

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.

**\$84,235,000
SCHOOL BONDS, SERIES 2026
THE BOARD OF EDUCATION OF THE
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF MERCER, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

CALLABLE

Dated: Date of Delivery

Due: February 1, as shown on inside cover

The \$84,235,000 aggregate principal amount of School Bonds, Series 2026 (the “Bonds”) of The Board of Education of the Hopewell Valley Regional School District in the County of Mercer, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

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

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

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Schenck, Price, Smith & King, LLP, Florham Park, 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 February 5, 2026.

ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY PRIOR TO 11:00 A.M. EASTERN STANDARD TIME ON JANUARY 22, 2026. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHub.COM.

\$84,235,000
THE BOARD OF EDUCATION OF THE
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF MERCER, NEW JERSEY
SCHOOL BONDS, SERIES 2026

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

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

<u>Maturity</u> <u>(February 1)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2028	\$3,600,000			439686__
2029	2,500,000			439686__
2030	2,500,000			439686__
2031	2,500,000			439686__
2032	2,500,000			439686__
2033	5,050,000			439686__
2034	5,050,000			439686__
2035	5,050,000			439686__
2036	5,050,000			439686__
2037	5,050,000			439686__
2038	5,050,000			439686__
2039	5,050,000			439686__
2040	5,050,000			439686__
2041	5,050,000			439686__
2042	5,050,000			439686__
2043	5,050,000			439686__
2044	5,050,000			439686__
2045	5,035,000			439686__
2046	5,000,000			439686__

* 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
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF MERCER, NEW JERSEY**

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Schenck, Price, Smith & King, LLP
Florham Park, New Jersey

BOARD AUDITOR

PKF O'Connor Davies, LLP

MUNICIPAL ADVISOR

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

BOND COUNSEL

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

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

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

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF MERCER, NEW JERSEY

\$84,235,000
SCHOOL BONDS, SERIES 2026
(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Hopewell Valley Regional School District in the County of Mercer, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$84,235,000 aggregate principal amount of School Bonds, Series 2026 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Assistant Superintendent for Business/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 February 1 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the first day of February and August (each an "Interest Payment Date"), commencing on August 1, 2026, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, Brooklyn, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

Redemption

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

Notice of Redemption

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

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

Security for the Bonds

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

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

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

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

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

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

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) two (2) proposals adopted by the Board pursuant to a resolution adopted on August 11, 2025 and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 4, 2025 and (iii) a resolution duly adopted by the Board on December 15, 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.

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.

* 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 from the Borough of Hopewell, the Township of Hopewell and the Borough of Pennington (the "Constituent Municipalities") elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Assistant Superintendent for Business/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Assistant Superintendent for Business/Board Secretary reports to the Superintendent of Schools.

The School District is a Type II school district and provides a full range of educational services appropriate to grades pre-kindergarten ("Pre-K") through twelve (12), including regular and special education programs for the Constituent Municipalities. The School District operates four (4) elementary schools, one (1) middle school and one (1) high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

The Board conducts its annual election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

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

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

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

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

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

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

Issuance of Debt

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

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

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

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

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

Capital Lease Financing

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grades Pre-K through twelve (12) school district, the

School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. The School District has not exceeded its four percent (4%) debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

Exceptions to Debt Limitation

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

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

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

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

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

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of the Constituent Municipalities is limited by statute, subject to certain exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real

property and improvements and certain Class II railroad property within the Constituent Municipalities as annually determined by the New Jersey Board of Taxation is set forth in APPENDIX A.

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

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

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

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

The foundation of the State local finance system is the modified accrual basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

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

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

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

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

expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of

capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

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

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Appropriations “Cap”

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

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

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

Tax Assessment and Collection Procedure

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

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

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

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

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

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

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

FINANCIAL STATEMENTS

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

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Board 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, Schenck, Price, Smith & King, LLP, Florham Park, New Jersey (the "Board Attorney"), and without independent inquiry or investigation and based upon the representation of the Board's Assistant Superintendent for Business/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 Assistant Superintendent for Business/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 February 1 in the years 20__ through 20__, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

Discount Bonds

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

Additional Federal Income Tax Consequences Relating to Bonds

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

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c.

