

## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 12, 2025

**NEW ISSUE – Book-Entry Only**

**Rating: S&P: “AA+”  
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.*

**\$24,770,000**  
**SCHOOL BONDS, SERIES 2025B**  
**THE BOARD OF EDUCATION OF THE**  
**SCOTCH PLAINS-FANWOOD SCHOOL DISTRICT**  
**IN THE COUNTY OF UNION, NEW JERSEY**  
**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**  
**CALLABLE**

**Dated: Date of Delivery**

**Due: October 15, as shown on inside cover**

The \$24,770,000 aggregate principal amount of School Bonds, Series 2025B (the “Bonds”) of The Board of Education of the Scotch Plains-Fanwood School District in the County of Union, 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 fifteenth day of April and October in each year, commencing April 15, 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 April 1 and October 1 (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 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 December 3, 2025.

**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 STANDARD TIME ON NOVEMBER 19, 2025. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT [WWW.MUNIHub.COM](http://WWW.MUNIHub.COM).**

**\$24,770,000**  
**THE BOARD OF EDUCATION OF THE**  
**SCOTCH PLAINS-FANWOOD SCHOOL DISTRICT**  
**IN THE COUNTY OF UNION, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2025B**

**(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>(October 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2026	\$1,050,000			809197__
2027	865,000			809197__
2028	890,000			809197__
2029	925,000			809197__
2030	960,000			809197__
2031	1,000,000			809197__
2032	1,040,000			809197__
2033	1,085,000			809197__
2034	1,130,000			809197__
2035	1,175,000			809197__
2036	1,225,000			809197__
2037	1,275,000			809197__
2038	1,320,000			809197__
2039	1,375,000			809197__
2040	1,425,000			809197__
2041	1,480,000			809197__
2042	1,550,000			809197__
2043	1,625,000			809197__
2044	1,675,000			809197__
2045	1,700,000			809197__

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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  
SCOTCH PLAINS-FANWOOD SCHOOL DISTRICT  
IN THE COUNTY OF UNION, NEW JERSEY**

**BOARD MEMBERS**

President – Evan Murray  
Vice President – Tonya Williams

Sonali Barve  
Nancy Bauer  
Jason Benedict  
Amy Boroff  
Debora Brody  
Karen Kulikowski  
Stephanie Suriani

**SUPERINTENDENT**

Dr. Joan Mast

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Christopher Jones

**BOARD ATTORNEY**

The Busch Law Group, LLC  
Metuchen, New Jersey

**BOARD AUDITOR**

Nisivoccia LLP  
Mount Arlington, 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.

## TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF THE BONDS .....	1
BOOK-ENTRY ONLY SYSTEM.....	4
THE SCHOOL DISTRICT AND THE BOARD .....	6
THE STATE'S ROLE IN PUBLIC EDUCATION .....	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY .....	7
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT.....	8
SUMMARY OF STATE AID TO SCHOOL DISTRICTS.....	11
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	12
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES .....	12
FINANCIAL STATEMENTS .....	17
MUNICIPAL ADVISOR .....	17
LITIGATION .....	17
TAX EXEMPTION .....	17
RISK TO HOLDERS OF BONDS .....	19
RECENT HEALTHCARE DEVELOPMENTS .....	20
APPROVAL OF LEGAL PROCEEDINGS .....	21
PREPARATION OF OFFICIAL STATEMENT .....	21
RATING.....	22
UNDERWRITING .....	22
SECONDARY MARKET DISCLOSURE .....	22
ADDITIONAL INFORMATION .....	23
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT .....	23
MISCELLANEOUS.....	23
APPENDIX A	
Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities .....	A-1
APPENDIX B	
Excerpts from Financial Statements of The Board of Education of the Scotch Plains-Fanwood School District for the Fiscal Year Ending June 30, 2025 .....	B-1
APPENDIX C	
Form of Bond Counsel's Approving Legal Opinion .....	C-1
APPENDIX D	
Form of Continuing Disclosure Certificate .....	D-1

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**OFFICIAL STATEMENT**  
**OF**  
**THE BOARD OF EDUCATION OF THE**  
**SCOTCH PLAINS-FANWOOD SCHOOL DISTRICT**  
**IN THE COUNTY OF UNION, NEW JERSEY**

**\$24,770,000**  
**SCHOOL BONDS, SERIES 2025B**  
**(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 Scotch Plains-Fanwood School District in the County of Union, 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 \$24,770,000 aggregate principal amount of School Bonds, Series 2025B (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 October 15 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 fifteenth day of April and October (each an "Interest Payment Date"), commencing on April 15, 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 April 1 and October 1 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 October 15, 2033 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after October 15, 2033 are redeemable at the option of the Board in whole or in part on any date on or after October 15, 2032 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 21, 2024 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on January 28, 2025 and (iii) a resolution duly adopted by the Board on October 16, 2025 (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 nine (9) member board with members 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 serving the Township of Scotch Plains and the Borough of Fanwood (the "Constituent Municipalities") and provides a full range of educational services appropriate to pre-kindergarten ("Pre-K") through grade twelve (12), including regular and special education programs for the Constituent Municipalities. The School District operates five (5) elementary schools, two (2) middle schools 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.

### **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**

Excerpts from 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 compiled by Nisivoccia LLP, Mount Arlington, New Jersey, an independent auditor (the "Board Auditor"), as stated in its Accountants Compilation Report appearing in APPENDIX B to this Official Statement. See "APPENDIX B – Excerpts from Financial Statements of The Board of Education of the Scotch Plains-Fanwood 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 except as previously stated.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **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. 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.

## **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 October 15 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 October 15 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. 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.

### **RECENT HEALTHCARE DEVELOPMENTS**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to mitigate the spread

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

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

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by the President of the United States on March 11, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Plan, in part, provides funding for State and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Board.

The Board has been awarded a total of \$2,010,252 in federal aid to address the effects of the COVID-19 pandemic.

#### **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 School District 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 prepared the unaudited economic, demographic and statistical data contained in APPENDIX A from reliable sources but has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto; takes responsibility for the Audited Financial Statements presented in APPENDIX B to the extent specified in its Independent Auditors Report; and has not participated in the preparation of this Official Statement.

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**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA+" 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, 2025 (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").

The Board currently does not have undertakings with regards to continuing disclosure for prior obligations issued. The Board appointed Phoenix Advisors, Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required with respect to future obligations.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Christopher Jones, (908) 232-6161 or to Charles Anthony Solimine, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6430.

### **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 SCOTCH PLAINS-  
FANWOOD SCHOOL DISTRICT IN THE COUNTY OF UNION,  
NEW JERSEY**

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**CHRISTOPHER JONES,  
Business Administrator/Board Secretary**

**DATED: \_\_\_\_\_, 2025**

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## **APPENDIX A**

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATISTICAL INFORMATION TABLE OF CONTENTS

**Contents**

**Exhibit**

**Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

A-1 thru A-7

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

A-8 thru A-11

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

A-12 thru A-15

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

A-16 thru A-17

**Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

A-18 thru A-23

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	June 30,				
	2016	2017	2018	2019	2020
Governmental Activities:					
Net Investment in Capital Assets	\$ 30,497,258	\$ 37,610,963	\$ 40,674,193	\$ 45,813,783	\$ 49,759,293
Restricted	12,917,942	10,940,585	9,401,649	9,340,861	8,543,034
Unrestricted/(Deficit)	<u>(18,910,330)</u>	<u>(35,222,857)</u>	<u>(34,311,274)</u>	<u>(36,904,217)</u>	<u>(36,499,268)</u>
Total Governmental Activities Net Position	<u>\$ 24,504,870</u>	<u>\$ 13,328,691</u>	<u>\$ 15,764,568</u>	<u>\$ 18,250,427</u>	<u>\$ 21,803,059</u>
Business-type Activities:					
Investment in Capital Assets	\$ 418,966	\$ 476,491	\$ 495,352	\$ 639,126	\$ 877,904
Unrestricted	<u>544,553</u>	<u>671,249</u>	<u>841,859</u>	<u>850,210</u>	<u>491,547</u>
Total Business-Type Activities Net Position	<u>\$ 963,519</u>	<u>\$ 1,147,740</u>	<u>\$ 1,337,211</u>	<u>\$ 1,489,336</u>	<u>\$ 1,369,451</u>
District-wide:					
Net Investment in Capital Assets	\$ 30,916,224	\$ 38,087,454	\$ 41,169,545	\$ 46,452,909	\$ 50,637,197
Restricted	12,917,942	10,940,585	9,401,649	9,340,861	8,543,034
Unrestricted/(Deficit)	<u>(18,365,777)</u>	<u>(34,551,608)</u>	<u>(33,469,415)</u>	<u>(36,054,007)</u>	<u>(36,007,721)</u>
Total District Net Position	<u>\$ 25,468,389</u>	<u>\$ 14,476,431</u>	<u>\$ 17,101,779</u>	<u>\$ 19,739,763</u>	<u>\$ 23,172,510</u>

  

	June 30,				
	2021	2022	2023	2024	2025
Governmental Activities:					
Net Investment in Capital Assets	\$ 52,652,947	\$ 54,594,293	\$ 54,061,517	\$ 53,112,601	\$ 44,381,734
Restricted	12,352,791	15,673,736	18,965,263	20,565,486	31,738,248
Unrestricted (Deficit)	<u>(38,193,743)</u>	<u>(33,266,508)</u>	<u>(27,443,403)</u>	<u>(28,628,186)</u>	<u>(29,881,514)</u>
Total Governmental Activities Net Position	<u>\$ 26,811,995</u>	<u>\$ 37,001,521</u>	<u>\$ 45,583,377</u>	<u>\$ 45,049,901</u>	<u>\$ 46,238,468</u>
Business-type Activities:					
Investment in Capital Assets	\$ 821,407	\$ 664,406	\$ 591,943	\$ 506,579	\$ 423,461
Unrestricted	<u>403,002</u>	<u>150,553</u>	<u>249,853</u>	<u>248,922</u>	<u>335,111</u>
Total Business-Type Activities Net Position	<u>\$ 1,224,409</u>	<u>\$ 814,959</u>	<u>\$ 841,796</u>	<u>\$ 755,501</u>	<u>\$ 758,572</u>
District-wide:					
Net Investment in Capital Assets	\$ 53,474,354	\$ 55,258,699	\$ 54,653,460	\$ 53,619,180	\$ 44,805,195
Restricted	12,352,791	15,673,736	18,965,263	20,565,486	31,738,248
Unrestricted/(Deficit)	<u>(37,790,741)</u>	<u>(33,115,955)</u>	<u>(27,193,550)</u>	<u>(28,379,264)</u>	<u>(29,546,403)</u>
Total District Net Position	<u>\$ 28,036,404</u>	<u>\$ 37,816,480</u>	<u>\$ 46,425,173</u>	<u>\$ 45,805,402</u>	<u>\$ 46,997,040</u>

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

*(Accrual Basis of Accounting)*

Fiscal Year Ending June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 43,692,898	\$ 49,923,482	\$ 52,747,279	\$ 49,868,459	\$ 48,783,904	\$ 51,761,366	\$ 51,174,165	\$ 46,706,778	\$ 49,617,338	\$ 49,727,191
Special Education	10,934,944	12,500,181	14,513,061	14,167,892	14,412,459	14,674,647	15,141,345	14,658,419	15,438,866	15,309,866
Other Special Instruction	1,563,583	1,770,756	1,967,139	1,799,646	1,841,204	1,974,747	2,193,252	2,109,983	2,381,418	2,479,683
Other Instruction	2,000,304	2,248,680	2,508,663	2,346,662	2,375,191	2,378,762	2,621,630	2,479,896	2,611,519	2,722,647
Support Services:										
Tuition	5,831,628	6,965,262	7,148,759	6,984,723	7,799,897	7,742,976	8,159,899	7,657,346	9,483,626	8,182,252
Student & Instruction Related Services	15,474,770	17,352,966	18,579,305	18,207,270	17,203,405	18,662,194	20,278,177	19,178,483	20,607,410	20,860,084
General Administrative Services	997,976	1,086,903	1,203,243	1,433,354	1,073,592	1,141,228	1,103,060	1,149,105	1,317,262	1,523,313
School Administrative Services	4,738,566	5,286,367	5,673,581	5,382,820	5,219,933	5,362,023	5,533,999	4,906,204	5,144,039	5,201,324
Central Services	1,554,422	1,711,539	1,803,640	1,737,018	1,755,610	1,827,695	2,036,700	1,943,469	1,690,515	1,720,730
Administrative Information Technology	562,430	582,113	648,683	582,295	725,422	760,411	819,227	840,449	1,021,118	1,343,655
Plant Operations and Maintenance	12,109,564	12,488,899	11,528,338	11,498,861	12,660,730	11,348,794	8,810,550	10,529,785	12,053,229	13,831,915
Pupil Transportation	3,357,758	3,648,484	3,503,244	3,702,192	3,667,558	4,314,930	5,534,211	5,546,205	8,855,225	6,692,949
Charter Schools	13,382	15,619	15,619	36,433	29,893	95,276	81,901	57,513	74,560	109,855
Interest on Long-term Debt	350,352	319,387	240,213	223,271	175,984	96,542	38,282	397		
Unallocated Depreciation	1,099,731	1,172,750	1,415,613	1,470,694	1,351,697	1,661,587	1,823,839	2,116,614	2,192,678	2,242,000
Total Governmental Activities Expenses	104,282,308	117,073,388	123,496,580	119,441,590	119,076,479	123,803,178	125,350,237	119,880,646	132,488,813	131,947,464
Business-Type Activities:										
Food Service	1,531,493	1,641,624	1,695,605	1,761,173	1,372,529	379,051	1,391,322	2,163,328	2,317,437	2,355,662
Summer Community Education Program	49,793	52,930	54,022	53,949	56,182		51,439	42,976	105,999	78,834
Total Business-Type Activities Expenses	1,581,286	1,694,554	1,749,627	1,815,122	1,428,711	379,051	1,442,761	2,206,304	2,423,436	2,434,496
Total District-Wide Expenses	105,863,594	118,767,942	125,246,207	121,256,712	120,505,190	124,182,229	126,792,998	122,086,950	134,912,249	134,381,960
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	214,459	296,911	340,855	329,565	299,372	188,545	337,235	398,464	417,092	384,474
Instruction (Preschool Tuition)						315,995	876,342	1,069,336	1,181,001	1,102,751
Student & Instruction Related Services	26,781	29,687	29,188	33,063	20,312	625	8,500	8,500	8,850	5,500
Pupil Transportation	24,893,790	31,671,333	36,729,234	29,987,004	27,573,466	31,921,378	37,299,860	27,492,516	26,923,001	23,558,130
Operating Grants and Contributions	584,459	136				475,926	51,880	257,248		
Capital Grants and Contributions										
Total Governmental Activities Program Revenues	25,719,489	31,998,067	37,099,277	30,349,632	27,893,150	32,902,469	38,573,817	29,226,064	28,529,944	25,050,855

