURCES</u></b>					
Transfers In/(Out)	\$0	\$118,951	\$209,269	\$136,430	(\$32,461)
Proceeds of Capital Lease	0	0	9,583	135,663	368,576
Total Other Financing Sources:	<u>0</u>	<u>118,951</u>	<u>218,852</u>	<u>272,093</u>	<u>336,115</u>
Net Change in Fund Balance	2,160,758	1,901,671	689,634	(320,699)	(264,354)
Fund Balance - July 1	<u>6,666,708</u>	<u>8,827,564</u>	<u>10,729,235</u>	<u>11,418,870</u>	<u>11,098,170</u>
Fund Balance - June 30	<u>\$8,827,466</u>	<u>\$10,729,235</u>	<u>\$11,418,870</u>	<u>\$11,098,170</u>	<u>\$10,833,817</u>

Source: Annual Comprehensive Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

## **Leases**

As of June 30, 2025, the Board has lease(s) outstanding with payments due through year ending June 30, 2030, totaling \$862,968.

Source: Annual Comprehensive Financial Report of the School District

## **Short-Term Debt**

As of June 30, 2025, the Board has no short-term debt outstanding.

Source: Annual Comprehensive Financial Report of the School District

## **Long-Term Debt**

The following table outlines the outstanding long-term debt of the Board as of June 30, 2025.

<b><u>Fiscal Year</u></b> <b><u>Ending 6/30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2026	\$2,980,000	\$276,770	\$3,256,770
2027	1,400,000	166,420	1,566,420
2028	1,445,000	119,520	1,564,520
2029	1,505,000	71,270	1,576,270
2030	500,000	20,445	520,445
2031	494,000	7,410	501,410
<b>TOTAL</b>	<b>\$8,324,000</b>	<b>\$661,835</b>	<b>\$8,985,835</b>

Source: Annual Comprehensive Financial Report of the School District

**Debt Limit of the Board**

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations” herein). The following is a summation of the Board’s debt limitation as of June 30, 2025:

<b>DEBT LIMIT AND BORROWING CAPACITY</b>	
Average Equalized Valuation Basis (2023, 2024, 2025)	\$3,995,404,152
Permitted Debt Limitation (4.00%)	159,816,166
Less: Net Debt	<u>8,324,000</u>
Remaining Borrowing Power	<b><u>\$151,492,166</u></b>
Percentage of Net Debt to Average Equalized Valuation	0.208%
Net Debt Per Capita based on 2020 population of 11,375	\$732

Source: Annual Comprehensive Financial Report of the School District

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## **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Constituent Municipalities, 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>District</u></b>				
2024	6,060	5,874	186	3.1%
2023	6,045	5,871	174	2.9%
2022	5,993	5,834	159	2.7%
2021	5,834	5,586	248	4.3%
2020	5,728	5,417	311	5.4%
<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%

## **Income (as of 2024)**

	<b><u>Bernardsville Borough</u></b>	<b><u>Far Hills Borough</u></b>	<b><u>Peapack- Gladstone Borough</u></b>
Median Household Income	\$236,115	\$143,250	\$202,578
Median Family Income	246,581	205,313	206,222
Per Capita Income	114,810	115,732	100,805
	<b><u>County</u></b>	<b><u>State</u></b>	<b><u>National</u></b>
Median Household Income	\$140,374	\$103,556	\$80,734
Median Family Income	171,215	127,025	99,999
Per Capita Income	72,193	54,253	44,673

Source: U.S. Bureau of the Census, American Community Survey 5-Year Estimates

**Population**

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

<b><u>Year</u></b>	<b><u>District</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2024 est.	11,472	0.9%	357,467	3.5%	9,500,851	2.3%
2020	11,375	1.5%	345,444	6.8%	9,288,994	5.7%
2010	11,208	5.4%	323,444	8.7%	8,791,894	4.5%
2000	10,637	13.6%	297,490	23.8%	8,414,350	8.9%
1990	9,365	-0.7%	240,279	18.3%	7,730,188	5.0%

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

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2025 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Pfizer Inc.	\$65,737,800	1.52%
Natirar Residential Development Group	30,708,700	0.71%
Pulte Homes of NJ, LP	29,550,000	0.69%
Bernardsvilel Centre LLC	18,900,000	0.44%
Mine Mount Land Co.	13,435,000	0.31%
Individual Taxpayer	8,423,300	0.20%
Upton Pynes Real Estate LLC	8,363,400	0.19%
Falcon Crest 21 LLC	8,000,000	0.19%
Komline - Sanderson Engineering Corp.	7,872,800	0.18%
B'Ville Storage, LLC	<u>7,593,500</u>	<u>0.18%</u>
<b>Total</b>	<b><u>\$198,584,500</u></b>	<b><u>4.61%</u></b>

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

## Valuation of Property

The aggregate property valuations of the Constituent Municipalities are listed below:

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$4,305,184,800	\$4,329,109,260	99.45%	\$5,878,700	\$4,334,987,960
2024	3,935,091,600	3,871,523,284	101.64%	5,785,500	3,877,308,784
2023	3,705,129,800	3,785,579,911	97.87%	5,897,100	3,791,477,011
2022	3,550,353,900	3,609,282,781	98.37%	5,617,070	3,614,899,851
2021	3,415,839,690	3,457,888,784	98.78%	5,643,495	3,463,532,279

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 Constituent Municipalities for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$75,737,600	\$3,331,324,400	\$476,390,400	\$374,581,500	\$28,066,300	\$19,084,600	\$4,305,184,800
2024	51,020,300	3,057,591,800	435,184,900	347,935,800	25,798,300	17,560,500	3,935,091,600
2023	42,285,600	2,872,039,900	415,946,300	333,705,200	24,001,200	17,151,600	3,705,129,800
2022	40,104,500	2,747,057,800	392,653,700	324,251,800	27,575,900	18,710,200	3,550,353,900
2021	37,218,800	2,641,708,200	376,393,490	315,325,700	27,185,500	18,008,000	3,415,839,690

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

## Comparison of Tax Levies and Collections

### *Borough of Bernardsville*

<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%

*Borough of Far Hills*

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025U	\$6,447,728	\$6,313,520	97.92%
2024	6,201,823	6,136,894	98.95%
2023	5,881,303	5,836,504	99.24%
2022	5,741,141	5,679,371	98.92%
2021	5,661,389	5,578,874	98.54%

*Borough of Peapack and Gladstone*

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025U	\$15,559,291	\$15,417,524	99.09%
2024	14,949,583	14,785,199	98.90%
2023	14,859,814	14,624,500	98.42%
2022	14,599,462	14,394,367	98.60%
2021	14,172,158	13,976,322	98.62%

Source: Annual Audit Reports of the Constituent Municipalities and 2025 Annual Financial Statement of the Constituent Municipalities

**Delinquent Taxes and Tax Title Liens**

*Borough of Bernardsville*

<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%

*Borough of Far Hills*

<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	\$0	\$134,208	\$134,208	2.08%
2024	0	57,322	57,322	0.92%
2023	0	45,903	45,903	0.78%
2022	0	57,269	57,269	1.00%
2021	0	76,053	76,053	1.34%

*Borough of Peapack and Gladstone*

<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	\$33,705	\$135,669	\$169,375	1.09%
2024	28,683	155,956	184,639	1.24%
2023	23,677	230,342	254,019	1.71%
2022	18,707	199,825	218,532	1.50%
2021	13,950	189,993	203,943	1.44%

Source: Annual Audit Reports of the Constituent Municipalities and 2025 Annual Financial Statement of the Constituent Municipalities

**Property Acquired by Tax Lien Liquidation**

*Borough of Bernardsville*

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

*Borough of Far Hills*

<u>Year</u>	<u>Amount</u>
2025U	\$0
2024	0
2023	0
2022	0
2021	0

*Borough of Peapack and Gladstone*

<u>Year</u>	<u>Amount</u>
2025U	\$139,900
2024	139,900
2023	139,900
2022	139,900
2021	139,900

Source: Annual Audit Reports of the Constituent Municipalities and 2025 Annual Financial Statement of the Constituent Municipalities

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

*Borough of Bernardsville*

<u>Year</u>	<u>Municipal</u>	<b>Regional</b>		<u>Total</u>
		<u>School</u>	<u>County</u>	
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

*Borough of Far Hills*

<u>Year</u>	<u>Municipal</u>	<b>Regional</b>		<u>Total</u>
		<u>School</u>	<u>County</u>	
2025	\$0.518	\$0.349	\$0.293	\$1.160
2024	0.568	0.409	0.302	1.279
2023	0.553	0.438	0.328	1.319
2022	0.553	0.438	0.336	1.327
2021	0.349	0.442	0.554	1.345

*Borough of Peapack and Gladstone*

<u>Year</u>	<u>Municipal</u>	<b>Regional</b>		<u>Total</u>
		<u>School</u>	<u>County</u>	
2025	\$0.523	\$0.715	\$0.339	\$1.577
2024	0.566	0.780	0.361	1.707
2023	0.580	0.826	0.371	1.777
2022	0.596	0.860	0.382	1.838
2021	0.595	0.885	0.393	1.873

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

**Overlapping Debt (as of December 31, 2025)<sup>2</sup>**

*Borough of Bernardsville*

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
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			<b><u>\$41,484,686</u></b>

*Borough of Far Hills*

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Regional School District	\$7,874,000	11.71%	\$922,194
County	511,950,350	0.57%	<u>2,899,562</u>
Net Indirect Debt			\$3,821,756
Net Direct Debt			<u>0</u>
Total Net Direct and Indirect Debt			<b><u>\$3,821,756</u></b>

*Borough of Peapack and Gladstone*

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Regional School District	\$7,874,000	22.11%	\$1,740,916
County	511,950,350	1.03%	<u>5,271,413</u>
Net Indirect Debt			\$7,012,329
Net Direct Debt			<u>1,392,000</u>
Total Net Direct and Indirect Debt			<b><u>\$8,404,329</u></b>

Source: Annual Debt Statement of the Constituent Municipalities

<sup>2</sup> Constituent Municipality percentage of County debt is based on the Constituent Municipality's share of total equalized valuation in the County.