47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

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

Other Tax Consequences

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

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

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

RISK TO HOLDERS OF BONDS

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

Municipal Bankruptcy

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

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

impair the power of a state to control, by legislation or otherwise, the procedures that a political subdivision must follow in order to take advantage of the provisions of the Bankruptcy Code.

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

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

Cyber Security

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

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

Climate Change

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

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 \$1,628,790 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 Assistant Superintendent for Business/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 not participated in the preparation of this Official Statement, other than providing the Independent Auditors' Report included in APPENDIX B to the extent specified in its Independent Auditors Report.

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

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

RATING

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 Assistant Superintendent for Business/Board Secretary, Robert Colavita, (609) 737-4002, ext. 2201 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 HOPEWELL VALLEY
REGIONAL SCHOOL DISTRICT IN THE COUNTY OF
MERCER, NEW JERSEY**

**ROBERT COLAVITA,
Assistant Superintendent for Business/Board Secretary**

DATED: _____, 2026

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APPENDIX A

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

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The Board is comprised of nine (9) elected members. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

The Board of Education is a Type II school district (Grades Pre-K through 12) serving the Township of Hopewell, the Borough of Pennington and the Borough of Hopewell. The Board of Education provides a full range of educational services appropriate to grades Pre-K through twelve (12), including regular and special education programs. The Board of Education provides education to its students through four (4) elementary schools, one (1) 6 - 8 middle school and one (1) high school for grades 9 - 12.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Grade Level	Student Enrollment (As of 6/30/25)
Bear Tavern Elementary	1961	Pre-K- 5	481
Toll Gate Grammar	1928	Pre-K- 5	301
Hopewell Elementary	1926	Pre-K- 5	402
Stony Brook Elementary	2002	Pre-K- 5	416
Timberlane Middle School	1961	6-8	811
Hopewell Valley Central High School	1958	9-12	1,065

Source: Annual Comprehensive Financial Report of the School District

Staff

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Teaching Professionals	424	418	427	422	409
Support Staff	<u>288</u>	<u>288</u>	<u>292</u>	<u>292</u>	<u>275</u>
Total Full & Part Time Employees	<u>712</u>	<u>706</u>	<u>719</u>	<u>714</u>	<u>684</u>

Source: Annual Comprehensive Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Pupil Enrollments

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

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2024-2025	3,476
2023-2024	3,429
2022-2023	3,454
2021-2022	3,433
2020-2021	3,468

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

Pensions

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

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Fiscal 2025-2026 Budget

The General Fund budget is the sum of all State aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2025-2026 fiscal year is \$100,729,977. The major sources of revenue are \$89,504,447 from the local tax levy and \$6,813,419 from State aid.

Source: Annual User-Friendly Budget of the School District

Budget History

The results of the last five budgets of the Board are as follows:

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>
2025-2026	\$89,504,447	\$100,729,977
2024-2025	85,784,421	97,561,270
2023-2024	83,515,163	95,470,291
2022-2023	80,097,110	90,124,563
2021-2022	78,526,578	88,287,900

Source: Annual User-Friendly Budget of the School District and NJ State DOE Website – School Election Results