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

*(Accrual Basis of Accounting)*

Fiscal Year Ending June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 1,356,111	\$ 1,497,477	\$ 1,607,623	\$ 1,896,444	\$ 1,297,496	\$ 5,069	\$ 912,742	\$ 2,124,880	\$ 2,221,674	\$ 2,337,670
Summer Community Education Program	59,352	51,717	55,562	65,295	1,965	26,797	72,826	101,598	106,127	91,426
Operating Grants and Contributions	303,524	330,762	348,875			201,081				
Total Business-Type Activities Revenues	1,718,987	1,879,956	2,012,060	1,961,739	1,299,461	232,947	985,568	2,226,478	2,327,801	2,429,096
Total District-wide Program Revenues	27,438,476	33,878,023	39,111,337	32,311,371	29,192,611	33,135,416	39,559,385	31,452,542	30,857,745	27,479,951
Net (Expense)/Revenue:										
Governmental Activities	(78,562,819)	(85,075,321)	(86,397,303)	(89,091,958)	(91,183,329)	(90,900,709)	(86,776,420)	(90,654,582)	(103,958,869)	(106,896,609)
Business-Type Activities	137,701	185,402	262,433	146,617	(129,250)	(146,104)	(457,193)	20,174	(95,635)	(5,400)
Total District-wide Net (Expense)/Revenue	(78,425,118)	(84,889,919)	(86,134,870)	(88,945,341)	(91,312,579)	(91,046,813)	(87,233,613)	(90,634,408)	(104,054,504)	(106,902,009)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	81,930,358	84,222,883	86,626,357	89,409,067	91,197,248	93,021,192	95,364,671	97,271,964	101,758,124	106,043,502
Taxes Levied for Debt Service	1,581,675	1,527,125	1,467,050	1,409,450	1,352,250	1,294,500	1,231,125	758,500		
Unrestricted Grants and Contributions	211,565	295,334	295,940	144,503	143,520	159,615	154,054	215,198	560,043	596,683
Investment Earnings	37,390	63,501	173,547	258,470	225,622	42,819	32,322	580,651	771,523	663,409
Miscellaneous Income	369,354	277,219	270,286	356,327	255,807	405,693	235,303	410,125	335,703	380,431
Capital Projects Fund Reimbursement:										
Capital Reserve							(51,529)			401,151
Transfers										
Total Governmental Activities General Revenues and Other Changes in Net Position	84,130,342	86,386,062	88,833,180	91,577,817	93,174,447	94,923,819	96,965,946	99,236,438	103,425,393	108,085,176
Business-type Activities:										
Investment Earnings	840	1,953	6,329	10,848	9,365	1,062	420	6,663	9,340	8,471
Transfers	(5,536)	(3,134)	(79,291)	(5,340)			(4,206)			
Disposal of Capital Assets, Net										
Total Business-type Activities General Revenues and Other Changes in Net Position	(4,696)	(1,181)	(72,962)	5,508	9,365	1,062	47,743	6,663	9,340	8,471
Total District-wide General Revenues and Other Changes in Net Position	84,125,646	86,384,881	88,760,218	91,583,325	93,183,812	94,924,881	97,013,689	99,243,101	103,434,733	108,093,647
Change in Net Position:										
Governmental Activities	5,567,523	1,310,741	2,435,877	2,485,859	1,991,118	4,023,110	10,189,526	8,581,856	(533,476)	1,188,567
Business-Type Activities	133,005	184,221	189,471	152,125	(119,885)	(145,042)	(409,450)	26,837	(86,295)	3,071
Total District-Wide Change in Net Position	\$ 5,700,528	\$ 1,494,962	\$ 2,625,348	\$ 2,637,984	\$ 1,871,233	\$ 3,878,068	\$ 9,780,076	\$ 8,608,693	\$ (619,771)	\$ 1,191,638

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	June 30,				
	2016	2017	2018	2019	2020
General Fund:					
Restricted	\$ 12,917,942	\$ 10,940,585	\$ 9,401,649	\$ 9,340,861	\$ 8,058,617
Assigned	1,551,629	3,945,022	6,673,448	5,530,861	6,720,215
Unassigned	2,571,615	2,733,849	2,869,156	3,122,325	3,334,415
Total General Fund	<u>\$ 17,041,186</u>	<u>\$ 17,619,456</u>	<u>\$ 18,944,253</u>	<u>\$ 17,994,047</u>	<u>\$ 18,113,247</u>
All Other Governmental Funds:					
Restricted					\$ 484,417
Committed	\$ 3,287,831	\$ 357,998	\$ 344,200		
Unassigned/(Deficit)	<u>(4,950)</u>	<u>(4,950)</u>	<u>(4,950)</u>	<u>\$ (235,887)</u>	<u>(480,876)</u>
Total All Other Governmental Funds	<u>\$ 3,282,881</u>	<u>\$ 353,048</u>	<u>\$ 339,250</u>	<u>\$ (235,887)</u>	<u>\$ 3,541</u>
Total Governmental Funds	<u>\$ 20,324,067</u>	<u>\$ 17,972,504</u>	<u>\$ 19,283,503</u>	<u>\$ 17,758,160</u>	<u>\$ 18,116,788</u>
	June 30,				
	2021	2022	2023	2024	2025
General Fund:					
Restricted	\$ 12,182,026	\$ 15,491,614	\$ 18,773,865	\$ 20,350,650	\$ 22,879,991
Assigned	2,360,587	3,488,382	8,931,979	6,612,502	2,866,966
Unassigned	5,624,076	5,787,093	2,776,598	2,481,316	1,720,055
Total General Fund	<u>\$ 20,166,689</u>	<u>\$ 24,767,089</u>	<u>\$ 30,482,442</u>	<u>\$ 29,444,468</u>	<u>\$ 27,467,012</u>
All Other Governmental Funds:					
Restricted	\$ 170,765	\$ 182,122	\$ 191,398	\$ 214,836	\$ 8,858,257
Committed					1,306,811
Unassigned/(Deficit)	<u>(4,950)</u>	<u>(4,950)</u>	<u>(4,950)</u>	<u>(4,950)</u>	<u>(4,950)</u>
Total All Other Governmental Funds	<u>\$ 165,815</u>	<u>\$ 177,172</u>	<u>\$ 186,448</u>	<u>\$ 209,886</u>	<u>\$ 10,160,118</u>
Total Governmental Funds	<u>\$ 20,332,504</u>	<u>\$ 24,944,261</u>	<u>\$ 30,668,890</u>	<u>\$ 29,654,354</u>	<u>\$ 37,627,130</u>

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

*(Modified Accrual Basis of Accounting)*

Fiscal Year Ending June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenues:</b>										
Tax Levy	\$ 83,512,033	\$ 85,750,008	\$ 88,093,407	\$ 90,518,517	\$ 92,549,498	\$ 94,315,692	\$ 96,595,796	\$ 98,030,464	\$ 101,758,124	\$ 106,043,502
Tuition Charges	37,390	63,501	173,547	258,470	225,622	42,819	32,322	580,651	771,523	23,603
Interest Earnings	396,135	306,906	299,474	389,390	276,119	406,318	243,803	418,625	344,553	400,560
Miscellaneous	393,816	472,171	562,571	505,057	397,492	543,480	1,231,107	1,516,005	1,624,191	1,502,244
Local Sources	13,769,750	14,366,636	16,321,306	18,597,769	20,365,283	24,935,525	30,331,877	32,176,938	34,141,192	34,354,951
State Sources	1,593,353	1,603,779	1,641,893	1,503,112	1,505,935	2,346,169	2,651,634	2,948,938	2,996,452	2,082,097
Federal Sources										
<b>Total Revenues</b>	<b>99,702,477</b>	<b>102,563,001</b>	<b>107,092,198</b>	<b>111,772,315</b>	<b>115,319,949</b>	<b>122,590,003</b>	<b>131,086,539</b>	<b>135,671,621</b>	<b>141,636,035</b>	<b>145,055,737</b>

**Expenditures:**

**Instruction:**

Regular Instruction	26,079,959	27,017,506	27,493,247	27,923,963	28,318,737	30,748,479	30,003,184	30,907,070	32,612,858	32,745,395
Special Education Instruction	6,804,505	7,125,217	7,966,452	8,374,811	8,775,971	8,877,577	9,568,196	10,128,454	10,760,679	10,533,904
Other Special Instruction	911,160	936,319	985,841	1,009,327	1,048,407	1,159,975	1,271,255	1,361,000	1,527,964	1,611,030
School Sponsored/Other Instruction	1,290,430	1,323,044	1,423,243	1,437,316	1,504,907	1,486,284	1,611,491	1,668,692	1,791,553	1,865,966
<b>Support Services:</b>										
Tuition	5,831,628	6,965,262	7,148,759	6,984,723	7,799,897	7,742,976	8,159,899	7,657,346	9,483,626	8,182,252
Student & Instruction Related Services	10,510,946	10,849,232	11,205,316	11,655,602	11,232,093	12,477,779	13,760,418	14,274,330	15,395,840	15,601,679
General Administrative Services	768,763	762,455	809,412	944,062	925,874	873,413	904,344	896,043	1,057,401	1,001,429
School Administrative Services	2,766,264	2,805,046	2,894,948	2,919,438	2,946,198	3,023,981	3,087,001	3,182,178	3,283,805	3,572,061
Central Services	955,902	984,219	1,004,188	1,036,225	1,082,260	1,162,203	1,262,342	1,346,915	1,196,257	1,222,513
Administrative Information Technology	392,072	386,475	443,510	378,486	463,254	493,676	543,183	629,376	782,439	720,458
Plant Operations and Maintenance	7,129,027	7,618,734	7,260,037	7,846,561	8,250,307	6,711,174	7,679,664	7,614,657	8,839,895	9,175,112
Pupil Transportation	3,057,735	3,279,991	3,061,385	3,299,205	3,280,694	3,896,405	5,119,784	5,169,115	8,476,072	6,267,962
Allocated Benefits	1,173,506	1,241,365	156,776	165,812	170,878	165,294	178,819	145,348	131,496	228,722
Unallocated Benefits	22,002,712	24,098,981	27,832,447	31,596,142	32,990,258	35,359,888	40,266,692	42,444,275	45,000,776	47,795,568
Charter Schools	13,382	15,619	15,619	36,433	29,893	95,276	81,901	57,513	74,560	109,855
Capital Outlay	8,964,239	8,952,974	5,247,969	7,188,102	6,975,957	5,448,407	2,333,955	2,354,180	2,235,350	17,604,471
<b>Debt Service:</b>										
Principal	1,225,000	1,210,000	1,195,000	1,185,000	1,175,000	1,170,000	1,165,000	740,000		
Interest and Other Charges	356,675	317,125	272,050	224,450	177,250	124,500	66,125	18,500		
<b>Total Expenditures</b>	<b>100,233,905</b>	<b>105,889,564</b>	<b>106,416,199</b>	<b>114,205,658</b>	<b>117,147,835</b>	<b>121,017,287</b>	<b>127,063,253</b>	<b>130,594,992</b>	<b>142,650,571</b>	<b>158,238,377</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