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**APPENDIX B**

**Excerpts from Financial Statements of  
The Board of Education of the  
Somerset Hills Regional School District  
for the Fiscal Year Ending June 30, 2025**

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FINANCIAL STATEMENTS AS OF AND  
FOR THE YEAR ENDED JUNE 30, 2025

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# SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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E-mail info@scnco.com

## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Somerset Hills School District  
County of Somerset  
Bernardsville, New Jersey 07924

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Somerset Hills School District, in the County of Somerset, State of New Jersey (the "District") as of and for the year ended June 30, 2025 and June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of June 30, 2025 and June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance") the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." 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 and provisions 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards*, 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

# SUPLEE, CLOONEY & COMPANY LLC

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

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2025 and December 18, 2024, on our consideration of the District'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 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky  
Warren M. Korecky, C.P.A., P.S.A

December 18, 2025  
and December 18, 2024

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,087,480.37	\$ 163,982.00	\$ 3,251,462.37
Internal balances	(5,850.00)	5,850.00	
Receivables, net	1,383,227.91	48,672.26	1,431,900.17
Inventory		3,244.68	3,244.68
Restricted assets:			
Restricted cash and cash equivalents	7,054,151.42		7,054,151.42
Intangible assets, net of accumulated amortization	88,654.00		88,654.00
Right to use assets, net of accumulated amortization	810,664.00		810,664.00
Capital assets:			
Non-depreciable	2,148,398.29		2,148,398.29
Depreciable, net of accumulated depreciation	53,035,026.00	23,070.00	53,058,096.00
Total assets	<u>67,601,751.99</u>	<u>244,818.94</u>	<u>67,846,570.93</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension Related	<u>1,345,781.00</u>		<u>1,345,781.00</u>
	<u>1,345,781.00</u>		<u>1,345,781.00</u>
<b>LIABILITIES:</b>			
Accounts payable	923,103.47		923,103.47
Payable to other governments	5,152.00		5,152.00
Unearned revenue	111,498.54	51,514.34	163,012.88
Payroll Deductions and Withholdings Payable	57,302.97		57,302.97
Accrued interest payable	99,544.18		99,544.18
Noncurrent liabilities:			
Due within one year	4,228,054.63		4,228,054.63
Due beyond one year:			
Bonds Payable	5,344,000.00		5,344,000.00
Compensated Absences Payable	1,958,208.28		1,958,208.28
Right to Use Leases Payable	505,815.00		505,815.00
SBITA Payable	28,467.00		28,467.00
Installment Purchase Contracts Payable	72,713.40		72,713.40
Net Pension Liability	7,269,001.00		7,269,001.00
Total liabilities	<u>20,602,860.47</u>	<u>51,514.34</u>	<u>20,654,374.81</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension Related	822,871.00		822,871.00
Gain on Refunding of Long-Term Debt	709,663.35		709,663.35
Total Deferred Inflow of Resources	<u>1,532,534.35</u>		<u>1,532,534.35</u>
<b>NET POSITION:</b>			
Net investment in capital assets	46,718,520.78	23,070.00	46,741,590.78
Restricted for:			
Capital projects	5,237,262.20		5,237,262.20
Debt service	0.23		0.23
Other purposes	1,837,671.11		1,837,671.11
Unrestricted (deficit)	<u>(6,981,316.15)</u>	<u>170,234.60</u>	<u>(6,811,081.55)</u>
Total Net Position	<u>\$ 46,812,138.17</u>	<u>\$ 193,304.60</u>	<u>\$ 47,005,442.77</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Programs Revenues Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
					Net (Expense) Revenue and Changes in Net Position		
Governmental activities:							
Instruction:							
Regular	\$ 13,403,974.75	\$ 6,551,556.78	\$ 5,472,866.00	\$ 2,363,163.31	\$ (12,119,502.22)		\$ (12,119,502.22)
Special	2,690,811.89	1,243,621.32	172,533.24	2,394,536.08	(1,367,363.89)		(1,367,363.89)
Other instruction	2,442,873.69	992,269.62		416,191.58	(3,018,951.73)		(3,018,951.73)
Support services:							
Tuition	2,003,786.94			423,404.00	(1,580,382.94)		(1,580,382.94)
Student and instruction related services	5,851,287.78	1,990,800.31		1,699,499.21	(6,142,588.88)		(6,142,588.88)
General administrative services	993,955.67	174,102.66		23,205.05	(1,134,853.28)		(1,134,853.28)
School administrative services	1,506,290.68	762,825.64		247,302.85	(2,021,813.47)		(2,021,813.47)
Central services and info technology	867,836.88	164,089.65		27,040.96	(1,004,885.57)		(1,004,885.57)
Plant operations and maintenance	4,316,873.85	1,000,417.44		120,338.03	(5,196,953.26)		(5,196,953.26)
Pupil transportation	2,421,052.97	517,123.13	350,839.06		(1,820,878.61)		(1,820,878.61)
Unallocated Benefits	12,463,636.55	(12,463,636.55)		766,458.43	(468,306.87)		(468,306.87)
Interest on long-term debt	468,306.87						
Unallocated depreciation/amortization/ Unemployment trust decrease	3,045,565.17	(933,170.00)			(2,112,395.17)		(2,112,395.17)
Total governmental activities	52,466,253.69		5,996,238.30	8,481,139.50	(37,988,875.89)		(37,988,875.89)
Business-type activities							
Food service	719,661.81		409,940.21	312,439.23		2,717.63	2,717.63
Total business-type activities	719,661.81		409,940.21	312,439.23		2,717.63	2,717.63
<b>Total primary government</b>	<b>\$ 53,185,915.50</b>	<b>\$</b>	<b>\$ 6,406,178.51</b>	<b>\$ 8,793,578.73</b>	<b>\$ (37,988,875.89)</b>	<b>\$ 2,717.63</b>	<b>\$ (37,986,158.26)</b>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 35,484,310.00		\$ 35,484,310.00
Taxes levied for debt service					2,679,931.98		2,679,931.98
Federal and state aid not restricted					186,870.00		186,870.00
Federal and state aid restricted					172,880.00		172,880.00
Miscellaneous income					570,344.35	331.06	570,675.41
Total general revenues and transfers					39,094,336.33	331.06	39,094,667.39
Change in net position					1,105,460.44	3,048.69	1,108,509.13
Net position, beginning, as restated					45,706,677.73	190,255.91	45,896,933.64
Net position, ending					46,812,138.17	193,304.60	47,005,442.77

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

SOMERSET HILLS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,087,480.37			\$ 3,087,480.37
Restricted cash and cash equivalents	6,654,663.77	399,487.65		7,054,151.42
Tax levy receivable			2,000.00	2,000.00
Receivables from other governments:				
Federal		84,023.56		84,023.56
State	492,161.95			492,161.95
Other LEAs	797,720.00	1,586.14		799,306.14
Other receivables		5,736.26		5,736.26
Due from other funds	<u>3,934.00</u>			<u>3,934.00</u>
 Total assets	 <u>\$ 11,035,960.09</u>	 <u>\$ 490,833.61</u>	 <u>\$ 2,000.00</u>	 <u>\$ 11,528,793.70</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 96,140.28	\$ 15,611.19		\$ 111,751.47
Payable to state government		5,152.00		5,152.00
Due to other funds	5,850.00	1,934.23	1,999.77	9,784.00
Payroll deductions and withholdings payable	57,302.97			57,302.97
Unearned revenue	<u>42,850.00</u>	<u>68,648.54</u>		<u>111,498.54</u>
 Total liabilities	 <u>202,143.25</u>	 <u>91,345.96</u>	 <u>1,999.77</u>	 <u>295,488.98</u>
Fund balances:				
Restricted:				
Capital reserve account	5,237,262.20			5,237,262.20
Maintenance reserve account	1,417,401.57			1,417,401.57
Unemployment compensation	20,781.89			20,781.89
Scholarships		125,357.70		125,357.70
Student activities		274,129.95		274,129.95
Excess surplus	1,154,028.75			1,154,028.75
Excess surplus - designated for subsequent years expenditures	1,166,181.30			1,166,181.30
Assigned:				
Designated for subsequent years expenditures	556,899.70			556,899.70
Encumbrances	185,984.32			185,984.32
Debt Service			0.23	0.23
Unassigned	<u>1,095,277.11</u>			<u>1,095,277.11</u>
 Total fund balances	 <u>10,833,816.84</u>	 <u>399,487.65</u>	 <u>0.23</u>	 <u>11,233,304.72</u>
 Total liabilities and fund balances	 <u>\$ 11,035,960.09</u>	 <u>\$ 490,833.61</u>	 <u>\$ 2,000.00</u>	 <u>\$ 11,528,793.70</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