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Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2021 through June 30, 2025 for the general fund.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$85,784,421	\$83,515,163	\$80,097,110	\$78,526,578	\$77,175,998
Other Local Revenue	<u>2,552,369</u>	<u>2,398,116</u>	<u>1,311,827</u>	<u>1,249,163</u>	<u>849,549</u>
Total Revenues-Local Sources	88,336,790	85,913,279	81,408,937	79,775,741	78,025,547
State Sources	27,889,839	27,124,779	25,093,562	24,469,936	19,755,327
Federal Sources	<u>30,123</u>	<u>33,868</u>	<u>174,112</u>	<u>57,943</u>	<u>54,184</u>
Total Revenues	\$116,256,752	\$113,071,926	\$106,676,611	\$104,303,620	\$97,835,058
EXPENDITURES					
General Fund:					
Instruction	\$39,615,746	\$39,565,954	\$39,996,875	\$37,855,048	\$37,634,947
Undistributed Expenditures	76,704,231	70,835,177	67,175,889	63,126,677	54,708,049
Capital Outlay	<u>986,685</u>	<u>2,717,828</u>	<u>2,181,494</u>	<u>7,460,126</u>	<u>2,699,287</u>
Total Expenditures	117,306,662	113,118,959	109,354,258	108,441,851	95,042,283
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(1,049,910)	(47,033)	(2,677,647)	(4,138,231)	2,792,775
Other Financing Sources (Uses):					
Financed Purchases	470,000	315,000	0	4,475,761	1,200,000
Transfers In	56,787	0	1,486,411	0	0
Transfers Out	<u>0</u>	<u>(870,000)</u>	<u>0</u>	<u>(1,523,813)</u>	<u>0</u>
Total Other Financing Sources (Uses)	526,787	(555,000)	1,486,411	2,951,948	1,200,000
Net Change in Fund Balance	(523,123)	(602,033)	(1,191,236)	(1,186,283)	3,992,775
Fund Balance, July 1	<u>14,916,419</u>	<u>15,518,452</u>	<u>16,709,688</u>	<u>17,895,971</u>	<u>13,903,196</u>
Fund Balance, June 30	<u>\$14,393,296</u>	<u>\$14,916,419</u>	<u>\$15,518,452</u>	<u>\$16,709,688</u>	<u>\$17,895,971</u>

Source: Annual Comprehensive Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis (Exhibit B-2).

Financed Purchases

As of June 30, 2025, the Board has financed purchases outstanding with payments due through year ending June 30, 2030, totaling \$1,780,693.

Source: Annual Comprehensive Financial Report of the School District

Leases

As of June 30, 2025, the Board has no leases outstanding.

Source: Annual Comprehensive Financial Report of the School District

Short-Term Debt

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

Source: Annual Comprehensive Financial Report of the School District

Long-Term Debt

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$3,445,000	\$654,285	\$4,099,285
2027	3,115,000	843,300	3,958,300
2028	3,210,000	718,700	3,928,700
2029	3,315,000	590,300	3,905,300
2030	3,420,000	457,700	3,877,700
2031	3,510,000	320,900	3,830,900
2032	<u>3,610,000</u>	<u>180,500</u>	<u>3,790,500</u>
TOTALS	<u>\$23,625,000</u>	<u>\$3,765,685</u>	<u>\$27,390,685</u>

Source: Annual Comprehensive Financial Report of the School District

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Debt Limit of the Board

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

Average Equalized Real Property Valuation (2022, 2023, and 2024)	\$5,980,920,047
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	\$239,236,802
Less: Bonds and Notes Authorized and Outstanding	<u>23,625,000</u>
Remaining Limitation of Indebtedness	\$215,611,802
Percentage of Net School Debt to Average Equalized Valuation	0.40%

Source: Annual Comprehensive Financial Report of the School District

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INFORMATION REGARDING THE TOWNSHIP OF HOPEWELL¹

The following material presents certain economic and demographic information of the Township of Hopewell (the “Township”), in the County of Mercer (the “County”), in the State of New Jersey (the “State”).

General Information

The Township is comprised of an area of approximately sixty (60) square miles and it is bounded by Hunterdon County to the north, the Delaware River to the west, Lawrence and Ewing Townships to the south and Princeton to the east. The Township also surrounds the Boroughs of Hopewell and Pennington. The Township is divided by New Jersey State Highway Route 31. The cities of Philadelphia and New York provide cultural and economic centers which are easily accessible via Interstates 95 and 295 which run through the Township, commuter railroad transportation and/or bus service. Air travel connections are available at the Trenton/Mercer Airport which is located just over the Township's southern border in Ewing Township.

The area encompassing the Township is bucolic in nature. A mixture of pastoral, wooded and rugged terrain guarantees that future development will be limited to suitable areas, allowing the Township to retain its rural and unspoiled characteristics.