*(Modified Accrual Basis of Accounting)*

Fiscal Year Ending June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (531,428)	\$ (3,326,563)	\$ 675,999	\$ (2,433,343)	\$ (1,827,886)	\$ 1,572,716	\$ 4,023,286	\$ 5,076,629	\$ (1,014,536)	\$ (13,182,640)
Other Financing Sources (Uses):										
Proceeds from School Bonds	647,000	675,000	635,000	608,000	625,000	643,000	640,000	648,000		20,000,000
Leases (Non-Budgeted)										754,265
Capital Projects Fund Reimbursement:										
Capital Reserve										401,151
Transfers In	5,701,219	575,954	337,811	97,962	195,582	301,710	124,751	17,496	10,635	1,440,870
Transfers Out	(5,701,219)	(575,954)	(337,811)	(97,962)	(195,582)	(301,710)	(176,280)	(17,496)	(10,635)	(1,440,870)
Total Other Financing Sources (Uses)	647,000	675,000	635,000	608,000	625,000	643,000	588,471	648,000		21,155,416
Net Change in Fund Balances	\$ 115,572	\$ (2,651,563)	\$ 1,310,999	\$ (1,825,343)	\$ (1,202,886)	\$ 2,215,716	\$ 4,611,757	\$ 5,724,629	\$ (1,014,536)	\$ 7,972,776
Debt Service as a Percentage of Noncapital Expenditures	1.7%	1.6%	1.4%	1.3%	1.2%	1.1%	1.0%	0.6%	0.0%	0.0%

A-6

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

<u>Fiscal Year Ending June 30,</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Transportation Fees from Individuals</u>	<u>Other</u>	<u>Total</u>
2016		\$ 37,390	\$ 26,781	\$ 369,354	\$ 433,525
2017		63,501	29,687	277,219	370,407
2018		173,547	29,188	270,286	473,021
2019		258,470	33,063	356,327	647,860
2020		225,622	20,312	255,807	501,741
2021		42,819	625	405,693	449,137
2022		32,322	8,500	235,303	276,125
2023		580,651	8,500	410,125	999,276
2024		771,523	8,850	335,703	1,116,076
2025	\$ 23,603	648,780	5,500	380,431	1,058,314

Source: Scotch Plains-Fanwood Regional School District records.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN YEARS**  
**UNAUDITED**

**BOROUGH OF FANWOOD**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2015	\$ 1,700,600	\$ 209,937,400	\$ -	\$ -	\$ 14,485,000	\$ 2,269,700	\$ -	\$ 228,392,700	\$ 95,240	\$ 228,487,940	\$ 7,808,700	\$ 7.890	\$ 1,092,779,236
2016	1,559,000	210,529,400	-	-	14,985,800	2,086,800	-	229,161,000	92,309	229,253,309	9,064,500	8.323	1,149,066,271
2017	1,695,000	211,117,400	-	-	14,206,300	2,031,500	-	229,050,200	89,117	229,139,317	9,510,700	8.617	1,178,574,391
2018	1,721,500	211,405,000	-	-	14,206,300	2,031,500	-	229,364,300	86,326	229,450,626	9,698,200	8.831	1,228,737,346
2019	1,831,400	212,059,100	-	-	13,927,400	2,031,500	-	229,849,400	87,603	229,937,003	9,808,300	8.960	1,252,104,759
2020 *	10,426,300	1,152,292,000	-	-	80,616,400	11,746,700	-	1,255,081,400	487,844	1,255,569,244	56,951,000	1.659	1,260,835,900
2021	11,056,800	1,154,628,300	-	-	80,507,700	11,746,700	-	1,257,939,500	475,236	1,258,414,736	56,951,000	1.736	1,299,614,916
2022	10,943,500	1,156,932,200	-	-	80,507,700	11,858,700	-	1,260,242,100	457,450	1,260,699,550	57,955,900	1.752	1,362,164,951
2023	10,893,000	1,165,482,500	-	-	80,361,600	11,970,700	-	1,268,707,800	425,626	1,269,133,426	62,822,600	1.790	1,466,819,815
2024	12,072,000	1,169,281,500	-	-	80,621,500	12,082,700	-	1,274,057,700	425,271	1,274,482,971	63,472,200	1.843	1,566,658,990

**TOWNSHIP OF SCOTCH PLAINS**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2015	\$ 7,825,700	\$ 889,896,600	\$1,047,100	\$ 14,500	\$ 56,888,700	\$ 6,431,500	\$25,155,500	\$ 987,259,600	\$ 861,212	\$ 988,120,812	\$ 215,159,800	\$ 6.529	\$ 3,964,641,341
2016	9,837,400	892,804,700	1,047,100	14,500	54,803,200	6,431,500	25,155,500	990,093,900	825,246	990,919,146	215,261,500	6.675	4,012,891,203
2017	10,573,000	895,407,600	807,100	13,700	52,569,300	6,305,400	25,155,500	990,831,600	804,616	991,636,216	220,210,310	6.818	4,085,152,717
2018	10,285,200	900,088,300	242,000	4,900	53,192,000	6,305,400	25,155,500	995,273,300	783,528	996,056,828	221,130,600	6.987	4,292,220,839
2019	10,537,100	900,957,900	482,000	5,700	52,814,100	6,131,600	25,561,800	996,490,200	775,349	997,265,549	220,513,300	7.153	4,368,971,348
2020	11,572,700	906,297,600	482,000	5,700	50,972,900	6,131,600	25,561,800	1,001,024,300	776,336	1,001,800,636	221,038,600	7.268	4,462,973,478
2021	12,660,800	909,502,300	482,000	5,700	50,955,900	6,131,600	25,561,800	1,005,300,100	788,501	1,006,088,601	220,534,200	7.374	4,454,345,426
2022	11,099,400	922,854,000	482,000	5,700	50,806,400	6,078,000	25,561,800	1,016,887,300	753,785	1,017,641,085	221,761,000	7.437	4,731,334,539
2023	10,229,700	933,690,000	240,000	800	50,928,200	6,078,000	25,561,800	1,026,728,500	715,366	1,027,443,866	221,621,200	7.563	5,116,883,055
2024	7,441,600	943,676,200	240,000	800	49,638,700	6,078,000	25,561,800	1,032,637,100	673,600	1,033,310,700	237,326,000	7.843	5,516,856,087

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.  
Reassessment occurs when ordered by the County Board of Taxation.

**a** - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

**b** - Tax rates are per \$100 of assessed value.

\* - Property revaluation became effective in this year.

Source: Municipal Tax Assessors.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED

(Rate per \$100 of Assessed Value)

BOROUGH OF FANWOOD

Year Ended December 31,	Scotch Plains-Fanwood Regional School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Direct Rate					
		General Obligation Debt		Borough of	Union	
	Basic Rate <sup>a</sup>	Service <sup>b</sup>	Total Direct	Fanwood	County	
2015	\$ 7.7306	\$ 0.1594	\$ 7.890	\$ 2.785	\$ 2.567	\$ 13.242
2016	8.1654	0.1576	8.323	2.783	2.707	13.813
2017	8.4635	0.1535	8.617	2.858	2.767	14.242
2018	8.6839	0.1471	8.831	2.864	2.846	14.541
2019	8.8209	0.1391	8.960	2.858	2.832	14.650
2020 *	1.6348	0.0242	1.659	0.532	0.506	2.697
2021	1.7122	0.0238	1.736	0.538	0.504	2.778
2022	1.7297	0.0223	1.752	0.565	0.490	2.807
2023	1.7762	0.0138	1.790	0.579	0.474	2.843
2024	1.8430		1.843	0.624	0.470	2.937

TOWNSHIP OF SCOTCH PLAINS

Year Ended December 31,	Scotch Plains-Fanwood Regional School District					Total Direct and Overlapping Tax Rate
	Direct Rate			Overlapping Rates		
	Basic Rate <sup>a</sup>	General Obligation Debt	Total Direct	Township of Scotch Plains	Union County	
		Service <sup>b</sup>				
2015	\$ 6.3971	\$ 0.1319	\$ 6.529	\$ 1.642	\$ 2.150	\$ 10.321
2016	6.5534	0.1216	6.675	1.633	2.185	10.493
2017	6.7013	0.1167	6.818	1.663	2.217	10.698
2018	6.8752	0.1118	6.987	1.670	2.285	10.942
2019	7.0458	0.1072	7.153	1.701	2.275	11.129
2020	7.1651	0.1029	7.268	1.703	2.241	11.212
2021	7.2803	0.0937	7.374	1.732	2.160	11.266
2022	7.3782	0.0588	7.437	1.739	2.109	11.285
2023	7.5630		7.563	1.818	2.040	11.421
2024	7.8430		7.843	1.885	2.040	11.768

**a** - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

**b** - Rates for debt service are based on each year's requirements.

\* - Property revaluation became effective in this year.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

BOROUGH OF FANWOOD

Taxpayer	2024			2015		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
HCRI NY-NJ Properties	\$ 14,076,500	1	1.10%	\$ 2,464,900	1	1.08%
Fanwood Crossing II, Urban Renewal	7,096,500	2	0.56%	1,255,800	2	0.55%
Partners Profit Fanwood Group LLC	5,911,800	3	0.46%	943,500	3	0.41%
250 South Avenue, Urban Renewal	5,561,500	4	0.44%	860,000	4	0.38%
Fanwood Plaza Partners I	3,939,200	5	0.31%	827,000	5	0.36%
Fanwood Plaza Partners II	3,527,000	6	0.28%	669,200	6	0.29%
Fanwood Crossing III, Urban Renewal	3,447,700	7	0.27%	666,300	7	0.29%
Celtic Capital	3,399,200	10	0.27%	475,000	10	0.21%
222 South Avenue LLC	3,177,400	8	0.25%	523,600	8	0.23%
Enchantment Properties LLC	2,869,400	9	0.23%	500,000	9	0.22%
Total	<u>\$ 53,006,200</u>		<u>4.17%</u>	<u>\$ 9,185,300</u>		<u>4.02%</u>

TOWNSHIP OF SCOTCH PLAINS

Taxpayer	2024			2015		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Lamberts Mill Village Associates LLC	\$ 8,400,000	1	0.81%	\$ 8,400,000	1	0.85%
Ashbrook Manor Associates LLC	7,500,000	2	0.73%	7,500,000	2	0.76%
Riverside Village Associates	2,900,000	3	0.28%	2,900,000	3	0.29%
Automatic Associates	1,900,000	4	0.18%	1,900,000	5	0.19%
Dornbusch	1,750,000	5	0.17%	1,750,000	6	0.18%
HGC Shackamaxxon LLC	1,697,800	6	0.16%			
Ashbrook Realty LLC	1,400,000	7	0.14%	1,400,000	8	0.14%
Scotch Plains Gardens	1,200,000	8	0.12%	1,200,000	10	0.12%
Green Brook Plaza	1,146,400	9	0.11%			
Ashbrook Manor Associates North	1,042,000	10	0.10%			
Snuffy Pantagis				2,696,400	4	0.27%
NJ Golf Partners				1,687,500	7	0.17%
VS Realty				1,243,200	9	0.13%
Total	<u>\$ 28,936,200</u>		<u>2.80%</u>	<u>\$ 30,677,100</u>		<u>3.10%</u>

Note: A revaluation of property was effective in the Borough of Fanwood in 2020.