Total Fund Balances (Brought Forward)		\$11,233,304.72
Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$98,217,698.29	
Accumulated Depreciation	<u>(43,034,274.00)</u>	55,183,424.29
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$2,417,909.00	
Accumulated Amortization	<u>(\$1,607,245.00)</u>	810,664.00
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	188,349.00	
Accumulated Amortization	<u>(99,695.00)</u>	88,654.00
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net Pension Liability	(7,269,001.00)	
Compensated Absences	(2,779,784.80)	
Bonds Payable	(\$8,324,000.00)	
Gain (Loss) on Refunding Bonds	<u>(709,663.35)</u>	
	(9,033,663.35)	
Right to Use Lease Payable	(816,491.00)	
Intangible SBITA Payable	(76,079.00)	
Installment Purchase Contracts payable	<u>(140,903.51)</u>	(20,115,922.66)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Net Pension Liability	<u>1,345,781.00</u>	1,345,781.00
Pension Related		
Deferred Inflows:		
Pension Related		(822,871.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(811,352.00)	
Accrued Interest Payable	<u>(99,544.18)</u>	(910,896.18)
Net Position of Governmental Activities		<u>\$46,812,138.17</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 35,484,310.00	\$	\$	\$ 2,679,931.98	\$ 38,164,241.98
Tuition	5,645,399.24				5,645,399.24
Transportation fees	350,839.06				350,839.06
Miscellaneous	570,344.35	827,129.99			1,397,474.34
Total - local sources	42,050,892.65	827,129.99		2,679,931.98	45,557,954.62
State sources	11,935,541.81	220,713.00		172,880.00	12,329,134.81
Federal sources	4,830.24	800,959.46			805,789.70
Total revenues	53,991,264.70	1,848,802.45		2,852,811.98	58,692,879.13
EXPENDITURES:					
Current expense:					
Regular instruction	13,414,162.40	267,616.63			13,681,779.03
Special instruction	2,679,811.89	11,000.00			2,690,811.89
Other Instruction	2,372,290.16	70,583.53			2,442,873.69
Support services:					
Tuition	1,580,382.94	423,404.00			2,003,786.94
Student and instruction related services	4,781,085.87	1,089,025.58			5,870,111.45
General administration	1,032,059.53				1,032,059.53
School administration	1,506,290.68				1,506,290.68
Central services and technology	867,836.88				867,836.88
Plant operations and maintenance	4,613,647.56				4,613,647.56
Pupil transportation	2,499,267.82				2,499,267.82
Unallocated Benefits	17,509,986.97				17,509,986.97
Debt service:					
Principal				2,595,000.00	2,595,000.00
Interest	89,846.00			371,870.00	461,716.00
Capital outlay	1,645,064.48	7,199.00			1,652,263.48
Total expenditures	54,591,733.18	1,868,828.74		2,966,870.00	59,427,431.92
Excess (deficiency) of revenues over (under) expenditures	(600,468.48)	(20,026.29)		(114,058.02)	(734,552.79)
Other financing sources (uses):					
Operating Transfers In/(Out)			(114,058.25)	114,058.25	
Unemployment trust fund restricted fund balance decrease	(32,461.13)				(32,461.13)
Right to Use Leases (non-budgeted)	368,576.00				368,576.00
Total other financing sources (uses)	336,114.87		(114,058.25)	114,058.25	336,114.87
Net change in fund balances	(264,353.61)	(20,026.29)	(114,058.25)	0.23	(398,437.92)
Fund balances, June 30, 2024	11,098,170.45	\$ 419,513.94	\$ 114,058.25	\$	\$ 11,631,742.64
Fund balances, June 30, 2025	\$ 10,833,816.84	\$ 399,487.65	\$	\$ 0.23	\$ 11,233,304.72

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

SOMERSET HILLS SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Total net change in fund balances - governmental funds (from B-2)	\$	(398,437.92)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period		
Capital outlays	\$ 1,652,263.48	
Less: Right to use assets reported below	(368,576.00)	
Depreciation expense	(2,593,863.00)	(1,310,175.52)
Right to use assets purchased are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. The amount of amortization in excess of current year asset additions is a reduction		
Right to use asset purchases	368,576.00	
Amortization expense	(549,892.00)	(181,316.00)
Intangible SBITA assets purchased are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. The amount of amortization in excess of current year asset additions is a reduction		
Intangible SBITA asset purchases	85,402.00	
Amortization expense	(72,110.00)	13,292.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of bond principal	2,595,000.00	
Payment of installment purchase contract principal	67,379.83	
Payment of right to use lease principal	574,366.00	
Payment of intangible SBITA principal	56,471.00	3,293,216.83
Proceeds from long-term debt are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Amortization of Original Issue Premium on Refunding Bonds	202,760.96	
Right to Use Lease Liability Proceeds	(368,576.00)	
Intangible SBITA Liability Proceeds	(85,402.00)	(251,217.04)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest decrease is an addition in the reconciliation.		
		14,912.67
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	\$727,925.00	
Less: Pension expense	(408,805.00)	319,120.00
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
(Increase)/Decrease in Compensated Absences payable		(393,934.58)
Change in net position of governmental activities	\$	1,105,460.44

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2025

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 163,982.00
Accounts receivable:	
Interfund	5,850.00
State	786.18
Federal	13,357.86
Other	34,528.22
Inventories	<u>3,244.68</u>
Total current assets	<u>221,748.94</u>
Noncurrent assets:	
Furniture, machinery and equipment	478,099.00
Less accumulated depreciation	<u>(455,029.00)</u>
Total noncurrent assets	<u>23,070.00</u>
Total assets	<u>\$ 244,818.94</u>
 <b>LIABILITIES:</b>	
Current liabilities:	
Unearned Revenue	<u>\$ 51,514.34</u>
Total current liabilities	<u>51,514.34</u>
Total liabilities	<u>51,514.34</u>
 <b>NET POSITION:</b>	
Net investment in capital assets	23,070.00
Unrestricted	<u>170,234.60</u>
Total net position	<u>\$ 193,304.60</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales - reimbursable programs	\$ 220,919.25
Daily sales - non-reimbursable programs	<u>189,020.96</u>
Total operating revenues	<u>409,940.21</u>
OPERATING EXPENSES:	
Cost of sales-reimbursable programs	170,317.53
Cost of sales-non-reimbursable programs	73,726.00
Salaries	279,965.90
Employee benefits	77,776.96
Purchased professional services	3,750.00
Other purchased property services (repairs)	6,696.64
Insurance	8,198.03
Other purchase services	29,630.04
Supplies and materials	66,228.71
Depreciation	<u>3,372.00</u>
Total operating expenses	<u>719,661.81</u>
Operating (loss)	<u>(309,721.60)</u>
NON-OPERATING REVENUES (EXPENSES):	
State sources	
State school lunch program	11,641.59
Summer-EBT Administrative Cost	321.50
Federal sources	
National school lunch program (cash assistance)	191,419.50
National school lunch program (non-cash assistance)	60,273.20
National school breakfast program (cash assistance)	15,931.77
Summer-EBT administrative cost reimbursement	321.50
Supply chain assistance funding (SCA)	30,214.54
Local food for schools (LFS) program	2,315.63
Interest earned	<u>331.06</u>
Total non-operating revenues	<u>312,770.29</u>
Change in net position	3,048.69
Total net position - beginning	<u>190,255.91</u>
Total net position - ending	<u>\$ 193,304.60</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
Cash flows from operating activities:	
Receipts from customers (net)	\$ 399,115.54
Payments to employees	(25,774.00)
Payments to vendors (net)	<u>(630,242.61)</u>
Net cash provided by (used for) operating activities	<u>(256,901.07)</u>
Cash flows from noncapital financing activities:	
State sources	11,810.58
Federal sources - earned revenue	<u>205,612.96</u>
Net cash provided by noncapital financing activities:	<u>217,423.54</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(25,690.00)</u>
Net cash provided by (used for) capital and related financing activities	<u>(25,690.00)</u>
Cash flows from investing activities:	
Interest earned	<u>331.06</u>
Net cash provided by investing activities	<u>331.06</u>
Net decrease in cash and cash equivalents	(64,836.47)
Cash and cash equivalents, June 30, 2024	<u>228,818.47</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 163,982.00</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating (loss)	\$ (309,721.60)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	3,372.00
Federal commodities (non-cash assistance)	60,273.20
Change in assets and liabilities:	
Increase (decrease) in unearned revenue	(1,070.42)
(Increase) decrease in other accounts receivable	(11,395.72)
(Increase) decrease in inventories	<u>1,641.47</u>
Net cash provided by (used for) operating activities	<u>\$ (256,901.07)</u>