A full range of commercial establishments are located in the Township. Restaurants, service stations, grocery and food specialty shops, banks and offices complement the residential nature of the Township's developed areas. Additional commercial and retail shopping is available in the Boroughs of Hopewell and Pennington. Major corporate employers are Janssen Pharmaceutical (a division of Johnson & Johnson) and Capital Health Systems.

Public and quasi-public land uses in the Township include the Mercer County Howell Living History Farm and the Mercer County Belle Mountain recreation area in the northwest section of the Township. Washington Crossing State Park, Mercer County Park Northwest and Mercer County's Rosedale Park provide both passive and active recreation areas within the Township. Baldpate Mountain, owned by the County, the State and the Township; the Aliger property which is owned by the Township; and Independence Park which is owned by the Township, also provide for passive and active recreation.

Vacant land area is predominately zoned for residential development, which provides for several zoning classifications from five units per acre in the Township's growth zone up to fourteen acre sites in the mountainous areas.

¹ Source: The Township (unless otherwise indicated).

Education

The Township is served by the Hopewell Valley Regional School District, an all-purpose regional school district which is comprised of Hopewell Borough, the Township, and Pennington Borough (the "School District"). The School District is a type II school district and currently provides education for grades pre-K through 12. There are four (4) elementary schools that house grades pre-K through 5; one (1) middle school that houses grades 6 through 8; and one (1) high school for grades 9 through 12.

The School District's Board of Education is comprised of nine (9) elected members, elected for staggered three (3) year terms. Pursuant to State statute, the Board of Education appoints a Superintendent and Business Administrator/Board Secretary.

In addition to the schools of the Hopewell Valley Regional School District, there are several private schools conveniently available in the adjacent communities. Area higher education is provided by The College of New Jersey, Princeton University, Rider University and Mercer County Community College, all of which are located in adjacent communities. These universities and colleges offer a full range of curriculum in undergraduate, graduate and doctoral studies.

Form of Government

The Township is governed by a five-member Township Committee elected on an at-large basis. Each year the elected body selects one of its members to serve as Mayor for a one-year term. The Township Committee has responsibility for all executive and legislative matters, including the enactment of all ordinances and resolutions.

Administrative responsibilities are vested in a full-time professionally trained Township Administrator, who is charged with overseeing the "day-to-day" operations of the municipal government. Township offices and departments include: the Office of the Township Administrator, Municipal Court, the Office of the Township Clerk, the Department of Finance, the Department of Revenue Collection, the Offices of Planning, Zoning and Affordable Housing, the Municipal Construction Department, the Police Department, the Department of Public Works and the Health Department.

The Township Committee formulates policy with input from the Township's professional staff, as well as resident volunteers who serve on various boards, commissions or committees.

The volunteer boards of the municipal government are: Zoning Board of Adjustment, Planning Board, Environmental Commission, Historic Preservation Commission, Affordable Housing Committee, Board of Health, the Agricultural Advisory Committee, the Open Space Advisory Committee, Citizens Equality Advisory Committee, Deer Management Advisory Committee, Recreation Advisory Committee, Senior Advisory Committee, Senior Advisory Board and Woolsey Park Advisory Committee.

Public Works

Public Works provides curbside service Township-wide including: bulky waste (January, April, May, June, September and October) and brush pickup monthly by zone (exceptions: the months of July, August, November and December), Freon disposal (monthly), leaf pickup (spring and autumn) and tire pickup (twice during the year). Additionally, this department maintains 144 miles of Township roadway (including surface repairs and snow removal), all Township vehicles, all municipal buildings and any parks or recreational facilities that are the responsibility of the Township.

Utilities

Electric and gas service is provided by Jersey Central Power & Light, PSE&G Gas Company, and Elizabethtown Gas Company. Private companies supply garbage collection. Comcast Cablevision and Verizon Fios provide cable television service. Seventy percent of Township residents have septic systems and well water. Trenton Water Works supplies water to neighborhoods south of Lawrenceville-Pennington and Washington Crossing-Pennington Roads. Elizabethtown Water Company has a limited franchise to provide water for a few neighborhoods in the northern section of the Township. Stony Brook Regional Sewerage Authority and the Ewing-Lawrence Sewerage Authority provide sewage treatment to those areas which are sewered.