Source: Municipal Tax Assessors.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

BOROUGH OF FANWOOD

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2016	\$ 18,027,754	\$ 18,027,754	100.00%	\$ - 0 -
2017	19,081,374	19,081,374	100.00%	- 0 -
2018	19,743,815	19,743,815	100.00%	- 0 -
2019	20,261,575	20,261,575	100.00%	- 0 -
2020	20,601,717	20,601,717	100.00%	- 0 -
2021	20,834,090	20,834,090	100.00%	- 0 -
2022	21,852,161	21,852,161	100.00%	- 0 -
2023	22,078,853	22,078,853	100.00%	- 0 -
2024	22,723,787	22,723,787	100.00%	- 0 -
2025	23,481,813	23,481,813	100.00%	- 0 -

TOWNSHIP OF SCOTCH PLAINS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2016	\$ 65,484,279	\$ 65,484,279	100.00%	\$ - 0 -
2017	66,668,634	66,668,634	100.00%	- 0 -
2018	68,349,592	68,349,592	100.00%	- 0 -
2019	70,556,942	70,556,942	100.00%	- 0 -
2020	71,947,781	71,947,781	100.00%	- 0 -
2021	73,481,602	73,481,602	100.00%	- 0 -
2022	74,743,635	74,743,635	100.00%	- 0 -
2023	75,951,611	75,951,611	100.00%	- 0 -
2024	79,034,337	79,034,337	100.00%	- 0 -
2025	82,561,689	76,626,880	92.81%	5,934,809

**a** - School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Scotch Plains-Fanwood Regional School District records, including the Certificate and Report of Report of School Taxes (A4F form).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Financed Purchases	Bond Anticipation Notes (BANs)	Financed Purchases				
2016	\$ 7,840,000	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 7,840,000	0.41%	\$ 247
2017	6,630,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	6,630,000	0.33%	207
2018	5,435,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	5,435,000	0.26%	170
2019	4,250,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	4,250,000	0.20%	133
2020	3,075,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	3,075,000	0.14%	97
2021	1,905,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	1,905,000	0.08%	59
2022	740,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	740,000	0.03%	23
2023	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2024	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2025	20,000,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	20,000,000	0.73%	603

**a** - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2016	\$ 7,840,000	\$ - 0 -	\$ 7,840,000	0.644%	\$ 246.80
2017	6,630,000	- 0 -	6,630,000	0.543%	207.45
2018	5,435,000	- 0 -	5,435,000	0.445%	169.67
2019	4,250,000	- 0 -	4,250,000	0.347%	132.82
2020	3,075,000	- 0 -	3,075,000	0.251%	96.52
2021	1,905,000	- 0 -	1,905,000	0.084%	58.84
2022	740,000	- 0 -	740,000	0.033%	23.02
2023	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2024	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2025	20,000,000	- 0 -	20,000,000	0.867%	602.57

**a** - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

**b** - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2024  
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>a</sup>	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Borough of Fanwood	\$ 24,074,659	100.00%	\$ 24,074,659
Township of Scotch Plains	22,198,898	100.00%	22,198,898
Union County General Obligation Debt (all constituent municipalities)	482,595,186	6.95%	<u>33,538,974</u>
Subtotal, Overlapping Debt			79,812,531
Scotch Plains-Fanwood Regional School District Direct Debt			<u>- 0 -</u>
Total Direct and Overlapping Debt			<u><u>\$ 79,812,531</u></u>

**a** - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Fanwood and Scotch Plains. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Union County Board of Taxation; debt outstanding data provided by each governmental unit.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt Limit	\$ 201,786,674	\$ 205,930,135	\$ 211,806,294	\$ 218,025,314	\$ 223,906,178
Total Net Debt Applicable to Limit	7,840,000	6,630,000	5,435,000	4,250,000	3,075,000
Legal Debt Margin	<u>\$ 193,946,674</u>	<u>\$ 199,300,135</u>	<u>\$ 206,371,294</u>	<u>\$ 213,775,314</u>	<u>\$ 220,831,178</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.89%	3.22%	2.57%	1.95%	1.37%

	Fiscal Year				
	2021	2022	2023	2024	2025
Debt Limit	\$ 226,990,714	\$ 232,640,199	\$ 243,599,306	\$ 261,103,732	\$ 283,796,420
Total Net Debt Applicable to Limit	1,905,000	740,000	- 0 -	- 0 -	20,000,000
Legal Debt Margin	<u>\$ 225,085,714</u>	<u>\$ 231,900,199</u>	<u>\$ 243,599,306</u>	<u>\$ 261,103,732</u>	<u>\$ 263,796,420</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.84%	0.32%	0.00%	0.00%	7.05%

Legal Debt Margin Calculation for Fiscal Year 2025			
Year Ended December 31,	Borough of Fanwood	Township of Scotch Plains	Equalized Valuation Basis
2022	\$ 1,455,076,896	\$ 5,061,659,034	\$ 6,516,735,930
2023	1,558,034,877	5,478,807,364	7,036,842,241
2024	1,765,601,025	5,965,552,282	7,731,153,307
	<u>\$ 4,778,712,798</u>	<u>\$ 16,506,018,680</u>	<u>\$ 21,284,731,478</u>
Average Equalized Valuation of Taxable Property			<u>\$ 7,094,910,493</u>
Debt Limit (4% of Average Equalization Value) <sup>a</sup>			\$ 283,796,420
Net Bonded School Debt			<u>20,000,000</u>
Legal Debt Margin			<u>\$ 263,796,420</u>

<sup>a</sup> - Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,  
Department of Treasury, Division of Taxation.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
UNAUDITED

BOROUGH OF FANWOOD

Year	Population <sup>a</sup>	Union County Per Capita Personal Income <sup>b</sup>	Personal Income <sup>c</sup>	Borough Unemployment Rate <sup>d</sup>
2016	7,654	\$ 59,979	\$ 459,079,266	3.6%
2017	7,675	61,956	475,512,300	3.4%
2018	7,686	64,530	495,977,580	2.9%
2019	7,702	68,042	524,059,484	2.6%
2020	7,722	70,018	540,678,996	6.4%
2021	7,699	75,432	580,750,968	4.3%
2022	7,655	78,440	600,458,200	2.5%
2023	7,655	82,502	631,552,810	3.1%
2024	7,968	82,502 **	657,375,936	3.2%
2025	7,968 *	82,502 **	657,375,936	N/A

TOWNSHIP OF SCOTCH PLAINS

Year	Population <sup>a</sup>	Union County Per Capita Personal Income <sup>b</sup>	Personal Income <sup>c</sup>	Township Unemployment Rate <sup>d</sup>
2016	24,113	\$ 59,979	\$ 1,446,273,627	3.6%
2017	24,285	61,956	1,504,601,460	3.2%
2018	24,346	64,530	1,571,047,380	3.0%
2019	24,295	68,042	1,653,080,390	2.4%
2020	24,138	70,018	1,690,094,484	7.1%
2021	24,676	75,432	1,861,360,032	4.7%
2022	24,496	78,440	1,921,466,240	2.6%
2023	24,430	82,502	2,015,523,860	3.4%
2024	25,223	82,502 **	2,080,947,946	3.7%
2025	25,223 *	82,502 **	2,080,947,946	N/A

\* - Latest population available (2024) was used for calculation purposes.

\*\* - Latest Union County per capita personal income data available (2023) was used for calculation purposes.

N/A - Not available.

Source:

- a** - Population information provided by the US Department of Census - Population Division.
- b** - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- c** - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- d** - Unemployment data provided by the NJ Department of Labor and Workforce Development.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - UNION COUNTY  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2024		2015	
Employer	Employees	Employer	Employees
	Percentage of Total Employment		Percentage of Total Employment
Merck & Company	6,000	Merck/Schering Plough	5,000
Overlook Medical Center	3,487	Overlook Hospital	3,901
Trinitas Regional Medical Center	3,000	Trinitas Hospital	2,800
Summit Medical Group	2,305	Maher Terminals	1,700
Blue Apron	2,000	Alcatel Lucent	1,300
Nokia	1,800	Childrens Specialized Hospital	1,200
Maher Terminals	1,000	Phillips 66 Bayway	1,000
Kean University	1,000		
	20,592		16,901
	7.13%		6.41%
Total County Employment	288,988	Total County Employment	263,470

Source: Union County Economic Development Corporation.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

<u>Function/Program</u>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Instruction:										
Regular	369	375	382	385	385	388	392	395	401	403
Special Education	71	75	76	75	77	76	80	80	82	82
Support Services:										
Student & Instruction Related Services	188	203	213	219	225	236	243	247	247	247
General Administrative Services	3	3	3	3	3	3	3	3	3	3
School Administrative Services	31	31	31	31	31	31	32	33	33	33
Plant Operations and Maintenance	66	66	66	66	67	67	66	66	66	66
Pupil Transportation	7	7	7	7	8	8	8	9	9	9
Business and Other Support Services	16	15	15	16	16	16	16	18	18	18
Food Service	2	2	2	1	1	1	1			
Total	753	777	795	803	813	826	841	851	859	861

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff <sup>d</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>e</sup>	Average Daily Attendance (ADA) <sup>e</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2016	5,566	\$ 89,687,991	\$ 16,114	4.46%	468	18.1:1	14.8:1	16.7:1	5,435	5,222	0.15%	96.08%
2017	5,577	95,409,465	17,108	6.17%	450	15:1	14.2:1	15.7:1	5,440	5,198	0.09%	95.55%
2018	5,595	99,701,180	17,820	4.16%	441	16.1:1	13.8:1	15.4:1	5,471	5,242	0.57%	95.81%
2019	5,638	105,608,106	18,731	5.12%	458	13:1	10:1	13:1	5,519	5,287	0.88%	95.80%
2020	5,626	108,819,628	19,342	3.26%	462	13:1	10:1	13:1	5,521	5,363	0.04%	97.14%
2021	5,437	114,274,380	21,018	8.66%	464	11:1	11:1	13:1	5,335	5,146	-3.37%	96.46%
2022	5,525	123,498,173	22,353	6.35%	472	12:1	11:1	13:1	5,434	5,260	1.86%	96.80%
2023	5,490	127,482,312	23,221	3.88%	475	12:1	11:1	13:1	5,523	5,337	1.64%	96.63%
2024	5,627	140,415,221	24,954	7.46%	480	13:1	11:1	13:1	5,526	5,310	0.05%	96.09%
2025	5,638	140,633,906	24,944	-0.04%	482	13:1	11:1	13:1	5,583	5,372	1.03%	96.22%

**a** - Enrollment is obtained from October 15 Enrollment Summary, including students placed out of district.

**b** - Operating expenditures equal total expenditures less debt service and capital outlay.

**c** - Cost per pupil is calculated based upon enrollment and operating expenditures as presented and may not be the same as other (State) cost per pupil calculations.

**d** - Teaching staff includes only full-time equivalents of certificated staff.

**e** - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

<u>District Building</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Elementary Schools</u>										
Howard B. Brunner (1961)										
Square Feet	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580
Capacity (students)	383	383	383	383	383	383	383	383	383	383
Enrollment	422	394	379	411	413	370	400	392	434	434
J. Ackerman Coles (1963)										
Square Feet	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850
Capacity (students)	440	440	440	440	440	440	440	440	440	440
Enrollment	474	516	540	549	536	490	513	487	513	526
Evergreen (1951)										
Square Feet	36,958	44,258	44,258	44,258	44,258	44,258	44,258	44,258	44,258	44,258
Capacity (students)	339	464	464	464	464	464	464	464	464	464
Enrollment	388	407	395	398	399	387	392	372	453	449
William J. McGinn (1973)										
Square Feet	47,182	51,132	51,132	51,132	51,132	51,132	51,132	51,132	51,132	51,132
Capacity (students)	389	451	451	451	451	451	451	451	451	451
Enrollment	494	496	513	512	511	462	503	526	543	543
School One (1972)										
Square Feet	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328
Capacity (students)	337	337	337	337	337	337	337	337	337	337
Enrollment	392	397	387	392	381	346	375	379	430	424
<u>Middle Schools</u>										
Nettingham (1922)										
Square Feet	117,633	117,633	117,633	117,633	117,633	117,633	117,633	117,633	117,633	117,633
Capacity (students)	895	895	895	895	895	895	895	895	895	895
Enrollment	913	915	905	909	940	918	898	917	913	913

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>District Building</u>										
<u>Middle Schools</u>										
Terrill (1964)										
Square Feet	97,973	97,973	97,973	97,973	97,973	97,973	97,973	97,973	97,973	97,973
Capacity (students)	737	737	737	737	737	737	737	737	737	737
Enrollment	835	830	831	811	827	837	830	836	823	822
<u>High School</u>										
Scotch Plains-Fanwood										
Square Feet	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876
Capacity (students)	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479
Enrollment	1,569	1,534	1,557	1,574	1,538	1,483	1,488	1,476	1,518	1,527
<u>Other</u>										
Administration Wing										
Square Feet	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380
Maintenance Offices										
Square Feet	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Outbuilding										
Square Feet	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581

Number of Schools at June 30, 2025:  
 Elementary School = 5  
 Middle School = 2  
 High School = 1  
 Other = 3

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count (excluding out of district placements).

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	Fiscal Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Howard B. Brunner Elementary	\$ 88,222	\$ 96,744	\$ 180,597	\$ 85,894	\$ 103,872	\$ 64,095	\$ 106,757	\$ 97,228	\$ 127,640	\$104,680
J. Ackerman Coles Elementary	119,766	250,048	270,083	97,290	205,771	97,172	142,085	97,747	128,453	105,238
Evergreen Elementary	70,660	232,877	97,639	220,942	126,601	100,979	80,745	85,075	111,948	91,596
William J. McGinn Elementary	133,765	211,164	101,092	78,598	246,111	81,924	104,210	98,289	129,160	105,822
School One Elementary	140,961	123,750	68,769	99,688	88,240	77,930	80,745	85,210	112,129	91,740
Nettingham Middle	250,521	290,992	393,620	267,659	866,825	170,088	248,272	226,120	297,167	243,451
Terrill Middle	694,554	389,969	364,371	166,641	417,892	159,727	187,962	188,329	273,152	251,264
Scotch Plains-Fanwood High	525,359	733,975	449,434	802,269	523,376	395,577	513,088	524,759	733,847	550,253
Total School Facilities	\$ 2,023,808	\$ 2,329,519	\$ 1,925,605	\$ 1,818,981	\$ 2,578,688	\$ 1,147,492	\$ 1,463,864	\$ 1,402,757	\$ 1,913,496	\$ 1,544,044

N/A - Not Applicable.

\* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2025  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company		
MULTI PERIL PACKAGE POLICY		
<b>Property</b>		
Property - Blanket Building and Contents -		
Replacement Cost Values	\$ 200,039,899	\$ 5,000
Business Income & Extra Expense	Actual Loss Sustained	5,000
Flood	5,015,000	25,000
Earthquake	5,000,000	25,000
Limited Back Up Sewer & Drains	1,000,000	
Miscellaneous Outdoor Structures	50,000	
<b>Commercial Liability</b>		
General Aggregate	3,000,000	
Products/Completed Ops Aggregate	3,000,000	
Each Occurrence	1,000,000	
Personal & Advertising Injury	1,000,000	
Damage to Premises Rented	100,000	
Medical Expense	10,000	
Abuse/Molestation	1,000,000/3,000,000	
Employee Benefits Liability	1,000,000/3,000,000	1,000
Employment Related Practices	1,000,000/1,000,000	10,000
Educators Legal Liability	1,000,000/2,000,000	15,000
<b>Crime Coverage</b>		
Forgery or Alteration	100,000	500
Money & Securities Inside	25,000	500
Money & Securities Outside	25,000	500
Employee Theft	100,000	500
Computer & Funds Transfer Fraud	100,000	500
<b>Inland Marine</b>		
Data Processing Equipment	475,000	100
<b>Business Automotive Coverage</b>		
Bodily Injury & Property Damage	(Each) 1,000,000	
Personal Injury Protection	Statutory	
Medical Payments	10,000	
Uninsured/Underinsured	1,000,000	
Comprehensive Deductible		500/1,000
Collision Deductible		1,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2025  
UNAUDITED

		<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company			
EXCESS UMBRELLA	Limit of liability	\$ 25,000,000	
Fireman's Fund			
CAP	Limit of liability (group aggregate)	25,000,000	
Voyager Insurance Company			
FLOOD			
Elementary School #1 -			
Building		500,000	\$ 10,000
Contents		500,000	10,000
Lloyd's Syndicate			
ENVIRONMENTAL			
Pollution	(Each incident)	1,000,000	10,000
First Party Personal Property		100,000	
Microbial Matter Damages Deductible		Various	Various
United States Fire Insurance Company			
STUDENT ACCIDENT	Maximum Benefit	6,000,000	
Selective Insurance Company			
PUBLIC OFFICIAL BONDS			
Treasurer		400,000	
Business Administrator/Board Secretary		400,000	
New Jersey Schools Insurance Group			
Worker's Compensation			
Section "A"		Statutory	
Section "B"		3,000,000	
Cobwell Insurance Company			
Cyber Liability		2,000,000	25,000

Source: Scotch Plains-Fanwood Regional School District records.



## **APPENDIX B**

**Excerpts from Financial Statements of  
The Board of Education of the  
Scotch Plains-Fanwood School District  
for the Fiscal Year Ending June 30, 2025**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS

**Audited Financial Statements for the Year Ended June 30, 2025**

Independent Auditors' Report	B-1 to B-2
District-Wide Financial Statements:	
Statement of Net Position	B-3
Statement of Activities	B-4 to B-5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	B-6
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	B-7
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	B-8 to B-9
Statement of Net Position – Proprietary Funds	B-10
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	B-11
Statement of Cash Flows – Proprietary Funds	B-12
Notes to Basic Financial Statements	B-13 to B-57

## **INTRODUCTORY STATEMENT**

Pursuant to N.J.S.A. 18:23-1 et seq., every board of education is required to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within five months of the end of the fiscal year and filed with the State Commissioner of Education in Trenton. The financial statements included in Appendix B are excerpts from the audit performed in accordance with the statute for the school fiscal year ended June 30, 2025. The Board represents that the information contained in the excerpts is accurate. Complete copies of the audit are on file with the Board of Education and the State Department of Education in Trenton.

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## Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
Scotch Plains-Fanwood Regional School District  
County of Union, New Jersey

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Scotch Plains-Fanwood Regional School District (the "District"), in the County of Union, as of and for the fiscal year ended June 30, 2025, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable cash flows thereof for the fiscal 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 (GAAS), audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Office") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, 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.

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

Mount Arlington, New Jersey  
October 20, 2025

*Nisivoccia, LLP*  
\_\_\_\_\_  
NISIVOCCIA LLP

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2025

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,382,575	\$ 429,979	\$ 11,812,554
Internal Balances	3,878	(3,878)	
Receivables from Other Governments	4,088,705		4,088,705
Local Tax Levy Receivable	5,934,809		5,934,809
Other Receivables	16,203	43,636	59,839
Inventory		12,559	12,559
Restricted Cash and Cash Equivalents	19,160,990		19,160,990
Capital Assets, Net:			
Sites (Land)	449,315		449,315
Construction in Progress	11,471,242		11,471,242
Depreciable Buildings and Building Improvements and Machinery and Equipment	52,422,727	423,461	52,846,188
Lease Assets, Net	1,307,689		1,307,689
<b>Total Assets</b>	<b>106,238,133</b>	<b>905,757</b>	<b>107,143,890</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources Related to OPEB	607,108		607,108
Deferred Outflows of Resources Related to Pensions	2,775,071		2,775,071
<b>Total Deferred Outflows of Resources</b>	<b>3,382,179</b>		<b>3,382,179</b>
<b>LIABILITIES</b>			
Payable to State Government	41,383		41,383
Accounts Payable	3,994,772	40,096	4,034,868
Accrued Interest Payable	127,544		127,544
Unearned Revenue	617,980	107,089	725,069
Noncurrent Liabilities:			
Due Within One Year	718,033		718,033
Due Beyond One Year	47,534,270		47,534,270
<b>Total Liabilities</b>	<b>53,033,982</b>	<b>147,185</b>	<b>53,181,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources Related to OPEB	9,135,681		9,135,681
Deferred Inflows of Resources Related to Pensions	1,212,181		1,212,181
<b>Total Deferred Inflows of Resources</b>	<b>10,347,862</b>		<b>10,347,862</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	44,381,734	423,461	44,805,195
Restricted for:			
Capital Projects	25,366,049		25,366,049
Maintenance	671,956		671,956
Excess Surplus	4,000,000		4,000,000
Unemployment Compensation	1,419,244		1,419,244
Student Activities	280,999		280,999
Unrestricted (Deficit)	(29,881,514)	335,111	(29,546,403)
<b>Total Net Position</b>	<b>\$ 46,238,468</b>	<b>\$ 758,572</b>	<b>\$ 46,997,040</b>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
						Total
Governmental Activities:						
Instruction:						
Regular	\$ 49,727,191	\$ 384,474	\$ 5,525,689		\$ (43,817,028)	\$ (43,817,028)
Special Education	15,309,866		11,656,342		(3,653,524)	(3,653,524)
Other Special Instruction	2,479,683		277,781		(2,201,902)	(2,201,902)
School Sponsored/Other Instruction	2,722,647		240,519		(2,482,128)	(2,482,128)
Support Services:						
Tuition	8,182,252				(8,182,252)	(8,182,252)
Student & Instruction Related Services	20,860,084	1,102,751	2,709,990		(17,047,343)	(17,047,343)
General Administrative Services	1,523,313		62,548		(1,460,765)	(1,460,765)
School Administrative Services	5,201,324		612,583		(4,588,741)	(4,588,741)
Central Services	1,720,730		160,583		(1,560,147)	(1,560,147)
Administrative Information Technology	1,343,655		79,162		(1,264,493)	(1,264,493)
Plant Operations and Maintenance	13,831,915		782,744		(13,049,171)	(13,049,171)
Pupil Transportation	6,692,949	5,500	1,450,189		(5,237,260)	(5,237,260)
Transfer of Funds to Charter Schools	109,855				(109,855)	(109,855)
Unallocated Depreciation	2,242,000				(2,242,000)	(2,242,000)
Total Governmental Activities	131,947,464	1,492,725	23,558,130		(106,896,609)	(106,896,609)



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 2,355,662	\$ 2,337,670			\$ (17,992)	\$ (17,992)	(17,992)
Summer Community Education	78,834	91,426			12,592	12,592	12,592
Total Business-Type Activities	2,434,496	2,429,096			(5,400)	(5,400)	(5,400)
Total Primary Government	\$ 134,381,960	\$ 3,921,821	\$ 23,558,130	\$ - 0 -	\$ (106,896,609)	(5,400)	(106,902,009)
General Revenues and Other Item:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					106,043,502		106,043,502
Federal and State Aid not Restricted					596,683		596,683
Investment Earnings					663,409	8,471	671,880
Miscellaneous Income					380,431		380,431
Other Item:							
Capital Projects Fund Reimbursement - Capital Reserve					401,151		401,151
Total General Revenues					108,085,176	8,471	108,093,647
Change in Net Position					1,188,567	3,071	1,191,638
Net Position - Beginning					45,049,901	755,501	45,805,402
Net Position - Ending					\$ 46,238,468	\$ 758,572	\$ 46,997,040

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,483,877		\$ 9,898,698	\$ 11,382,575
Interfunds Receivable	1,100,143			1,100,143
Receivables from Other Governments	2,372,298	\$ 1,716,407		4,088,705
Local Tax Levy Receivable	5,934,809			5,934,809
Other Receivables	14,563	1,640		16,203
Restricted Cash and Cash Equivalents	18,879,991	280,999		19,160,990
Total Assets	<u>\$ 29,785,681</u>	<u>\$ 1,999,046</u>	<u>\$ 9,898,698</u>	<u>\$ 41,683,425</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfunds Payable		\$ 1,081,636	\$ 14,629	\$ 1,096,265
Payable to State Government		41,383		41,383
Accounts Payable	\$ 2,175,787	124,880		2,300,667
Unearned Revenue	142,882	475,098		617,980
Total Liabilities	<u>2,318,669</u>	<u>1,722,997</u>	<u>14,629</u>	<u>4,056,295</u>
Fund Balances:				
Restricted:				
Capital Reserve Account	16,788,791			16,788,791
Maintenance Reserve Account	671,956			671,956
Excess Surplus - Designated for Subsequent Year's Expenditures	2,000,000			2,000,000
Excess Surplus	2,000,000			2,000,000
Unemployment Compensation	1,419,244			1,419,244
Student Activities		280,999		280,999
Capital Projects Fund			8,577,258	8,577,258
Committed			1,306,811	1,306,811
Assigned:				
Encumbrances	2,866,966			2,866,966
Unassigned/(Deficit)	1,720,055	(4,950)		1,715,105
Total Fund Balances/(Deficit)	<u>27,467,012</u>	<u>276,049</u>	<u>9,884,069</u>	<u>37,627,130</u>
Total Liabilities and Fund Balances	<u>\$ 29,785,681</u>	<u>\$ 1,999,046</u>	<u>\$ 9,898,698</u>	<u>\$ 41,683,425</u>

Amounts reported for *Governmental Activities* in the Statement of Net Position (A-1) are different because:

Total Fund Balances (from Above)	\$ 37,627,130
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	64,343,284
Lease Assets Used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,307,689
Certain Amounts Related to the Other Post-Employment Benefits (OPEB) Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows of Resources Related to OPEB	607,108
Deferred Inflows of Resources Related to OPEB	(9,135,681)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows of Resources Related to Pensions, Excluding District Contribution Subsequent to the Measurement Date	1,080,966
Deferred Inflows of Resources Related to Pensions	(1,212,181)
Long-Term Liabilities, including Bonds and Net Pension Liability Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(48,252,303)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but is recognized as an expenditure when due	(127,544)
Net Position of Governmental Activities	<u>\$ 46,238,468</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	\$ 106,043,502			\$ 106,043,502
Tuition	23,603			23,603
Transportation Fees from Individuals	5,500			5,500
Interest Earned on:				
Capital Reserve Funds	258,445			258,445
Maintenance Reserve Funds	22,553			22,553
Miscellaneous Revenues	748,213	\$ 1,502,244	\$ 14,629	2,265,086
Total - Local Sources	107,101,816	1,502,244	14,629	108,618,689
State Sources	33,655,483	699,468		34,354,951
Federal Sources	37,334	2,044,763		2,082,097
Total Revenues	140,794,633	4,246,475	14,629	145,055,737
EXPENDITURES				
Current:				
Regular Instruction	32,020,878	724,517		32,745,395
Special Education Instruction	9,143,452	1,390,452		10,533,904
Other Special Instruction	1,611,030			1,611,030
School Sponsored/Other Instruction	1,865,966			1,865,966
Support Services and Undistributed Costs:				
Tuition	8,182,252			8,182,252
Student & Instruction Related Services	13,465,406	2,136,273		15,601,679
General Administrative Services	1,001,429			1,001,429
School Administrative Services	3,572,061			3,572,061
Central Services	1,222,513			1,222,513
Administration Information Technology	720,458			720,458
Plant Operations and Maintenance	9,175,112			9,175,112
Pupil Transportation	6,267,962			6,267,962
Allocated Benefits	228,722			228,722
Unallocated Benefits	47,795,568			47,795,568
Transfer of Funds to Charter Schools	109,855			109,855
Capital Outlay	6,133,229		11,471,242	17,604,471
Total Expenditures	142,515,893	4,251,242	11,471,242	158,238,377
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	(1,721,260)	(4,767)	(11,456,613)	(13,182,640)
OTHER FINANCING SOURCES/(USES)				
Leases (Non-Budgeted)	754,265			754,265
Proceeds from School Bonds			20,000,000	20,000,000
Capital Projects Fund Reimbursement:				
Capital Reserve	401,151			401,151
Transfers In	14,629	70,930	1,355,311	1,440,870
Transfers Out	(1,426,241)		(14,629)	(1,440,870)
Total Other Financing Sources/(Uses)	(256,196)	70,930	21,340,682	21,155,416
Net Change in Fund Balances	(1,977,456)	66,163	9,884,069	7,972,776
Fund Balance - July 1	29,444,468	209,886		29,654,354
Fund Balance - June 30	\$ 27,467,012	\$ 276,049	\$ 9,884,069	\$ 37,627,130

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS-FANWOOD REGIONAL 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 (Exhibit B-2) \$ 7,972,776

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit 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 depreciation of capital assets and disposals, net of accumulated depreciation, differ from capital outlays in the period.