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

FINANCIAL STATEMENTS AS OF AND  
FOR THE YEAR ENDED JUNE 30, 2024

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,533,931.18	\$ 228,818.47	\$ 3,762,749.65
Internal balances	(5,850.00)	5,850.00	
Receivables, net	1,992,877.06	32,748.59	2,025,625.65
Inventory		4,886.15	4,886.15
<b>Restricted assets:</b>			
Restricted cash and cash equivalents	7,078,342.81		7,078,342.81
Intangible assets, net of accumulated amortization	75,362.00		75,362.00
Right to use assets, net of accumulated amortization	587,553.00		587,553.00
<b>Capital assets:</b>			
Non-depreciable	2,235,236.27		2,235,236.27
Depreciable, net of accumulated depreciation	<u>54,406,724.00</u>	<u>752.00</u>	<u>54,407,476.00</u>
Total assets	<u>69,904,176.32</u>	<u>273,055.21</u>	<u>70,177,231.53</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension Related	<u>1,633,255.08</u>		<u>1,633,255.08</u>
	<u>1,633,255.08</u>		<u>1,633,255.08</u>
<b>LIABILITIES:</b>			
Accounts payable	1,468,024.08		1,468,024.08
Payable to other governments	21,337.00		21,337.00
Unearned revenue	229,283.02	82,799.30	312,082.32
Payroll Deductions and Withholdings Payable	18,559.39		18,559.39
Accrued interest payable	114,456.85		114,456.85
<b>Noncurrent liabilities:</b>			
Due within one year	3,126,039.31		3,126,039.31
Due beyond one year:			
Bonds Payable	8,324,000.00		8,324,000.00
Compensated Absences Payable	2,445,786.22		2,445,786.22
Right to Use Leases Payable	215,341.00		215,341.00
SBITA Payable	28,003.00		28,003.00
Installment Purchase Contracts Payable	281,645.05		281,645.05
Net Pension Liability	<u>8,177,343.00</u>		<u>8,177,343.00</u>
Total liabilities	<u>24,449,817.92</u>	<u>82,799.30</u>	<u>24,532,617.22</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension Related	562,830.00		562,830.00
Gain on Refunding of Long-Term Debt	<u>912,424.31</u>		<u>912,424.31</u>
Total Deferred Inflow of Resources	<u>1,475,254.31</u>		<u>1,475,254.31</u>
<b>NET POSITION:</b>			
Net investment in capital assets	45,423,598.42	752.00	45,424,350.42
<b>Restricted for:</b>			
Capital projects	5,513,419.04		5,513,419.04
Other purposes	1,640,120.45		1,640,120.45
Unrestricted (deficit)	<u>(6,964,778.74)</u>	<u>189,503.91</u>	<u>(6,775,274.83)</u>
Total Net Position	<u>\$ 45,612,359.17</u>	<u>\$ 190,255.91</u>	<u>\$ 45,802,615.08</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ 12,326,794.35	\$ 6,611,615.33	\$ 5,124,347.00	\$ 3,003,871.01	\$ (10,810,191.67)	\$ (10,810,191.67)
Special	2,890,982.56	1,337,201.79	282,954.91	3,148,661.73	(796,567.71)	(796,567.71)
Other instruction	2,205,674.26	1,024,743.13		503,086.36	(2,727,331.03)	(2,727,331.03)
Support services:						
Tuition	1,798,868.45				(1,798,868.45)	(1,798,868.45)
Student and instruction related services	5,962,545.43	2,343,674.71		2,142,653.95	(6,163,566.19)	(6,163,566.19)
General administrative services	865,537.00	164,705.62		6,607.59	(1,023,635.03)	(1,023,635.03)
School administrative services	1,477,149.02	919,818.93		351,214.70	(2,045,753.25)	(2,045,753.25)
Central services and info technology	677,292.82	136,399.23		7,317.25	(806,374.80)	(806,374.80)
Plant operations and maintenance	4,090,945.95	932,153.13		213,543.02	(4,809,556.06)	(4,809,556.06)
Pupil transportation	2,445,777.55	345,711.92	299,454.35	659,871.69	(1,832,163.43)	(1,832,163.43)
Unallocated Benefits	12,996,052.76	(12,996,052.76)			(543,751.46)	(543,751.46)
Interest on long-term debt	543,751.46					
Unallocated depreciation/amortization/ Unemployment trust decrease/Prior year refund	2,940,372.46	(819,971.03)			(2,120,401.43)	(2,120,401.43)
Total governmental activities	<u>51,221,744.07</u>	<u>(819,971.03)</u>	<u>5,706,756.26</u>	<u>10,036,827.30</u>	<u>(35,478,160.51)</u>	<u>(35,478,160.51)</u>
Business-type activities						
Food service	756,614.16		441,924.46	284,171.90	(30,517.80)	(30,517.80)
Total business-type activities	<u>756,614.16</u>		<u>441,924.46</u>	<u>284,171.90</u>	<u>(30,517.80)</u>	<u>(30,517.80)</u>
Total primary government	<u>\$ 51,978,358.23</u>	<u>\$</u>	<u>\$ 6,148,680.72</u>	<u>\$ 10,320,999.20</u>	<u>\$ (35,478,160.51)</u>	<u>\$ (35,508,678.31)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net					\$ 34,617,745.35	\$ 34,617,745.35
Taxes levied for debt service					2,780,088.65	2,780,088.65
Federal and state aid not restricted					139,440.00	139,440.00
Federal and state aid restricted					170,721.00	170,721.00
Miscellaneous income					686,119.79	686,119.79
Total general revenues and transfers					38,394,114.79	38,394,114.79
Change in net position					(11,213.43)	(11,213.43)
Net position, beginning, as restated					201,469.34	201,469.34
Net position, ending					<u>190,255.91</u>	<u>190,255.91</u>
					<u>\$ 45,612,359.17</u>	<u>\$ 45,612,359.17</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,419,872.93	\$	\$ 114,058.25	3,533,931.18
Tax Levy Receivable	6,000.00			6,000.00
Receivables from other governments:				
Federal	2,215.82	981,389.45		983,605.27
State	776,237.58			776,237.58
Other LEAs	217,228.85	2,775.45		220,004.30
Other receivables		7,029.91		7,029.91
Due from other funds	690,706.45			690,706.45
Restricted cash and cash equivalents	<u>6,658,828.87</u>	<u>419,513.94</u>		<u>7,078,342.81</u>
 Total assets	 <u>\$ 11,771,090.50</u>	 <u>\$ 1,410,708.75</u>	 <u>\$ 114,058.25</u>	 <u>13,295,857.50</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 613,560.66	\$ 84,818.34	\$	698,379.00
Payable to state government		21,337.00		21,337.00
Due to other funds	5,850.00	690,706.45		696,556.45
Payroll Deductions and Withholdings Payable	18,559.39			18,559.39
Unearned Revenue	<u>34,950.00</u>	<u>194,333.02</u>		<u>229,283.02</u>
 Total liabilities	 <u>672,920.05</u>	 <u>991,194.81</u>		 <u>1,664,114.86</u>
Fund balances:				
Restricted:				
Capital reserve account	5,491,427.30			5,491,427.30
Maintenance reserve account	1,167,401.57			1,167,401.57
Unemployment Compensation	53,204.94			53,204.94
Scholarships		118,385.97		118,385.97
Student Activities		301,127.97		301,127.97
Excess surplus	1,166,181.30			1,166,181.30
Excess surplus - designated for subsequent years expenditures	1,294,033.00			1,294,033.00
Capital projects fund			114,058.25	114,058.25
Assigned:				
Designated for subsequent years expenditures	393,370.00			393,370.00
Encumbrances	255,189.34			255,189.34
Unassigned	<u>1,277,363.00</u>			<u>1,277,363.00</u>
 Total fund balances	 <u>11,098,170.45</u>	 <u>419,513.94</u>	 <u>114,058.25</u>	 <u>11,631,742.64</u>
 Total liabilities and fund balances	 <u>\$ 11,771,090.50</u>	 <u>\$ 1,410,708.75</u>	 <u>\$ 114,058.25</u>	 <u>13,295,857.50</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

Total Fund Balances (Brought Forward)		\$11,631,742.64
Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$97,082,371.27	
Accumulated Depreciation	<u>(40,440,411.00)</u>	56,641,960.27
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$1,592,619.00	
Accumulated Amortization	<u>(\$1,005,066.00)</u>	587,553.00
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	132,695.00	
Accumulated Amortization	<u>(57,333.00)</u>	75,362.00
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net Pension Liability	(8,177,343.00)	
Compensated Absences	(2,445,786.22)	
Bonds Payable	(\$10,919,000.00)	
Gain (Loss) on Refunding Bonds	<u>(912,424.31)</u>	
	(11,831,424.31)	
Right to Use Lease Payable	(617,452.00)	
Intangible SBITA Payable	(47,148.00)	
Installment Purchase Contracts payable	<u>(391,428.36)</u>	(23,510,581.89)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Net Pension Liability	1,633,255.08	
Pension Related		1,633,255.08
Deferred Inflows:		
Pension Related		(562,830.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(769,645.08)	
Accrued Interest Payable	<u>(114,456.85)</u>	
		<u>(884,101.93)</u>
Net Position of Governmental Activities		<u>\$45,612,359.17</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 34,617,745.35	\$	\$	\$ 2,780,088.65	\$ 37,397,834.00
Tuition	5,407,301.91				5,407,301.91
Transportation fees	299,454.35				299,454.35
Miscellaneous	686,119.79	790,207.43			1,476,327.22
<b>Total - local sources</b>	<b>41,010,621.40</b>	<b>790,207.43</b>		<b>2,780,088.65</b>	<b>44,580,917.48</b>
State sources	12,171,653.70	278,246.00		170,721.00	12,620,620.70
Federal sources	5,553.42	1,017,760.75			1,023,314.17
<b>Total revenues</b>	<b>53,187,828.52</b>	<b>2,086,214.18</b>		<b>2,950,809.65</b>	<b>58,224,852.35</b>
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	12,342,133.01	209,647.36			12,551,780.37
Special instruction	2,432,722.56	458,260.00			2,890,982.56
Other Instruction	2,147,902.63	57,771.63			2,205,674.26
Support services:					
Tuition	1,798,868.45				1,798,868.45
Student and instruction related services	4,846,670.93	1,184,072.52			6,030,743.45
General administration	914,443.87				914,443.87
School administration	1,477,149.02				1,477,149.02
Central services and technology	677,292.82				677,292.82
Plant operations and maintenance	4,352,704.87				4,352,704.87
Pupil transportation	2,559,491.74				2,559,491.74
Unallocated Benefits	17,263,089.42				17,263,089.42
Debt service:					
Principal				2,610,000.00	2,610,000.00
Interest	89,846.00			467,920.00	557,766.00
Capital outlay	2,878,306.05	182,540.00			3,060,846.05
<b>Total expenditures</b>	<b>53,780,621.37</b>	<b>2,092,291.51</b>		<b>3,077,920.00</b>	<b>58,950,832.88</b>
Excess (deficiency) of revenues over (under) expenditures	(592,792.85)	(6,077.33)		(127,110.35)	(725,980.53)
Other financing sources (uses):					
Operating Transfers In/(Out)			(127,110.00)	127,110.00	
Unemployment trust fund restricted fund balance decrease	(34,764.76)				(34,764.76)
Refund of Prior Year Revenue	(62,864.68)				(62,864.68)
Right to Use Leases (non-budgeted)	135,663.00				135,663.00
Installment purchase contracts (non-budgeted)	234,059.85				234,059.85
<b>Total other financing sources (uses)</b>	<b>272,093.41</b>		<b>(127,110.00)</b>	<b>127,110.00</b>	<b>272,093.41</b>
<b>Net change in fund balances</b>	<b>(320,699.44)</b>	<b>(6,077.33)</b>	<b>(127,110.00)</b>	<b>(0.35)</b>	<b>(453,887.12)</b>
Fund balances, July 1, Prior Period Adjustments	11,418,869.89	\$ 428,091.27	\$ 241,168.25	\$ 0.35	\$ 12,088,129.76
		(2,500.00)			(2,500.00)
<b>Fund Balance, July 1, as restated</b>	<b>11,418,869.89</b>	<b>\$ 425,591.27</b>	<b>\$ 241,168.25</b>	<b>\$ 0.35</b>	<b>12,085,629.76</b>
<b>Fund balances, June 30</b>	<b>\$ 11,098,170.45</b>	<b>\$ 419,513.94</b>	<b>\$ 114,058.25</b>	<b>\$</b>	<b>\$ 11,631,742.64</b>