Public Safety

The Police Department provides 24-hour service to the residents of the Township and to the residents of Hopewell Borough via an interlocal service agreement that has been in place since January 1983. The department consists of a Chief, Lieutenants, Sergeants, Patrol Officers, Dispatchers, Secretary and a Discovery Clerk. Services to the public include: Resident Identification Cards, Crime Watch, Domestic Violence Task Force, a Traffic Service Unit and educational services in local schools.

Recreation

The Hopewell Valley Recreation Department was created to foster a regional approach to the delivery of recreation and leisure services.

The department sponsors a comprehensive array of recreation and leisure services and a wide variety of community trips, senior citizens activities and programs for children and teens. More than 40 programs were offered throughout the year, including senior breakfasts, community trips, baseball games, a weekly senior bridge program, voice and dance lessons, a youth wrestling program and a youth field hockey program.

The department also manages the Township's parks, playgrounds and athletic facilities, including the Municipal Athletic Complex, the 22-acre Independence Park, the 173 acre Woolsey Park and the 49-acre Twin Pines facility that is currently being used as a practice sight for many of the community's soccer and lacrosse teams. The Township continues its partnership with neighboring Lawrence Township in the maintenance and development of the Twin Pines Site.

The Township is the recreation department's fiscal agent and provides salary and certain operating expenses through its annual municipal budget. A trust fund was established for fee-based programs that are designed to be self-supporting and provide employment to part-time staff members.

Pension and Retirement Systems

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

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

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

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

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2024	9,159	8,881	278	3.0%
2023	9,113	8,867	246	2.7%
2022	9,011	8,790	221	2.5%
2021	8,819	8,463	356	4.0%
2020	8,627	8,175	452	5.2%
<u>County</u>				
2024	199,583	190,833	8,750	4.4%
2023	198,699	190,533	8,166	4.1%
2022	195,425	188,302	7,123	3.6%
2021	192,685	180,980	11,705	6.1%
2020	192,510	177,193	15,317	8.0%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

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

Income (as of 2023)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$177,088	\$96,333	\$101,050
Median Family Income	208,052	124,699	123,892
Per Capita Income	77,201	52,101	53,118

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

Population

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

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	17,916	2.43%	392,138	1.24%	9,500,851	2.28%
2020	17,491	1.08	387,340	5.68	9,288,994	5.65
2010	17,304	7.44	366,513	4.49	8,791,894	4.49
2000	16,105	38.96	350,761	7.65	8,414,350	8.85
1990	11,590	6.40	325,824	5.83	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
American Blvd SPV3	\$108,763,504	2.73%
Janssen Pharmaceutica	91,230,100	2.29%
Cole Hopewell Twp	80,000,000	2.01%
AREP Hopewell LLC	72,035,000	1.81%
Hopewell Campus Owner LLC	60,110,000	1.51%
Beigene Hopewell Urban Renewal	55,000,000	1.38%
One Talent LLC	49,583,400	1.24%
Trustees of Princeton University	35,721,500	0.90%
Hopewell TC Associates	24,646,100	0.62%
Millrose Properties NJ LLC	<u>23,494,000</u>	<u>0.59%</u>
Total	<u>\$600,583,604</u>	<u>15.06%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$127,483,286	\$126,592,512	99.30%
2023	122,048,246	119,561,478	97.96%
2022	118,978,587	118,232,937	99.37%
2021	116,808,474	115,661,661	99.02%
2020	117,155,619	115,832,713	98.87%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$446,323	\$571,929	\$1,018,253	0.80%
2023	382,547	2,344,181	2,726,728	2.23%
2022	385,716	614,306	1,000,022	0.84%
2021	318,563	1,008,058	1,326,621	1.14%
2020	310,332	1,444,356	1,754,688	1.50%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