Depreciation expense	\$ (2,615,790)
Capital asset additions	14,677,981
Disposal of Capital Assets, Net of Accumulated Depreciation	<u>(12,083)</u>
	12,050,108

Capital outlays related to lease assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the shorter of their estimated useful lives or lease term as amortization expense. This is the amount by which amortization differs from capital outlays in the period.

Amortization expense	(510,394)
Lease asset additions	<u>754,265</u>
	243,871

Leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.

(1,508,530)

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.  
 Proceeds of long-term debt

(20,000,000)

Repayment of leases 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.

483,684

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

(93,661)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	557,753
Change in Deferred Outflows of Resources Related to Pensions	334,576
Change in Deferred Inflows of Resources Related to Pensions	341,808

SCOTCH PLAINS-FANWOOD REGIONAL 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

The other post-employment benefits (OPEB) liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in OPEB Liability	\$ 103,540
Change in Deferred Outflows of Resources Related to OPEB	(166,386)
Change in Deferred Inflows of Resources Related to OPEB	914,236
	<u>(45,208)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 1,188,567</u>

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the 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 (+).

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>		
	<u>Food Service</u>	<u>Non-Major Fund</u>	<u>Totals</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 210,170	\$ 219,809	\$ 429,979
Accounts Receivable:			
Other - Student	43,636		43,636
Inventories	12,559		12,559
Total Current Assets	266,365	219,809	486,174
Non-Current Assets:			
Capital Assets	1,179,509		1,179,509
Less: Accumulated Depreciation	(756,048)		(756,048)
Total Non-Current Assets	423,461		423,461
Total Assets	689,826	219,809	909,635
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	40,096		40,096
Interfund Payable - General Fund		3,878	3,878
Unearned Revenue:			
Prepaid Sales	107,089		107,089
Total Current Liabilities	147,185	3,878	151,063
Total Liabilities	147,185	3,878	151,063
<b>NET POSITION:</b>			
Investment in Capital Assets	423,461		423,461
Unrestricted	119,180	215,931	335,111
Total Net Position	\$ 542,641	\$ 215,931	\$ 758,572

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>		
	<u>Food</u>	<u>Non-Major</u>	
	<u>Service</u>	<u>Fund</u>	<u>Totals</u>
Operating Revenue:			
Charges for Services:			
Daily Sales:			
Non-Reimbursable Programs	\$ 2,321,253		\$ 2,321,253
Special Events	16,417		16,417
Program Fees		\$ 91,426	91,426
Total Operating Revenue	<u>2,337,670</u>	<u>91,426</u>	<u>2,429,096</u>
Operating Expenses:			
Cost of Sales:			
Non-Reimbursable Programs	1,011,730		1,011,730
Salaries	755,912	65,608	821,520
Payroll Taxes	116,182		116,182
Employee Benefits	52,918		52,918
Purchased Property Services	11,415		11,415
Management Fee	149,984		149,984
Insurance	86,127		86,127
Supplies and Materials	88,276	13,226	101,502
Depreciation Expense	83,118		83,118
Total Operating Expenses	<u>2,355,662</u>	<u>78,834</u>	<u>2,434,496</u>
Operating Income/(Loss)	<u>(17,992)</u>	<u>12,592</u>	<u>(5,400)</u>
Non-Operating Revenue:			
Local Sources - Interest Revenue	<u>4,900</u>	<u>3,571</u>	<u>8,471</u>
Total Non-Operating Revenue	<u>4,900</u>	<u>3,571</u>	<u>8,471</u>
Change in Net Position	(13,092)	16,163	3,071
Net Position - Beginning of Year	<u>555,733</u>	<u>199,768</u>	<u>755,501</u>
Net Position - End of Year	<u>\$ 542,641</u>	<u>\$ 215,931</u>	<u>\$ 758,572</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds		
	Major Fund		
	Food Service	Non-Major Fund	Totals
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 2,330,014	\$ 84,632	\$ 2,414,646
Payments to Employees		(65,608)	(65,608)
Payments to Food Service Vendor	(2,284,690)		(2,284,690)
Payments to Suppliers	(11,790)	(14,647)	(26,437)
Net Cash Provided by Operating Activities	33,534	4,377	37,911
Cash Flows from Investing Activities:			
Interest Revenue	4,900	3,571	8,471
Net Cash Provided by Investing Activities	4,900	3,571	8,471
Net Increase in Cash and Cash Equivalents	38,434	7,948	46,382
Cash and Cash Equivalents, July 1	171,736	211,861	383,597
Cash and Cash Equivalents, June 30	\$ 210,170	\$ 219,809	\$ 429,979
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ (17,992)	\$ 12,592	\$ (5,400)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Depreciation	83,118		83,118
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(11,948)		(11,948)
Decrease in Inventory	909		909
(Decrease) in Accounts Payable	(24,845)		(24,845)
(Decrease) in Interfund Payable		(8,215)	(8,215)
Increase in Unearned Revenue	4,292		4,292
Net Cash Provided by Operating Activities	\$ 33,534	\$ 4,377	\$ 37,911

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Scotch Plains-Fanwood Regional School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate 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. 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.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) 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 requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School 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. Separate statements for each fund category – *governmental and proprietary* - are presented. 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 believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. 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 current expenses by Board resolution.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following governmental funds: (Cont'd)

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, lease assets or subscription assets (other than those financed by proprietary funds). The financial resources are 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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

The District reports the following proprietary funds:

Enterprise (Food Service and Summer Community Education Programs) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria and summer community education program operations. The food service and summer community education programs 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.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting: (Cont'd)

The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset, lease asset or subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under financed purchases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2025 was submitted to the County office and was approved by a vote of the Board of Education. 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. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting 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 budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, except for the Special Revenue Fund as noted 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.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis except for student activities. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

The General Fund and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 140,912,008	\$ 4,169,464
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP basis does not.		
Current Year Encumbrances		(45,142)
Prior Year Encumbrances		122,508
Cancellation of Prior Year Encumbrances		(355)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	707,581	4,950
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(824,956)	(4,950)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 140,794,633</u>	<u>\$ 4,246,475</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 142,515,893	\$ 4,174,231
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(45,142)
Prior Year Encumbrances		122,508
Cancellation of Prior Year Encumbrances		(355)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 142,515,893</u>	<u>\$ 4,251,242</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure 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 restricted, committed or 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 fund for which the District has received advances are reflected in the balance sheet as unearned revenue 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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise and general funds represent payments made to vendors for services that will benefit periods beyond June 30, 2025.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	20 to 30 years
Machinery and Equipment	10 to 15 years
Office and Computer Equipment	5 to 10 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Lease Assets:

Intangible right-to-use lease assets are assets which the District leases for a term of more than one year. The value of leases is determined by the net present value of the leases at the District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. Subscription Assets:

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets are determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

N. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages for this purpose as of June 30, 2025.

P. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. 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.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Compensated Absences: (Cont'd)

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 full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In addition, the Board of Education has cooperated with the Education Association in the establishment of a Sick Leave Bank. Any Association member may participate in the Bank on a voluntary basis by donating one personal day to the Sick Leave Bank.

In the District-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

Q. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1D regarding the Special Revenue Fund.

R. Leases Payable:

In the district-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the Governmental Fund financial statements, the present value of lease payments is reported as other financing sources.

S. Subscriptions Payable:

In the district-wide financial statements, subscriptions payable are reported as liabilities in the Statement of Net Position. In the Governmental Fund financial statements, the present value of subscription payments at the District's incremental borrowing rate over the subscription term is reported as other financing sources.

T. Fund Balance Appropriated:

General Fund: Of the \$27,467,012 General Fund balance at June 30, 2025, \$2,866,966 is assigned for encumbrances; \$16,788,791 is restricted for the capital reserve account; \$671,956 is restricted for the maintenance reserve account; \$1,419,244 is restricted for unemployment compensation; \$4,000,000 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$2,000,000 is prior year excess surplus which is included as anticipated budget revenue for the fiscal year ending June 30, 2026 and \$2,000,000 is current year excess surplus which will be included as anticipated budget revenue for the fiscal year ending June 30, 2027); and \$1,720,055 is unassigned which is \$824,956 less on the GAAP basis than the calculated maximum unassigned fund balance due to the June state aid payments that are not recognized until the fiscal year ending June 30, 2026.

Special Revenue Fund: Of the \$276,049 fund balance at June 30, 2025, \$280,999 is restricted for student activities and there is a deficit in unassigned fund balance of \$4,950 on a GAAP basis due to the June state aid payments that are not recognized until the fiscal year ending June 30, 2026.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Fund Balance Appropriated: (Cont'd)

Capital Projects Fund: Of the \$9,884,069 fund balance at June 30, 2025, \$8,577,258 is restricted and \$1,306,811 is committed.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for 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 restrict General 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 year's budget. The District had excess surplus at June 30, 2025 as defined above.

N.J.A.C. 6A:23A-8.5(j) provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

U. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for capital and maintenance reserves, excess surplus and unemployment compensation in the General Fund, for student activities in the Special Revenue Fund and for the bonded project in the Capital Projects Fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had committed resources for a Capital Projects Fund project at June 30, 2025.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

U. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances in the General Fund at June 30, 2025.

V. Deficit Fund Balance/Net Position:

The District has a deficit Unassigned fund balance as of June 30, 2025 in the Special Revenue Fund of \$4,950 due to the June state aid payments that were not recognized on the GAAP basis as explained in Note 1T on the previous page. The District's governmental activities has a \$29,881,514 deficit in unrestricted net position, primarily due to the June state aid payments that were not recognized on the GAAP basis as explained in Note 1T on the previous page, the accrual of compensated absences payable, other post-employment benefits (OPEB) payable, accrued interest payable, deferred inflows of resources related to pensions and OPEB and net pension liabilities, offset by deferred outflows of resources related to pensions and OPEB and Governmental Funds unassigned and assigned fund balances. These deficits do not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

W. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2025 related to pensions and OPEB.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2025 related to pensions and OPEB.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, lease assets, net of accumulated amortization, and subscription assets, net of accumulated amortization, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

X. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on an 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.

Nonexchange transactions, in which the School 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 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Y. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the School District, these revenues are sales for food service and fees for the summer community education program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

Z. Management Estimates:

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

AA. Pensions

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investments section of this note.