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

SOMERSET HILLS SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Total net change in fund balances - governmental funds (from B-2)	\$	(453,887.12)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period		
Capital outlays		3,060,846.05
Less: Right to use assets reported below		(135,663.00)
Depreciation expense		(2,544,885.00)
Right to use assets purchased are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. The amount of amortization in excess of current year asset additions is a reduction		
Right to use asset purchases		135,663.00
Amortization expense		(369,709.73)
Intangible SBITA assets purchased are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. The amount of amortization in excess of current year asset additions is a reduction		
Intangible SBITA asset purchases		96,618.00
Amortization expense		(130,622.30)
Loss on termination of SBITAs		(286.95)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
Payment of bond principal		2,610,000.00
Payment of installment purchase contract principal		178,882.67
Payment of right to use lease principal		371,865.43
Payment of intangible SBITA principal		155,612.81
Proceeds from long-term debt are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Amortization of Original Issue Premium on Refunding Bonds		202,760.96
Right to Use Lease Liability Proceeds		(135,663.00)
Intangible SBITA Liability Proceeds		(96,618.00)
Installment Purchase Contract Proceeds		(234,059.85)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest decrease is an addition in the reconciliation.		
		25,217.65
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	\$754,554.00	
Less: Pension expense	(412,413.00)	
		342,141.00
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(162,258.34)
PERS Pension Deferral		
Decrease in Compensated Absences payable		
Change in net position of governmental activities	\$	<u>2,915,954.28</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2024

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 228,818.47
Accounts receivable:	
Interfund	5,850.00
State	633.67
Federal	8,982.42
Other	23,132.50
Inventories	<u>4,886.15</u>
Total current assets	<u>272,303.21</u>
Noncurrent assets:	
Furniture, machinery and equipment	452,409.00
Less accumulated depreciation	<u>(451,657.00)</u>
Total noncurrent assets	<u>752.00</u>
Total assets	<u>\$ 273,055.21</u>
 <b>LIABILITIES:</b>	
Current liabilities:	
Unearned Revenue	\$ <u>82,799.30</u>
Total current liabilities	<u>82,799.30</u>
Total liabilities	<u>82,799.30</u>
 <b>NET POSITION:</b>	
Net investment in capital assets	752.00
Unrestricted	<u>189,503.91</u>
Total net position	<u>\$ 190,255.91</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales - reimbursable programs	\$ 232,005.66
Daily sales - non-reimbursable programs	<u>209,918.80</u>
Total operating revenues	<u>441,924.46</u>
OPERATING EXPENSES:	
Cost of sales-reimbursable programs	182,449.77
Cost of sales-non-reimbursable programs	88,650.00
Salaries	267,632.08
Employee benefits	87,002.25
Other purchase property services	24,479.73
Other purchase services	29,832.67
Supplies and materials	74,807.01
Miscellaneous	<u>1,152.65</u>
Total operating expenses	<u>756,614.16</u>
Operating (loss)	<u>(314,689.70)</u>
NON-OPERATING REVENUES (EXPENSES):	
State sources	
State school lunch program	10,249.32
Federal sources	
National school lunch program (cash assistance)	166,215.92
National school lunch program (non-cash assistance)	70,146.88
Supply Chain Assistance Funding	33,876.67
Local Food for Schools (LFS) Program	3,683.11
Prior year refund	18,973.31
Interest earned	<u>331.06</u>
Total non-operating revenues	<u>303,476.27</u>
Change in net position	(11,213.43)
Total net position - beginning	<u>201,469.34</u>
Total net position - ending	<u>\$ 190,255.91</u>

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

SOMERSET HILLS SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
Cash flows from operating activities:	
Receipts from customers (net)	\$ 426,097.51
Payments to vendors (net)	<u>(663,060.64)</u>
Net cash provided by (used for) operating activities)	<u>(236,963.13)</u>
Cash flows from noncapital financing activities:	
State sources	10,067.96
Federal sources - earned revenue	123,690.39
Federal sources- unearned revenue	91,092.52
Prior year refunds	18,973.31
Transfers from/(to) other funds	<u>(54,477.71)</u>
Net cash provided by noncapital financing activities:	<u>189,346.47</u>
Cash flows from investing activities:	
Interest earned	<u>331.06</u>
Net cash provided by investing activities	<u>331.06</u>
Net decrease in cash and cash equivalents	(47,285.60)
Cash and cash equivalents, July 1, 2023	<u>276,104.07</u>
Cash and cash equivalents, June 30, 2024	<u>\$ 228,818.47</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating (loss)	\$ (314,689.70)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	608.00
Federal commodities (non-cash assistance)	70,146.88
Change in assets and liabilities:	
Increase (decrease) in unearned revenue	(4,221.84)
(Increase) decrease in other accounts receivable	(16,357.61)
(Increase) decrease in inventories	<u>27,551.14</u>
Net cash provided by (used for) operating activities	<u>\$ (236,963.13)</u>

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

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Somerset Hills School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

**Reporting Entity**

The School District is a Type II District located in Somerset County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Somerset Hills School District is governed by a ten-member board, including nine individuals elected to three-year terms from the Boroughs of Bernardsville, Peapack & Gladstone and Far Hills, along with one appointed member from the Bedminster Board of Education. The Board is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discreetly presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary school, one intermediate school and a high school. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*District-Wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

*Fund Financial Statements:* During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements are presented for each fund category—governmental, proprietary, and fiduciary. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE as the oversight entity believes that the presentation of all funds as major is important for the public interest and to promote consistency among District financial reporting models.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Funds**

**General Fund** The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. Generally Accepted Accounting Principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements if the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to the current expense by Board resolution; in certain instances, approval by the County Superintendent of Schools may also be required.

**Special Revenue Fund** The special revenue fund is used to account for the proceeds of specific revenue sources from State and Federal Government (other than those for major capital projects, debt service or proprietary funds) and local appropriations that are restricted or committed to expenditures for specified purposes.

**Capital Projects Funds** The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are mainly derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on debt issued to finance major property acquisition, construction and improvement programs.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Funds**

**Enterprise Fund** The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service program operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (*i.e.* expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

**Basis of Accounting-Measurement Focus**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

District-Wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation for expenses versus expenditures. Ad valorem (property) taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting-Measurement Focus (Continued)**

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of general long-term debt, acquisitions under leases and installment purchase contracts are reported as other financing sources.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote in the annual base budget. Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the fiscal year ended June 30, 2025 totaled \$8,651.10, representing other allowable approved amendments. The negative variances related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial records.

**Encumbrance Accounting**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**Interfunds**

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available spendable resources.

**Inventories and Prepaid Expenses**

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

**Compensated Absences**

The District accounts for compensated absences (e.g., unused sick and vacation leave) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 101, "Compensated Absences." This statement was implemented for the fiscal year ended June 30, 2025, replacing the guidance previously provided by GASB Statement No. 16.

GASB 101 requires that a liability be recognized for leave that has been earned in exchange for services rendered and that has not yet been used, if (1) the leave is usable for time off or other compensation, and (2) it is more likely than not that the leave will be used or paid. This standard expands the recognition criteria to include certain types of leave that may not have previously met the vesting or accumulation requirements under GASB 16.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The compensated absences liability is calculated based on leave balances that are expected to be used or paid, consistent with the "more likely than not" threshold established under GASB 101. The District's calculation incorporates both the probability of leave usage and payout eligibility under existing employment agreements.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Fund Equity**

Fund balance restrictions in the Governmental Funds are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balances represent the amount available for future budgetary operations.

In the Enterprise Fund, unassigned net position represents the remains of the District's equity in the cumulative earnings of the food service fund.

**Unearned Revenue**

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and completely from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term debt is recognized as a liability on the fund financial statements when due.

**Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Restrictions**

Under GASB Statement 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Maintenance Reserve, Unemployment Insurance, Scholarships, Student Activities and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District does not report any amounts currently as Committed Fund Balance.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator. The District reports amounts Designated for Subsequent Year's Expenditures and Year-end Encumbrances as Assigned Fund Balance.

Unassigned – is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

The general fund is the only fund that will report a negative unassigned fund balance. For all other governmental funds, the amount of a residual deficit would be classified as assigned.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from property taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

**Proprietary Funds Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise funds are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates**

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

**Accounting and Financial Reporting for Pensions**

In the District-Wide Financial Statements for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting and Financial Reporting for Pensions (continued)**

In the Governmental Fund Financial Statements, the year-end Net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1<sup>st</sup> of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The Governmental Fund Financial Statements reflect both a revenue and expense for this pension contribution.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualify for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify in this category, deferred amounts related to pensions and deferred amounts from refunding debt.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

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.

**Right to Use Assets**

Right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized in a systematic and rational manner over the life of the related lease.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The District considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

**Deposits**

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). 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. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

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 District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2025, 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 \$11,206,030.56, \$250,000.00 was covered by Federal Depository Insurance and \$10,956,030.56 was covered under the provisions of NJGUDPA.

As of June 30, 2025, cash and cash equivalents of the District consisted of the following:

<b>Fund Type:</b>	<b>Bank <u>Balance</u></b>	<b>Reconciling Items:</b>		<b>Reconciled <u>Balance</u></b>
		<b><u>Additions</u></b>	<b><u>Deletions</u></b>	
Governmental	\$ 10,952,939.03	\$ 34,839.85	\$ 846,147.09	\$ 10,141,631.79
Proprietary	<u>253,091.53</u>	<u>-</u>	<u>89,109.53</u>	<u>163,982.00</u>
	<u>\$ 11,206,030.56</u>	<u>\$ 34,839.85</u>	<u>\$ 935,256.62</u>	<u>\$ 10,305,613.79</u>

**Investments**

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. 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. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 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. 18A:2037. These funds are also required to be rated by a nationally recognized statistical rating organization.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
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. § 270a7 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. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2025, the District had no outstanding investments that were not considered "cash equivalents".