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

Source: Annual Audit Reports of the Township

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

The table below lists components of the tax rates for Township residents, per \$100 of assessed valuation, for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Regional School</u>	<u>County</u>	<u>Fire District</u>	<u>Total</u>
2025	\$0.440	\$0.030	\$1.866	\$0.793	\$0.122	\$3.251
2024	0.443	0.030	1.804	0.764	0.116	3.157
2023	0.435	0.030	1.752	0.727	0.112	3.056
2022	0.438	0.030	1.715	0.701	0.109	2.993
2021	0.437	0.030	1.782	0.701	0.109	3.059

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$3,984,480,300	\$5,587,547,749	71.31%	\$4,643,084	\$5,592,190,833
2024	3,989,523,500	5,317,946,548	75.02	5,086,981	5,323,033,529
2023	3,983,007,840	4,840,208,822	82.29	5,206,725	4,845,415,547
2022	3,878,045,310	4,576,404,661	84.74	6,076,246	4,582,480,907
2021	3,810,168,570	4,213,855,972	90.42	6,031,203	4,219,887,175

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$81,801,800	\$2,842,041,000	\$246,979,300	\$490,175,100	\$319,166,500	\$4,316,600	\$3,984,480,300
2024	92,714,400	2,820,927,300	257,162,900	510,011,900	304,017,000	4,690,000	3,989,523,500
2023	77,068,300	2,802,849,900	252,428,460	508,013,700	338,028,500	4,618,980	3,983,007,840
2022	30,657,000	2,777,645,400	259,075,830	500,894,600	305,153,500	4,618,980	3,878,045,310
2021	30,077,200	2,758,499,500	254,671,970	503,361,900	259,006,400	4,551,600	3,810,168,570

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$1,730,000	\$1,311,000	\$1,995,000	\$800,000	\$3,350,000
Miscellaneous Revenues	5,020,408	5,815,637	6,154,291	6,783,682	8,899,311
Receipts from Delinquent Taxes	1,363,000	1,113,300	800,000	1,800,000	525,000
Amount to be Raised by Taxation	<u>16,672,293</u>	<u>17,002,487</u>	<u>17,339,859</u>	<u>17,684,867</u>	<u>17,548,972</u>
Total Revenue:	<u>\$24,785,701</u>	<u>\$25,242,425</u>	<u>\$26,289,150</u>	<u>\$27,068,548</u>	<u>\$30,323,282</u>
<u>Appropriations</u>					
General Appropriations	\$15,253,671	\$15,747,348	\$16,408,314	\$16,408,000	\$17,968,793
Operations (Excluded from CAPS)	1,521,993	1,708,540	1,616,201	1,875,558	2,225,605
Deferred Charges and Statutory Expenditures	175,000	242,000	0	0	0
Capital Improvement Fund	250,000	258,000	670,000	400,000	1,795,000
Municipal Debt Service	6,326,326	6,081,087	6,384,263	6,782,486	6,733,550
Reserve for Uncollected Taxes	<u>1,258,711</u>	<u>1,205,450</u>	<u>1,210,372</u>	<u>1,602,505</u>	<u>1,600,335</u>
Total Appropriations:	<u>\$24,785,701</u>	<u>\$25,242,425</u>	<u>\$26,289,150</u>	<u>\$27,068,548</u>	<u>\$30,323,282</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$14,277,467	\$3,350,000
2023	10,143,560	800,000
2022	11,808,778	1,995,000
2021	8,722,873	1,311,000
2020	8,979,773	1,730,000

Source: Annual Audit Reports of the Township

Water Utility Fund

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

Fund Balance - Water Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$168,362	\$28,840
2023	130,145	22,825
2022	156,358	55,000
2021	230,488	104,260
2020	205,817	91,400

Source: Annual Audit Reports of the Township

Sewer Utility Fund (ELSA)/(SBRSA)

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

Fund Balance - Sewer Utility Operating Fund (ELSA)/(SBRSA)

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$259,975	\$220,000
2023	280,662	198,327
2022	483,256	269,554
2021	616,827	99,275
2020	588,348	356,416

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2024

General Purpose Debt

Serial Bonds	\$35,277,000
Bond Anticipation Notes	15,302,000
Bonds and Notes Authorized but Not Issued	770,000
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$51,349,000

Regional School District Debt

Serial Bonds	\$22,825,200
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$22,825,200