Custodial Credit Risk – The District's policy with respect to custodial credit risk ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

New Jersey statutes permit the District to purchase the following types 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;
- (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 school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (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 a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
  - (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.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

New Jersey statutes permit the District to purchase the following types of securities: (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
  - (a) the funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) the designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) the designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) on the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking Accounts	\$ 11,812,554	\$ 19,160,990	\$ 30,973,544

During the period ended June 30, 2025, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2025 was \$30,973,544 and the bank balance was \$32,989,526.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board 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).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Upon submission of the LRFP to the State 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 of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, 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 for the July 1, 2024 to June 30, 2025 fiscal year is as follows:

Beginning Balance, July 1, 2024	\$ 14,148,755
Interest Earnings	258,445
Deposit by Board Resolution - June 18, 2025	4,179,393
Unexpended Capital Outlay Funds Returned	1,183,709
Capital Projects Fund Reimbursement	401,151
Withdrawals by Board Resolution:	
Capital Outlay	(1,502,351)
Capital Projects Fund	(1,880,311)
Ending Balance, June 30, 2025	<u><u>\$ 16,788,791</u></u>

The balance in the capital reserve account at June 30, 2025 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long-Range Facilities Plan ("LRFP"). Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$200,000 was established by Board resolution on June 25, 2009. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2024 to June 30, 2025 fiscal year is as follows:

Beginning Balance, July 1, 2024	\$ 846,370
Interest Earnings	22,553
Unexpended Withdrawals Returned	73,033
Withdrawals by Budget Appropriation	(20,000)
Withdrawals by Board Resolution	<u>(250,000)</u>
Ending Balance, June 30, 2025	<u><u>\$ 671,956</u></u>

NOTE 6. LEASE ASSETS

Lease asset balances and activity for the year ended June 30, 2025 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Lease Assets Being Amortized:				
Machinery and Equipment	\$ 2,631,000	\$ 754,265	\$ (643,000)	\$ 2,742,265
Total Lease Assets Being Amortized	<u>2,631,000</u>	<u>754,265</u>	<u>(643,000)</u>	<u>2,742,265</u>
Governmental Activities Lease Assets	<u>2,631,000</u>	<u>754,265</u>	<u>(643,000)</u>	<u>2,742,265</u>
Less Accumulated Amortization for:				
Machinery and Equipment	(1,567,182)	(510,394)	643,000	(1,434,576)
	<u>(1,567,182)</u>	<u>(510,394)</u>	<u>643,000</u>	<u>(1,434,576)</u>
Governmental Activities Lease Assets, Net of Accumulated Amortization	<u><u>\$ 1,063,818</u></u>	<u><u>\$ 243,871</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 1,307,689</u></u>

Amortization expense was charged to governmental functions as follows:

Regular Instruction	<u><u>\$ 510,394</u></u>
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SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2025 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 449,315			\$ 449,315
Construction in Progress		\$ 11,471,242		11,471,242
Total Capital Assets Not Being Depreciated	449,315	11,471,242		11,920,557
Capital Assets Being Depreciated:				
Buildings and Building Improvements	80,869,826	2,008,308		82,878,134
Machinery and Equipment	8,422,685	444,166	\$ (181,345)	8,685,506
Total Capital Assets Being Depreciated	89,292,511	2,452,474	(181,345)	91,563,640
Governmental Activities Capital Assets	89,741,826	13,923,716	(181,345)	103,484,197
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(31,764,070)	(2,079,872)		(33,843,942)
Machinery and Equipment	(4,930,315)	(535,918)	169,262	(5,296,971)
	(36,694,385)	(2,615,790)	169,262	(39,140,913)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 53,047,441	\$ 11,307,926	\$ (12,083)	\$ 64,343,284
	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 1,181,622		\$ (2,113)	\$ 1,179,509
Less Accumulated Depreciation	(675,043)	\$ (83,118)	2,113	(756,048)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 506,579	\$ (83,118)	\$ - 0 -	\$ 423,461

In the current year, the District acquired \$13,923,716 of capital assets which were offset by \$2,615,790 of depreciation and \$12,083 of disposals related to its Governmental Activities. The District depreciated \$83,118 of its capital assets related to its Business Type Activities. As of June 30, 2025, the District had two active construction projects for \$46,125,311 with a balance of \$34,654,069, including \$4,427,019 of outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Other Instruction	\$ 106,448
Special Education Instruction	380
Student and Instruction Related Services	1,216
General Administrative Services	53,374
Plant Operations and Maintenance	99,836
Pupil Transportation	112,536
Unallocated	2,242,000
	<u>\$ 2,615,790</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 8: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2025, the District transferred \$480,384 to the capital outlay accounts for equipment which did not require County Superintendent approval and \$1,512,351 and \$1,880,311 in Board approved withdrawals from capital reserve to the capital outlay accounts for facilities acquisition and construction services and to transfers out for capital projects, respectively.

NOTE 9. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2025, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 6/30/2024	Issued/ Accrued	Retired	Balance 6/30/2025
Serial Bonds Payable		\$ 20,000,000		\$ 20,000,000
Leases Payable	\$ 998,658	754,265	\$ 483,684	1,269,239
Compensated Absences Payable	3,030,386	178,493	133,285	3,075,594
Net Pension Liability	17,721,912		557,753	17,164,159
Other Post-Employment Benefits Payable	6,846,851		103,540	6,743,311
	<u>\$ 28,597,807</u>	<u>\$ 20,932,758</u>	<u>\$ 1,278,262</u>	<u>\$ 48,252,303</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be liquidated through the Debt Service Fund.

On May 7, 2025, the District issued \$20,000,000 in School Bonds dated May 15, 2025, in connection with the January 28, 2025, voter approved \$44,770,000 bond referendum project. The School Bonds have an interest rate between 4.25% and 4.375% and payments of interest commence October 16, 2025 and payments of principal commence April 15, 2027. Principal payments continue annually on April 15 and interest payments continue each April 15 and October 15 until the final maturity date of April 15, 2055.

The District had bonds outstanding as of June 30, 2025 as follows:

Purpose	Date of Issue	Final Maturity	Interest Rate	Amount
School Bonds	05/15/25	04/15/55	4.25% - 4.375%	<u>\$ 20,000,000</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026		\$ 787,371	\$ 787,371
2027	\$ 535,000	858,950	1,393,950
2028	450,000	836,213	1,286,213
2029	470,000	817,088	1,287,088
2030	485,000	797,113	1,282,113
Thereafter:			
2031-2035	2,615,000	3,666,388	6,281,388
2036-2040	3,030,000	3,077,975	6,107,975
2041-2045	3,610,000	2,388,200	5,998,200
2046-2050	4,305,000	1,557,025	5,862,025
2051-2055	4,500,000	590,625	5,090,625
	<u>\$ 20,000,000</u>	<u>\$ 15,376,948</u>	<u>\$ 35,376,948</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2025, the Board had \$24,770,000 of bonds authorized but not issued associated with the District's January 28, 2025 voter approved bond referendum project.

C. Leases Payable:

The District had leases outstanding as of June 30, 2025 as follows:

<u>Leases Payable</u>					
Purpose	Commencement Date	Frequency of Payment	Final Maturity Date	Interest Rate	Amount
Technology Equipment	08/01/22	Annual	08/01/25	3.980%	\$ 165,127
Technology Equipment	08/01/23	Annual	08/01/25	4.390%	349,847
Technology Equipment	07/01/25	Annual	08/01/27	1.800%	754,265
					<u>\$ 1,269,239</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

C. Leases Payable: (Cont'd)

Principal and interest due on leases outstanding will be liquidated through the General Fund and are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 718,033	\$ 22,804
2027	363,282	14,550
2028	187,924	3,383
	<u>\$ 1,269,239</u>	<u>\$ 40,737</u>

D. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in current and long-term portions and will be liquidated by the General Fund. As of June 30, 2025, no liability existed for unamortized bond issuance premiums.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in current and long-term portions and will be liquidated by the General Fund. The entire \$3,075,594 of compensated absences payable at June 30, 2025 is long-term.

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.

F. Other Post-Employment Benefits (OPEB) Payable:

The liability for OPEB of the governmental fund types is recorded in current and long-term portions and will be liquidated by the General Fund. The entire \$6,743,311 of OPEB payable at June 30, 2025 is long-term. See Note 11 for further information on these benefits.

G. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$17,164,159 net pension liability at June 30, 2025 is long-term. See Note 10 for further information on the PERS.

NOTE 10. PENSION PLANS

Substantially all of the District's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was more than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The actuaries have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of assets.

District contributions to PERS amounted to \$1,718,854 for the current fiscal year. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$55,337 to the PERS for normal pension benefits on behalf of the District.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation 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 statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense as well as revenue associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$17,164,159 for its proportionate share of the net pension liability, which was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability 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 members, actuarially determined. At June 30, 2024, the District's proportion was 0.12632% for PERS, which was an increase of 0.00397% from June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized an actual pension expense of \$484,878. Additionally, for the fiscal year ended June 30, 2024, the State recognized pension expense for PERS on behalf of the District in the amount of \$55,337 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2025 financial statements. There was no state proportionate share of net pension liability attributable to the District as of June 30, 2024.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions  
(Cont'd)

At June 30, 2025, the District reported deferred outflows and inflows of resources related to pensions from the sources as follows:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2020	5.16		\$ 124,733
	2021	5.13	\$ 21,323	
	2022	5.04		70,556
			<u>21,323</u>	<u>195,289</u>
Changes in Proportion	2020	5.16		29,543
	2021	5.13	183,612	
	2022	5.04	48,517	
	2023	5.08		145,798
	2024	5.08	<u>483,684</u>	<u>175,341</u>
			<u>715,813</u>	
Difference Between Expected and Actual Experience	2020	5.16	6,951	
	2021	5.13		16,958
	2022	5.04		28,738
	2023	5.08	88,291	
	2024	5.08	<u>248,588</u>	<u>45,696</u>
			<u>343,830</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2021	5.00		1,178,209
	2022	5.00		(1,869,045)
	2023	5.00		484,676
	2024	5.00		<u>1,002,015</u>
				<u>795,855</u>
District Contribution Subsequent to the Measurement Date	2024	1.00	<u>1,694,105</u>	
			<u>\$ 2,775,071</u>	<u>\$ 1,212,181</u>



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows and inflows of resources (excluding employer specific amounts including changes in proportion and District contribution subsequent to the measurement date) related to pensions will be recognized in the pension expense as follows:

Fiscal Year Ending June 30,	Total
2025	\$ (728,748)
2026	563,884
2027	(324,414)
2028	(187,282)
2029	4,873
	<u>\$ (671,687)</u>

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% – 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 a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2024 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the noncontributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of the 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2024 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 22,806,947	\$ 17,164,159	\$ 12,362,177

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten 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.

The following represents the membership tiers for TPAF:

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 with 25 years or more of service credit before age 62 and Tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2024, the State's pension contribution was more than the actuarial determined amount.

Special Funding Situation

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. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2025, the State of New Jersey contributed \$15,030,959 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required benefit of \$(655,991).

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$179,829,717 for its proportionate share of the net pension liability, which was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability 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 members, actuarially determined. At June 30, 2024, the District's proportion was 0.3638%, which was an increase of 0.0049% from its proportion measured as of June 30, 2023.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions  
(Cont'd)

District's Proportionate Share of the Net Pension Liability	\$ - 0 -
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>179,829,717</u>
Total	<u><u>\$ 179,829,717</u></u>

For the fiscal year ended June 30, 2024, the State recognized pension benefit on behalf of the District in the amount of \$(655,991) and the District recognized pension benefit and revenue for that same amount in the fiscal year ended June 30, 2025 financial statements.

The State reported collective deferred outflows and inflows of resources related to pensions from the following sources:

		Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	8.30 years		\$ 480,199,664
	2018	8.29 years		1,060,765,245
	2019	8.04 years		1,016,333,107
	2020	7.99 years	\$ 603,633,698	
	2021	7.93 years		7,317,559,989
	2022	7.83 years	<u>67,989,902</u>	
			<u>671,623,600</u>	<u>9,874,858,005</u>
Difference Between Expected and Actual Experience	2017	8.30 years	8,543,764	
	2018	8.29 years	186,086,527	
	2019	8.04 years		39,486,140
	2020	7.99 years		3,217,090
	2021	7.93 years	97,106,767	
	2022	7.83 years		12,735,529
	2023	7.93 years	144,751,819	
	2024	7.84 years	<u>436,488,877</u>	<u>211,440,707</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Investments			<u>436,488,877</u>	<u>266,879,466</u>
	2021	5 years		888,658,452
	2022	5 years		(1,659,667,329)
	2023	5 years		357,972,332
	2024	5 years		816,400,864
			<u>403,364,319</u>	
			<u>\$ 1,108,112,477</u>	<u>\$ 10,545,101,790</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows and inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2025	\$ (3,681,028,670)
2026	(1,839,302,001)
2027	(1,977,654,443)
2028	(1,907,819,552)
2029	2,992,761
Total Thereafter	(34,177,408)
	<u>\$ (9,436,989,313)</u>

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%

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 a 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate – TPAF

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 made based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the pension 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 pension plan investments was applied to all projected benefit payments in determining the total pension liability.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2024 calculated using the discount rate as disclosed below, as well as what the State's proportionate share of the net pension liability associated with the District would be if it were 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 210,829,705	\$ 179,829,717	\$ 151,259,836

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$23,056 for the fiscal year ended June 30, 2025. Employee contributions to DCRP amounted to \$31,270 for the fiscal year ended June 30, 2025.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that 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 Benefits 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. 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 post-retirement 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 years or more 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.

The total nonemployer OPEB liability does not include certain OPEB obligations that are provided by the local education employers. The reporting of these benefits, is the responsibility of the individual local education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s annual financial statements which can be found at <https://www.nj.gov/treasury/pensions/gasb-notices-opeb.shtml>.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Employees Covered by Benefit Terms

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

Retirees Plan Members and Spouses of Retirees Currently Receiving Benefit Pay	153,556
Active Plan Members	<u>219,185</u>
Total	<u><u>372,741</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024.

Actuarial Assumptions and Other Inputs

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

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:	2.75 - 5.65%	2.75 - 6.55%	3.25 - 16.25%
	based on years of service	based on years of service	based on years of service

The 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 – June 30, 2021.