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	As Restated Beginning <u>Balance</u>	<u>Additions</u>	Adjustments/ <u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,980,000.00			\$ 1,980,000.00
Construction in progress	106,875.81	\$ 1,283,687.48	\$ (1,222,165.00)	168,398.29
Total Capital Assets not being depreciated	<u>2,086,875.81</u>	<u>1,283,687.48</u>	<u>(1,222,165.00)</u>	<u>2,148,398.29</u>
Site Improvements	6,393,891.00	-	1,148,976.00	7,542,867.00
Buildings & Building Improvements	83,942,006.00	-	-	83,942,006.00
Machinery & Equipment	4,511,238.00	-	73,189.00	4,584,427.00
Totals at historical cost	<u>94,847,135.00</u>	<u>-</u>	<u>1,222,165.00</u>	<u>96,069,300.00</u>
Gross Assets (Memo only)	<u>96,934,010.81</u>	<u>1,283,687.48</u>	<u>-</u>	<u>98,217,698.29</u>
Less: Accumulated Depreciation				
Site Improvements	(3,566,451.00)	(291,422.00)		(3,857,873.00)
Buildings & Building Improvements	(34,190,285.00)	(1,991,273.00)		(36,181,558.00)
Machinery & Equipment	(2,683,675.00)	(311,168.00)		(2,994,843.00)
Total Depreciation	<u>(40,440,411.00)</u>	<u>(2,593,863.00)</u>	<u>-</u>	<u>(43,034,274.00)</u>
Total capital assets being depreciated, net of depreciation	<u>54,406,724.00</u>	<u>(2,593,863.00)</u>	<u>1,222,165.00</u>	<u>53,035,026.00</u>
Total Governmental Fund Activities	<u>\$ 56,493,599.81</u>	<u>\$ (1,310,175.52)</u>	<u>\$ -</u>	<u>\$ 55,183,424.29</u>
Proprietary Activities:				
Machinery & Equipment	\$ 452,409.00	\$ 25,690.00	-	\$ 478,099.00
Totals at historical cost	<u>452,409.00</u>	<u>25,690.00</u>	<u>-</u>	<u>478,099.00</u>
Less: Accumulated Depreciation				
Machinery & Equipment	(451,657.00)	(3,372.00)		(455,029.00)
Total Depreciation	<u>(451,657.00)</u>	<u>(3,372.00)</u>	<u>-</u>	<u>(455,029.00)</u>
Total Proprietary Fund Activities	<u>\$ 752.00</u>	<u>\$ 22,318.00</u>	<u>\$ -</u>	<u>\$ 23,070.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

Depreciation expense for governmental activities was charged to the functional expense areas of the District as follows:

Instruction:	
Regular	30,138.00
Support Services:	
Student & Instruction Related Services	68,030.00
General Administrative Services	2,005.00
School Administrative Services	45,642.00
Plant Operations and Maintenance	63,967.00
Pupil Transportation	101,386.00
Direct Expense of Various Functions	<u>2,282,695.00</u>
	<u><u>\$ 2,593,863.00</u></u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 4: RIGHT TO USE LEASE ASSETS**

The District has recorded the following right to use lease assets. The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the long-term debt section of these notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases. Right to use lease asset activity for the Government Funds for the year ended June 30, 2025 was as follows:

**GOVERNMENTAL ACTIVITIES:**

	Balance as of 6/30/2024 <u>(As Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance as of 6/30/2025
<b>Lease Assets</b>				
<b>Equipment:</b>				
Energy savings improvement equip.	\$1,070,192.85		(0.15)	\$1,070,193.00
TD Bank - Chromebooks	131,600.00			131,600.00
Konica Minolta Photocopiers/Printers	370,505.81		(0.19)	370,506.00
Pitney Bowes mail equipment BMS	4,063.00			4,063.00
Pitney Bowes mail equipment 1 BHS	9,583.08		0.08	9,583.00
Pitney Bowes mail equipment 2 BOE	6,674.26		6,674.26	-
29 Passenger Bus and IT Equip Sep't '24		220,563.00		220,563.00
300 Chromebooks		116,200.00		116,200.00
24 Passenger Bus and IT Equip July '23	234,060.00			234,060.00
Photocopiers from 5/28/24	229,328.00			229,328.00
Photocopiers from 9/28/24		31,813.00		31,813.00
<b>Total Lease Assets</b>	<u>2,056,007.00</u>	<u>368,576.00</u>	<u>6,674.00</u>	<u>2,417,909.00</u>
<b>Lease Accumulated Amortization</b>				
<b>Equipment:</b>				
Energy savings improvement equip.	775,710.00	258,570.00	-	1,034,280.00
TD Bank - Chromebooks	31,346.00	32,900.00		64,246.00
Konica Minolta Photocopiers/Printers	188,496.00	75,314.00	-	263,810.00
Pitney Bowes mail equipment BMS	666.00	812.00		1,478.00
Pitney Bowes mail equipment 1 BHS	3,252.00	1,948.00	-	5,200.00
Pitney Bowes mail equipment 2 BOE	5,596.00	1,078.00	6,674.00	-
29 Passenger Bus and IT Equip Sep't '24		41,327.00		41,327.00
300 Chromebooks		29,023.00		29,023.00
24 Passenger Bus and IT Equip July '23	54,688.00	57,399.00		112,087.00
Photocopiers from 5/28/24	4,273.00	46,617.00		50,890.00
Photocopiers from 9/28/24		4,904.00		4,904.00
<b>Total Lease Accumulated Amortization</b>	<u>1,064,027.00</u>	<u>549,892.00</u>	<u>6,674.00</u>	<u>1,607,245.00</u>
<b>Total Governmental Lease Assets, Net</b>	<u>\$ 991,980.00</u>	<u>\$(181,316.00)</u>	<u>\$ -</u>	<u>\$ 810,664.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 5: INTANGIBLE ASSETS**

The District has recorded the following intangible assets. The assets are for various subscription-based information technology arrangements (“SBITAs”). These agreements are discussed in the SBITAs subsection of the long-term liabilities section of these notes. The intangible assets are amortized on a straight-line basis over the terms of the related agreement. Intangible asset activity for the Government Funds for the year ended June 30, 2025 was as follows:

**GOVERNMENTAL ACTIVITIES:**

	Balance as of June 30, 2024	Additions	Reductions	Balance as of June 30, 2025
Subscription Assets				
Software				
Andrews Network Enterprises- FilteredNet	57,435.00		-	57,435.00
Capstone / PebbleGo Health Educator	5,230.00			5,230.00
Curriculum Associates / Ellevation Platform	6,500.00		6,500.00	-
Netrix Corporation		24,394.00	-	24,394.00
Port53 / KnowBe4 - Security Awareness	15,215.00		15,215.00	-
SHI International Corp / ViVi Signage Subscription	705.00			705.00
SHI International Corporation / Vmware vSphere Host	1,193.00			1,193.00
Titan Technologies	19,500.00			19,500.00
TurnItIn / Feedback Studio	18,884.00			18,884.00
Instructional Empowerment	8,033.00		8,033.00	-
WhiteRock Microsoft EES	-	61,008.00	-	61,008.00
Total Subscription Assets	<u>132,695.00</u>	<u>85,402.00</u>	<u>29,748.00</u>	<u>188,349.00</u>
	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2023
Subscription Accumulated Amortization				
Software				
Andrews Network Enterprises- FilteredNet	19,145.00	19,145.00		38,290.00
Capstone / PebbleGo Health Educator	2,963.00	1,743.00		4,706.00
Curriculum Associates / Ellevation Platform Copy	5,958.00	542.00	6,500.00	-
Netrix Corporation	1,148.00	6,885.00	8,033.00	-
Port53 / KnowBe4 - Security Awareness	10,740.00	4,475.00	15,215.00	-
SHI International Corp / ViVi Signage Subscription	445.00	236.00		681.00
SHI International Corporation / Vmware vSphere Host	548.00	398.00		946.00
Titan Technologies	5,038.00	6,500.00		11,538.00
TurnItIn / Feedback Studio	11,348.00	6,295.00		17,643.00
Netrix Corporation		5,556.00		5,556.00
WhiteRock Microsoft EES	-	20,335.00		20,335.00
Total Subscription Accumulated Amortization	<u>57,333.00</u>	<u>72,110.00</u>	<u>29,748.00</u>	<u>99,695.00</u>
Total Governmental Subscription Assets, Net	<u>\$ 75,362.00</u>	<u>\$ 13,292.00</u>	<u>\$ -</u>	<u>\$ 88,654.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES**

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Statutorily, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2025:

	As Restated Balance, <u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2025</u>	Due Within <u>One Year</u>
Bonds Payable	\$ 10,919,000.00	\$ -	\$ 2,595,000.00	\$ 8,324,000.00	\$ 2,980,000.00
Compensated Absences	2,385,850.22	\$ 393,934.58		2,779,784.80	821,576.52
Net Pension Liability	8,177,343.00		908,342.00	7,269,001.00	
Intangible SBITA Payable	47,148.00	85,402.00	56,471.00	76,079.00	47,612.00
Right to Use Leases Payable	1,022,281.00	368,576.00	574,366.00	816,491.00	310,676.00
Installment Purchase Contracts Payable	208,283.34	-	67,379.83	140,903.51	68,190.11
<b>Total</b>	<b>\$ 22,759,905.56</b>	<b>\$ 847,912.58</b>	<b>\$ 1,606,558.83</b>	<b>\$ 19,406,259.31</b>	<b>\$ 4,228,054.63</b>

\* In accordance with GASB Statement No. 101, the change in compensated absences is presented on a net basis

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

**Debt Capacity**

Under New Jersey Statutes the District may incur debt in an amount not to exceed 4% of the average equalized valuation basis of real property. For the fiscal year ended June 30, 2025, the District borrowing capacity under N.J.S. 18A:24-19 is as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2024	\$ 4,014,652,080.00
2023	3,785,579,911.00
2022	3,609,282,781.00
	<u>\$ 11,409,514,772.00</u>
Average equalized valuation	<u>\$ 3,803,171,590.67</u>
School borrowing margin (4% of \$3,803,171,590.67)	\$ 152,126,863.63
Net school debt as of June 30, 2025	<u>8,324,000.00</u>
School borrowing power available	<u>\$ 143,802,863.63</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

Debt Service Requirements:

The annual requirements to amortize all debt outstanding as of June 30, 2025, including interest payments on issued debt, are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,980,000.00	\$ 276,770.00	\$ 3,256,770.00
2027	1,400,000.00	166,420.00	1,566,420.00
2028	1,445,000.00	119,520.00	1,564,520.00
2029	1,505,000.00	71,270.00	1,576,270.00
2030	500,000.00	20,445.00	520,445.00
2031	<u>494,000.00</u>	<u>7,410.00</u>	<u>501,410.00</u>
	<u>\$ 8,324,000.00</u>	<u>\$ 661,835.00</u>	<u>\$ 8,985,835.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2025</u>
\$11,775,000.00 in 2021 Refunding Bonds due in remaining annual installments ranging between \$935,000.00 and \$2,530,000.00 beginning March 15, 2023 and ending March 15, 2029 with interest at 4.0%	\$ 5,430,000.00
\$5,829,000.00 in 2016 School Bonds due in remaining annual installments ranging between \$260,000.00 and \$500,000.00 beginning September 15, 2020 and ending September 15, 2030 with interest at 1.0% to 3.0%	<u>2,894,000.00</u>
	<u>\$ 8,324,000.00</u>

**Installment Purchase Contracts Payable**

The District has entered into several installment purchase agreements for technology, a telephone system and buses totaling \$340,028.99. The agreements are for terms of up to seven years. Future annual debt service payments on installment purchases as of June 30, 2025, including interest of \$2,574.53 are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2026	68,190.11	1,706.59	69,896.70
2027	69,028.76	867.94	69,896.70
2028	<u>3,684.64</u>	<u>-</u>	<u>3,684.64</u>
Totals	<u>\$140,903.51</u>	<u>\$2,574.53</u>	<u>\$143,478.04</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

**Leases Payable:**

For the year ended 6/30/2025, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

As of 06/30/2025, Somerset Hills Regional School District, NJ had 11 active leases. The leases have payments that range from \$858 to \$296,773 and interest rates that range from 0.0000% to 5.1400%. As of 06/30/2025, the total combined value of the lease liability is \$816,491, the total combined value of the short-term lease liability is \$310,676. The combined value of the right to use asset, as of 06/30/2025 of \$2,417,909 with accumulated amortization of \$1,607,247 is included within the Lease Class activities table found below. The leases had \$0 of Variable Payments and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 310,676.00	\$ 22,149.00	\$ 332,825.00
2027	237,749.00	14,817.00	252,566.00
2028	176,529.00	7,577.00	184,106.00
2029	90,477.00	1,934.00	92,411.00
2030	1,060.00		1,060.00
Totals	<u>\$ 816,491.00</u>	<u>\$ 46,477.00</u>	<u>\$ 862,968.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

**Subscription-Based Information Technology Agreements Payable (“SBITAs”):**

For the year ended 6/30/2025, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

As of 06/30/2025, Somerset Hills Regional School District, NJ had 11 active subscriptions. The subscriptions have payments that range from \$240 to \$20,336 and interest rates that range from 0.0000% to 3.2380%. As of 06/30/2025, the total combined value of the subscription liability is \$76,080, and the total combined value of the short-term subscription liability is \$47,612. The combined value of the right to use asset, as of 06/30/2025 of \$188,348 with accumulated amortization of \$99,695 is included within the Subscription Class activities table found below. The subscriptions had \$0 of Variable Payments and \$0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

The future minimum subscription obligations and the net present value of the minimum payments as of June 30, 2025, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 47,612.00	\$ -	\$ 47,612.00
2027	28,467.00		\$ 28,467.00
	<u>\$ 76,079.00</u>	<u>\$ -</u>	<u>\$ 76,079.00</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 7: PENSION PLANS**

**Description of Plans** All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund (TPAF)** The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)** The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System 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 or local jurisdiction.

**Defined Contribution Retirement Program (DCRP)** The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. Beginning with the July 1, 2020 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**Vesting and Benefit Provisions** The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Contribution Requirements** The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

As of April 1, 2018 employee contributions rates were increased to 7.50%

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts).

Three Year Trend Information for PERS

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2025	\$727,925.00	100.00%	\$727,925.00
2024	754,554.00	100.00%	754,554.00
2023	678,910.00	100.00%	678,910.00

During the fiscal years ended June 30, 2025, 2024 and 2023, the State of New Jersey contributed \$5,920,812.00, \$6,204,525.00, and \$6,088,918.00 respectively to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2025, 2024 and 2023, the State of New Jersey reimbursed the District \$1,332,337.81, \$1,300,962.70 and \$1,238,204.00 respectively for the employer's share of social security for TPAF members, as calculated on their base salaries.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS – GASB 68**

**Public Employees Retirement System (PERS)**

At June 30, 2025, the State reported a net pension liability of \$7,269,001.00 for the District'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 District's proportion of the net pension liability was based on a projection of the District'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 District's proportion was 0.0534955574 percent, which was a decrease of 0.0029607547 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized a pension expense of \$408,805.00 in the government-wide financial statements. This pension expense was based on the pension plan's June 30, 2023 measurement date

At June 30, 2025, the District 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	\$ 145,611.00	\$ 19,352.00
Changes of assumptions	9,030.00	82,705.00
Net difference between projected and actual earnings on pension plan investments		337,044.00
Changes in proportion and differences between District contributions and proportionate share of contributions	379,788.00	383,770.00
District contributions subsequent to the measurement date	<u>811,352.00</u>	<u>                    </u>
	<u>\$ 1,345,781.00</u>	<u>\$ 822,871.00</u>

The \$811,352.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2025, the plan measurement date is June 30, 2024) will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68 (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2025	(\$309,420.40)
2026	238,007.60
2027	(138,185.40)
2028	(80,110.40)
2029	1,266.60
	<u>(\$288,442.00)</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	
Through 2026	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.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

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% 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 Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Market 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. Treasury's	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 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.

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

The following presents the District's proportionate share of the net pension liability of the participating employers as of June 30, 2024 respectively, calculated using the discount rate as disclosed above as well as what the District'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% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District's proportionate share of the pension liability	\$9,658,715.00	\$7,269,001.00	\$5,235,367.00

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Special Funding Situation**

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. 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, 2025, 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 District under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the District 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 District related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the District as of the measurement date June 30, 2024 was 0.0537427105% which was a decrease of 0.0029279494 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 measurement dates June 30, 2024 and June 30, 2023 was \$23,435.00 and \$25,502.00, 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>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF)**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2024 was as follows:

Net Pension Liability:	
Districts proportionate share	\$-0-
State's proportionate share associated with the District	71,963,224.00
	\$71,963,224.00

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 which was rolled forward to June 30, 2024. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2024, the proportion of the TPAF net pension liability associated with the District was .1456005434% which was a decrease of .0033434088 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized on-behalf pension benefit and revenue of \$262,511.00 in the government-wide financial statements for contributions provided by the State. This pension benefit and revenue was based on the pension plans June 30, 2024 measurement date.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (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 was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75%-5.65%
	Based on Years of Service
Investment Rate of Return	7.00%

**Mortality Rate**

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% 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 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% 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.

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Long-Term Expected Rate of Return (Continued)**

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF'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. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Market 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 will be based on 100% of the actuarially determined contributions for the State. 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.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

**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 Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 by visiting <http://www.state.nj.us/treasury/pensions>.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75**

**Plan Description and Benefits Provided**

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, which is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating 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. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). 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.

**Employees Covered by Benefit Terms**

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	29,185
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	153,556
Inactive Plan Members or Beneficiaries Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>372,741</u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**Total Non-Employer OPEB Liability**

The portion of the total Non-Employer OPEB Liability that was associated with the District at June 30, 2025 was as follows:

Total OPEB Liability:	
District's Proportionate Share	\$-0-
State's Proportionate Share associated with the District	75,056,862
	75,056,862
	\$75,056,862

The total Non-Employer OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024.

The total Non-Employer OPEB liability was determined separately based on actual data of the District.

For the year ended June 30, 2025, the District recognized on-behalf post-employment expense and revenue of \$2,889,410.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2024 measurement date.

At June 30, 2025, the District's proportion was .1258274411 percent, which was an increase of .0019895532% from its proportion measured as of June 30, 2023.

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the District did not recognize any portion of the collective Non-Employer OPEB liability on the Statement of Net Position.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**Actuarial Assumptions and Other Inputs**

The total Non-Employer OPEB liability that was associated with the District as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. 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:

	<u>June 30, 2024</u>		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Inflation – 2.5%			
Salary Increases	2.75-5.65%*	2.75-6.55%*	3.25-16.25%*

\*- Based on Years of Service

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

**Health Care Trend Assumptions**

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 19.36% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 22.88% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.25% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.93%. This represents the municipal bond return rate as chosen by the Division. 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.

**Changes in the Total Non-Employer OPEB Liability**

Shown below are details regarding The Total OPEB non-employer Liability associated with the District for the measurement period from June 30, 2023 to June 30, 2024.

Balance at 6/30/23		\$64,843,584
Changes for the year:		
Service cost	\$2,761,452	
Interest	2,470,694	
Differences between expected and actual experience	1,188,179	
Changes in assumptions or other inputs	5,615,252	
Membership Contributions	64,610	
Benefit payments - Net	<u>(1,886,909)</u>	
Net changes		<u>10,213,278</u>
Balance at 6/30/24		<u><u>\$75,056,862</u></u>

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate**

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00%</u> <u>Decrease (2.93%)</u>	<u>At Discount</u> <u>Rate (3.93%)</u>	<u>1.00%</u> <u>Increase (4.93%)</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$87,907,660	\$75,056,862	\$64,722,153

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends**

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2024, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1.00%</u> <u>Increase</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$62,522,912	\$75,056,862	\$91,383,158

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability**

At June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the District from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 8,026,447	\$ 14,016,808
Changes of assumptions	12,589,008	14,674,761
Changes in proportion	<u>2,809,181</u>	<u>1,025,214</u>
	<u>\$ 23,424,636</u>	<u>\$ 29,716,783</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability associated with the District will be recognized in OPEB expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Amount</u>
2025	(\$2,305,562)
2026	(\$1,875,607)
2027	(\$703,526)
2028	\$635,463
2029	(\$1,578,088)
Total Thereafter	<u>(\$464,829)</u>
	<u>(\$6,292,147)</u>

In accordance with GASBS No. 75, the District's proportionate share of school retirees' OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 9: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**

**State Health Benefit Local Education Retired Employee Plan Information**

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**NOTE 10: LITIGATION**

The Board attorney's letter advises that the District is a defendant in two complaints served on the District on November 11, 2021 and November 22, 2021. The plaintiffs in each case demand in excess of fifty (50) million dollars each, exclusive of prejudgment interest, costs and damages for pre-judgment delay, attorneys' fees, punitive damages, and such other and further legal and equitable relief as the Court deems appropriate. The attorney anticipates, based on prior experience, that the exposure to the District is expected to be between \$50,000 and \$500,000 for one case and between \$100,000 and \$600,000 for the other case. If there's any evidence that the District had knowledge of the abuse at the time, then that would dramatically shift the exposure upwards and potentially into the seven-figure range per case. There are also 4 litigation cases open concerning special education placement disputes with estimated potential losses totaling \$200,000 to \$400,000 in tuition reimbursements.