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

Mortality Rates

Pre-retirement 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. Post-retirement 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 were 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

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 rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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 State of New Jersey Division of Pensions and Benefits. 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 State's Proportionate Share of the Total OPEB Liability Attributable to the District

	<u>Total OPEB Liability</u>
Balance at June 30, 2023	<u>\$ 177,893,746</u>
Changes for Year:	
Service Cost	8,011,112
Interest Cost	6,707,378
Difference Between Expected and Actual Experience	853,232
Changes in Assumptions	15,244,143
Member Contributions	175,401
Gross Benefit Payments	<u>(5,122,533)</u>
Net Changes	<u>25,868,733</u>
Balance at June 30, 2024	<u><u>\$ 203,762,479</u></u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2024 calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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		
	At 1% Decrease (2.93%)	At Discount Rate (3.93%)	At 1% Increase (4.93%)
Total OPEB Liability Attributable to the District	\$ 238,649,502	\$ 203,762,479	\$ 175,398,637

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2024 calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2024		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 169,735,628	\$ 203,762,479	\$ 248,084,697

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$7,812,557 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Cont'd)

At June 30, 2024, the State deferred outflows and inflows of resources related to OPEB attributable to the District is from the following sources:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 3,907,683
	2018	9.51		4,770,644
	2019	9.29	\$ 752,677	
	2020	9.24	19,415,716	
	2021	9.24	114,685	
	2022	9.13		31,160,345
	2023	9.30	282,985	
	2024	9.33	13,610,259	
			<u>34,176,322</u>	<u>39,838,672</u>
Difference Between Expected and Actual Experience	2018	9.51		4,509,743
	2019	9.29		8,859,042
	2020	9.24	18,096,209	
	2021	9.24		22,054,858
	2022	9.13	3,209,068	
	2023	9.30		2,628,835
	2024	9.33	484,720	
			<u>21,789,997</u>	<u>38,052,478</u>
Changes in Proportion	N/A	N/A	<u>2,635,929</u>	<u>1,446,395</u>
			<u>\$ 58,602,248</u>	<u>\$ 79,337,545</u>

N/A - Not Available

Amounts reported as deferred outflows and inflows of resources related to OPEB attributable to the District, excluding changes in proportion, will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2025	\$ (7,227,691)
2026	(6,060,463)
2027	(2,878,527)
2028	756,527
2029	(5,252,766)
Thereafter	<u>(1,261,909)</u>
	<u>\$ (21,924,831)</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan

General Information about the District's OPEB Plan

Plan Description and Benefits Provided

Employees who retire from the District may be eligible for postemployment medical benefits, including prescription drugs as part of the medical plan, and dental benefits based on their date of hire. Employees hired on or before September 30, 1994 may be eligible for subsidized benefits from the District. Employees hired after September 30, 1994 may elect benefits, but do not receive a subsidy from the District (employees pay all). Medical and prescription drugs benefits are fully insured through Aetna Health and dental benefits are fully insured through Delta Dental of New Jersey.

Base plan costs are based on fully insured premium rates provided by the District for the July 1, 2022 and July 1, 2023 plan years. All plan costs are based on 100% before retiree contributions and are assumed to include all administrative expenses and required Patient Protection and Affordable Care Act (PPACA) fees due at this time.

The District does not reimburse Medicare Part B or Part D premiums to retirees and/or spouses that are eligible.

Employees Covered by Benefit Terms

As of July 2022, there is a total of 1,127 active employees and retirees, reflecting the sum of 841 active employees (668 currently electing coverage and 173 waiving coverage) and 286 retirees. The actuarial valuation assumed that 100% of those opting out would elect coverage in retirement.

Total OPEB Liability

The District's OPEB liability of \$6,743,311 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.76%
Salary Increases	3.00%

Health Care Trend Rates

	<u>Year</u>	<u>Pre 65</u>	<u>Post 65</u>
Year 1 Trend	July 1, 2024	7.00%	7.00%
Ultimate Trend	July 1, 2034 & Later	4.50%	4.50%
Grading per Year		0.25%	0.25%

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

<u>Retirees Share of Benefit Related Costs</u>		
<u>Year of Retirement</u>	<u>Retiree Contribution %</u>	<u>District Contribution %</u>
1st Year of Retirement	0%	100%
2nd Year of Retirement	10%	90%
3rd Year of Retirement	20%	80%
4th Year of Retirement	30%	70%
5th Year of Retirement	40%	60%
6 or More Years of Retirement	50%	50%

The selected discount rate was based on an average of two 20-year municipal bond indices (S&P Municipal Bond 20 Year High Grade Rate Index and Fidelity GO AA 20 Years) as of June 30, 2025.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2024	\$ 6,846,851
Changes for Year:	
Service Cost	424,091
Interest	316,716
Changes in Assumptions	(458,030)
Benefit Payments	(386,317)
Net Changes	(103,540)
Balance at June 30, 2025	<u>\$ 6,743,311</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan (Cont'd)

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

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.76 percent) or 1-percentage-point higher (5.76 percent) than the current discount rate:

	June 30, 2025		
	1% Decrease (3.76%)	Discount Rate (4.76%)	1% Increase (5.76%)
Total OPEB Liability	\$ 7,463,685	\$ 6,743,311	\$ 6,124,992

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	June 30, 2025		
	1% Decrease	Healthcare Cost Trend Rate Current Valuation	1% Increase
Total OPEB Liability	\$ 5,985,270	\$ 6,743,311	\$ 7,639,208

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the District recognized OPEB benefit of \$465,073.

At June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following source:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2019	9.66	\$ 223,768	
	2020	9.66		\$ 319,170
	2021	9.66	383,340	
	2022	10.43		6,710,404
	2023	10.43		154,969
	2024	10.65		1,536,116
	2025	10.65		415,022
			<u>\$ 607,108</u>	<u>\$ 9,135,681</u>



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan (Cont'd)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Cont'd)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2026	\$ (1,205,880)
2027	(1,205,880)
2028	(1,234,487)
2029	(1,260,351)
2030	(1,230,764)
Total Thereafter	<u>(2,391,211)</u>
	<u>\$ (8,528,573)</u>

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 has commercial insurance coverage for general liability, property and auto insurance. Health benefits are provided through Aetna.

The Scotch Plains-Fanwood Regional School District is a member of the New Jersey Schools Insurance Group (the "Group") through which the District is provided workers' compensation coverage. A complete schedule of insurance coverage can be found in the Statistical Section of this Annual Comprehensive Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of the Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

The June 30, 2025 audit report for the Group is not available as of the date of this report. Selected summarized financial information for the Group as of June 30, 2024 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 452,862,436
Net Position	\$ 208,313,945
Total Revenue	\$ 187,698,949
Total Expenses	\$ 178,093,729
Members Dividends	\$ 2,600,000
Change in Net Position for the Year Ended June 30, 2024	\$ 7,005,220

Financial statements for the Group are available at the Group's Office or website:

New Jersey Schools Insurance Group  
6000 Midlantic Drive  
Mount Laurel, NJ 08054  
(609) 386-6060  
[www.njsig.org](http://www.njsig.org)

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, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Compensation Restricted Fund Balance in the General Fund for the current and previous two fiscal years.

Fiscal Year	District Contributions	Interest Earned	Employee Contributions	Amount Reimbursed	Ending Balance
2024-2025	\$ - 0 -	\$ 28,836	\$ 104,621	\$ 69,738	\$ 1,419,244
2023-2024	- 0 -	33,010	101,899	58,821	1,355,525
2022-2023	- 0 -	23,346	96,789	105,534	1,279,437

NOTE 13. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The District had the following interfund balances on the various balance sheets at June 30, 2025.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,100,143	
Special Revenue Fund		\$ 1,081,636
Capital Projects Fund		14,629
Proprietary Funds:		
Summer Community Education Program		3,878
	<u>\$ 1,100,143</u>	<u>\$ 1,100,143</u>

The General Fund interfund receivable represents cash advances to the Special Revenue Fund while awaiting federal and state grant reimbursements, Capital Projects Fund interest earnings and expenditures on-behalf of the Summer Community Education Program, net of collections due to the Summer Community Education Program.

During the fiscal year, the General Fund transferred \$70,930 to the Special Revenue Fund for the local share of the preschool program and \$1,355,311 to the Capital Projects Fund for the local share of capital projects and the Capital Projects Fund transferred \$14,629 of interest earnings to the General Fund.

NOTE 15. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

403(b)

AXA Equitable  
FTJ Fund Choice  
VALIC  
Cetera Investors - Foresters Financial (formerly First Investors)  
Lincoln Investment Planning, Inc.  
Lincoln Financial

457

AXA Equitable  
FTJ Fund Choice  
MetLife Insurance Co.

NOTE 16. TAX CALENDAR

Property taxes are levied by the District's constituent municipalities as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipalities and are remitted to the Regional School District on a predetermined mutually agreed-upon schedule.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2025:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities Proprietary Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			
Accrued Salaries and Wages	\$ 175,011			\$ 175,011	
Payroll Deductions and Withholdings	1,990,776			1,990,776	
Vendors	10,000	\$ 124,880		134,880	\$ 40,096
Due to:					
State of New Jersey			\$ 1,694,105	1,694,105	
	<u>\$ 2,175,787</u>	<u>\$ 124,880</u>	<u>\$ 1,694,105</u>	<u>\$ 3,994,772</u>	<u>\$ 40,096</u>

NOTE 18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Township of Scotch Plains recognized revenue in the amount of \$1,518,962 from three payments in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2024 without the abatements would have been \$2,559,787 of which \$1,706,017 would have been for regional school taxes.

The Borough of Fanwood recognized revenue in the amount of \$403,515 from four payments in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2024 without the abatements would have been \$686,072 of which \$430,518 would have been for regional school taxes.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025  
(Continued)

NOTE 19. COMMITMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in claims and lawsuits, including personnel matters, arising in the normal course of business. The Board does not believe that the ultimate outcome of these claims will have a material adverse effect on the District's financial position.

Grant Programs

The District participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the District is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

Encumbrances

At June 30, 2025, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

Governmental Funds			
General	Special Revenue	Capital Projects	Total
<u>\$ 2,866,966</u>	<u>\$ 45,142</u>	<u>\$ 4,427,019</u>	<u>\$ 7,339,127</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2025, \$-0- is assigned for encumbrances in the Special Revenue Fund, which is \$45,142 less than the actual encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The \$4,427,019 of encumbrances in the Capital Projects Fund are included in the restricted and committed fund balances.

NOTE 20. RECEIVABLES FROM OTHER GOVERNMENTS

The following receivables due from other governments existed as of June 30, 2025:

	Governmental Activities		
	General Fund	Special Revenue Fund	Total Governmental Funds
Federal		\$ 1,707,796	\$ 1,707,796
State	\$ 2,372,298	8,611	2,380,909
	<u>\$ 2,372,298</u>	<u>\$ 1,716,407</u>	<u>\$ 4,088,705</u>

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## **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

\_\_\_\_\_, 2025

The Board of Education of the  
Scotch Plains-Fanwood School District  
Scotch Plains, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$24,770,000 aggregate principal amount of School Bonds, Series 2025B (the “Bonds”) of The Board of Education of the Scotch Plains-Fanwood School District in the County of Union, 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 21, 2024 (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 January 28, 2025 and (iii) a resolution duly adopted by the Board on October 16, 2025 (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 April 15, 2026 and semi-annually thereafter on the fifteenth day of April and October in each year until maturity or prior redemption, and shall mature on October 15 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>
2026	\$1,050,000		2036	\$1,225,000	
2027	865,000		2037	1,275,000	
2028	890,000		2038	1,320,000	
2029	925,000		2039	1,375,000	
2030	960,000		2040	1,425,000	
2031	1,000,000		2041	1,480,000	
2032	1,040,000		2042	1,550,000	
2033	1,085,000		2043	1,625,000	
2034	1,130,000		2044	1,675,000	
2035	1,175,000		2045	1,700,000	

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 October 15 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 October 15 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 \_\_\_\_\_, 2025 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Scotch Plains-Fanwood School District in the County of Union, 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 \$24,770,000 aggregate principal amount of School Bonds, Series 2025B dated their date of delivery (the "Bonds"). The Bonds are being issued by virtue of a proposal adopted by the Board on November 21, 2024 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on January 28, 2025 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$24,770,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2025 OF THE BOARD OF EDUCATION OF THE SCOTCH PLAINS-FANWOOD SCHOOL DISTRICT IN THE COUNTY OF UNION, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on October 16, 2025 (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 Business Administrator/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, 2025 (for the fiscal year ending June 30, 2025), 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, 2026) 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 November 19, 2025, 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  
Scotch Plains-Fanwood School District  
512 Cedar Street  
Scotch Plains, New Jersey 07076  
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  
Scotch Plains-Fanwood School District  
512 Cedar Street  
Scotch Plains, New Jersey 07076  
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  
SCOTCH PLAINS-FANWOOD SCHOOL  
DISTRICT IN THE COUNTY OF UNION,  
NEW JERSEY**

By: \_\_\_\_\_  
**CHRISTOPHER JONES,  
Business Administrator/  
Board Secretary**

**EXHIBIT A**

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

Name of Issuer:           The Board of Education of the  
                                  Scotch Plains-Fanwood School District  
                                  in the County of Union, New Jersey

Name of Issue:           \$24,770,000 School Bonds, Series 2025B  
                                  Dated: \_\_\_\_\_, 2025  
                                  (CUSIP Number: 809197\_\_\_\_)

Date of Issuance:       \_\_\_\_\_, 2025

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 \_\_\_\_\_, 2025 executed by the Board.

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

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

cc: The Board

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