**NOTE 11: CONTINGENCIES**

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2024-2025 fiscal year were subject to the Federal Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000.00. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 12: RISK MANAGEMENT**

The District 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.

**Property and Liability Insurance** The District maintains insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Claims have not exceeded the insurance coverage in any of the past three fiscal years.

**New Jersey Unemployment Compensation Insurance** The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s fiduciary trust fund for the current and previous two years:

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Earned</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2025	\$ 38.08	\$ 42,514.11	\$ 74,975.24	\$ 20,781.89
2024	56.40	40,095.93	74,860.69	53,204.94
2023	101.73	38,601.78	100,595.57	87,913.30

**NOTE 13: COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g. unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement No. 101 (GASB 101), “Compensated Absences”. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District’s personnel policy. Upon termination, employees are paid for accrued vacation. The District’s policy permits employees to accumulate unused sick leave and carry forward the amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the Districts agreements with the various employee unions.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 13: COMPENSATED ABSENCES (CONTINUED)**

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2025, a liability existed for compensated absences for governmental fund-types in the district- wide Statement of Net Position of \$2,779,784.80

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2025, no liability existed for compensated absences in the proprietary funds.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

**NOTE 14: FUND BALANCE APPROPRIATED - GAAP BASIS**

**General Fund** Of the \$10,833,816.84 in General Fund Balance at June 30, 2025, \$185,984.32 has been assigned for encumbrances; \$5,237,262.20 has been restricted in the Capital Reserve account; \$1,417,401.57 has been restricted for maintenance reserve; \$556,899.70 has been assigned and included as anticipated revenue for the year ended June 30, 2025; \$20,781.89 has been restricted for unemployment compensation; \$1,166,181.30 has been restricted for excess surplus for the prior year and is restricted and included as anticipated revenue for the year ended June 30, 2026; \$1,154,028.75 has been restricted for excess surplus and \$1,095,277.11 is unassigned.

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 15: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS**

**Calculation of Excess Surplus** In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2025 is \$1,154,028.75 as calculated below:

General Fund Expenditures For the Fiscal Year Ended June 30, 2025	\$54,591,733.18
Less:	
On-behalf TPAF Pension and Social Security Reimbursement	(9,080,401.81)
Assets Acquired Under Right to Use Leases	<u>(368,576.00)</u>
Adjusted General Fund Expenditures	\$45,142,755.37
Excess Surplus Percentage	<u>2.00%</u>
2% of Adjusted 2024-2025 General Fund Expenditures	902,855.11
Add: Allowable Adjustments	<u>427,685.00</u>
Maximum Unassigned Fund Balance	1,330,540.11
Actual Unassigned Fund Balance (Budgetary)	2,484,568.86
Excess Surplus	<u><u>\$1,154,028.75</u></u>

Based on the above calculation as of June 30, 2025, \$1,154,028.75 is reported as Restricted Fund Balance-Excess Surplus

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 16: INTERFUND RECEIVABLES AND PAYABLES**

There were interfund balances remaining on the District's balance sheet at June 30, 2025 as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 3,934.00	5,850.00
Special Revenue Fund		\$ 1,934.23
Debt Service Fund		1,999.77
Enterprise Funds	5,850.00	
	<u>\$ 9,784.00</u>	<u>\$ 9,784.00</u>

All interfund balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received. All interfund balances are to be liquidated within one year.

**NOTE 17: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long-Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve during the year ended June 30, 2025, is as follows:

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 17: CAPITAL RESERVE ACCOUNT (CONTINUED)**

Balance, July 1, 2024	\$ 5,491,427.30
Interest Earnings	32,234.75
Deposits:	
By Board Resolution	1,011,700.00
Return of Unused Withdrawal	422,500.15
	6,957,862.20
Withdrawals:	
Budgeted	1,720,600.00
	\$ 5,237,262.20

**NOTE 18: MAINTENANCE RESERVE ACCOUNT**

A maintenance reserve account was established by the District for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with EFCFA (N.J.S.A. 18A:7G-9). The passage of S1701 also impacts deposits into maintenance reserve. EFCFA requires that upon the district completion of school facilities project, the district must submit a plan for the maintenance of that facility. The activity of the maintenance reserve during the year ended June 30, 2025 is as follows:

Balance, July 1, 2024	\$ 1,167,401.57
Deposits:	
By Board Resolution	250,000.00
	1,417,401.57
Balance, June 30, 2025	\$ 1,417,401.57

**Somerset Hills School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2025**

**NOTE 19: INVENTORY**

Inventory in the Food Service Fund at June 30, 2025 consisted of the following:

Food	<u>\$3,244.68</u>
Total Inventory	<u>\$3,244.68</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

**NOTE 20: SUBSEQUENT EVENTS**

The District has evaluated material subsequent events occurring after the financial statement date through December 18, 2025, which is the date the financial statements were available to be issued. The District has determined that there are no material subsequent events that are needed to be disclosed.

**NOTE 21: PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS**

The District had a restatement of their prior year net position due to a change in capital assets, change in compensated absences due to GASB 101 enactment, change in installment purchase contract liability, and changes in treatment of right to use lease assets and liabilities. The District restated their net position as indicated below to appropriately reflect the June 30, 2024 balances:

	Governmental Activities
Beginning Net Position June 30, 2024	\$ 45,612,359.17
Adjustments:	
Capital Assets, Net of Accumulated Depreciation	(148,360.46)
Compensated Absences Liability	59,936.00
Installment Purchase Contract Liability	183,145.02
Right to Use Lease Asset	404,427.00
Right to Use Lease Liability	<u>(404,829.00)</u>
Beginning Net Position 6/30/2024 (As restated)	\$ <u>45,706,677.73</u>

**APPENDIX C**

**Form of Bond Counsel's Approving Legal Opinion**

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

\_\_\_\_\_, 2026

The Board of Education of the  
Somerset Hills Regional School District  
Bernardsville, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$38,024,000 aggregate principal amount of School Bonds, Series 2026 (the “Bonds”) of The Board of Education of the Somerset Hills Regional School District in the County of Mercer, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on November 19, 2025 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on March 10, 2026 and (iii) a resolution duly adopted by the Board on March 18, 2026 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing October 1, 2026 and semi-annually thereafter on the first day of April and October in each year until maturity or prior redemption, and shall mature on April 1 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2028	\$1,574,000		2038	\$2,200,000	
2029	1,100,000		2039	2,200,000	
2030	1,825,000		2040	2,200,000	
2031	1,845,000		2041	2,200,000	
2032	1,860,000		2042	2,200,000	
2033	1,880,000		2043	2,200,000	
2034	1,915,000		2044	2,200,000	
2035	1,995,000		2045	2,200,000	
2036	2,075,000		2046	2,200,000	
2037	2,155,000				

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court

decisions, interest on the Bonds is not includable for federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

[The Bonds maturing on April 1 in the years 20\_\_ through 20\_\_, inclusive (the “[Premium] Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on April 1 in the years 20\_\_ through 20\_\_, inclusive (the “[Discount] Bonds”) and their respective initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the [Discount] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each [Discount] Bond and the basis of each [Discount] Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

Except as stated in the preceding paragraphs, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

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

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**Form of Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of \_\_\_\_\_, 2026 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Somerset Hills Regional School District in the County of Somerset, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$38,024,000 aggregate principal amount of School Bonds, Series 2026 dated their date of delivery (the "Bonds"). The Bonds are being issued by virtue of a proposal adopted by the Board on November 19, 2025 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on March 10, 2026 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$38,024,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2026 OF THE BOARD OF EDUCATION OF THE SOMERSET HILLS REGIONAL SCHOOL DISTRICT IN THE COUNTY OF SOMERSET, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on March 18, 2026 (the "Bond Resolution"). The Board covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an "Obligated Person" under the Rule (as defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

*"Annual Report"* shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

*"Continuing Disclosure Information"* shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Board with EMMA pursuant to Section 5 of this Disclosure Agreement.

*"Disclosure Representative"* shall mean the Assistant Superintendent for Business/Board Secretary of the Board or his/her designee, or such other person as the

Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

*“Dissemination Agent”* shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

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

*“Listed Events”* shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

*“MSRB”* shall mean the Municipal Securities Rulemaking Board.

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

*“SEC”* shall mean the United States Securities and Exchange Commission.

*“SEC Release No. 34-59062”* shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

*“State”* shall mean the State of New Jersey.

*“Underwriters”* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

**SECTION 3. Provision of Annual Reports.** (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2026 (for the fiscal year ending June 30, 2026), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further,

that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2027) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

**SECTION 4. Content of Annual Reports.** The Board's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Board (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated April 21, 2026, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final

official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

**SECTION 5. Reporting of Significant Events.** (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Ratings changes rating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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 for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

**SECTION 6.** Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting

obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

**SECTION 7. Dissemination Agent; Compensation.** The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of

communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 13. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the  
Somerset Hills Regional School District  
25 Olcott Avenue  
Bernardsville, New Jersey 07924  
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the  
Somerset Hills Regional School District  
25 Olcott Avenue  
Bernardsville, New Jersey 07924  
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

**SECTION 14. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**SECTION 15. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

**SECTION 16. Governing Law.** This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE  
SOMERSET HILLS REGIONAL SCHOOL  
DISTRICT IN THE COUNTY OF SOMERSET,  
NEW JERSEY**

By: \_\_\_\_\_  
**RICHARD D. LIGUORI,**  
**Business Administrator/Board Secretary**

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the  
Somerset Hills Regional School District  
in the County of Somerset, New Jersey

Name of Issue: \$38,024,000 School Bonds, Series 2026  
Dated: \_\_\_\_\_, 2026  
(CUSIP Number: 834735\_\_\_)

Date of Issuance: \_\_\_\_\_, 2026

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of \_\_\_\_\_, 2026 executed by the Board.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Board)

cc: The Board

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