Self-Liquidating Debt

Serial Bonds	\$711,000
Bond Anticipation Notes	108,000
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$819,000

TOTAL GROSS DEBT

\$74,993,200

Less: Statutory Deductions	
General Purpose Debt	\$5,860,637
Regional School District Debt	22,825,200
Self-Liquidating Debt	<u>819,000</u>
Total:	\$29,504,837

TOTAL NET DEBT

\$45,488,363

Source: Annual Debt Statement of the Township

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Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Regional School District	\$27,795,000	82.12%	\$22,825,200
County	635,709,173	7.55%	<u>48,024,338</u>
Net Indirect Debt			\$70,849,538
Net Direct Debt			<u>45,488,363</u>
Total Net Direct and Indirect Debt			<u>\$116,337,901</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$4,754,913,410
Permitted Debt Limitation (3 1/2%)	166,421,969
Less: Net Debt	<u>45,488,363</u>
Remaining Borrowing Power	<u>\$120,933,606</u>
Percentage of Net Debt to Average Equalized Valuation	0.957%
Gross Debt Per Capita based on 2024 population of 17,916	\$4,186
Net Debt Per Capita based on 2024 population of 17,916	\$2,539

Source: Annual Debt Statement of the Township

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

INFORMATION REGARDING THE BOROUGH OF HOPEWELL¹

The following material presents certain economic and demographic information of the Borough of Hopewell (the "Borough"), in the County of Mercer (the "County"), State of New Jersey (the "State").

General Information

The Borough was incorporated in 1891 and is located in the central portion of the County, midway between Philadelphia and New York City. The Borough operates under the Borough Council form of government. The Council is the legislative body of the Borough and consists of six (6) members elected by popular vote to a three (3) year term. The terms are staggered so that two members are elected each year.

Public Safety

The Borough has an interlocal service agreement with Hopewell Township for police service which provides 24-hour protection to the residents of the Borough. The interlocal service agreement has been in place since January 1983. Fire protection is provided by the Hopewell Borough Fire District which also provides 24-hour protection. The Fire District is governed by five (5) elected commissioners. Ambulance service is provided by the local volunteer rescue squad.

Education

The Borough is served by the Hopewell Valley Regional School District, an all-purpose regional school district which is comprised of the Borough, Hopewell Township, and Pennington Borough (the "School District"). The School District is a type II school district and currently provides education for grades pre-K through 12. There are four (4) elementary schools that house grades pre-K through 5; one (1) middle school that houses grades 6 through 8; and one (1) high school for grades 9 through 12.

The School District's Board of Education is comprised of nine (9) elected members, elected for staggered three (3) year terms. Pursuant to State statute, the Board of Education appoints a Superintendent and Business Administrator/Board Secretary.

In addition to the schools of the Hopewell Valley Regional School District, there are several private schools conveniently available in the adjacent communities. Area higher education is provided by The College of New Jersey, Princeton University, Rider University and Mercer County Community College, all of which are located in adjacent communities. These universities and colleges offer a full range of curriculum in undergraduate, graduate and doctoral studies.

¹ Source: The Borough, unless otherwise indicated.

Utilities

The Borough maintains a Water Utility which supplies well water to the Borough residents. Sewer service is provided by Stony Brook Regional Sewerage Authority. Electric and gas service is provided by Public Service Electric and Gas.

Pension and Retirement Systems

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

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

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

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

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	1,060	1,030	30	2.8%
2023	1,054	1,028	26	2.5%
2022	1,049	1,019	30	2.9%
2021	1,020	978	42	4.1%
2020	1,004	946	58	5.8%
<u>County</u>				
2024	199,583	190,833	8,750	4.4%
2023	198,699	190,533	8,166	4.1%
2022	195,425	188,302	7,123	3.6%
2021	192,685	180,980	11,705	6.1%
2020	192,510	177,193	15,317	8.0%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

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

Income (as of 2023)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$142,396	\$96,333	\$101,050
Median Family Income	187,679	124,699	123,892
Per Capita Income	78,642	52,101	53,118

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

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2023 est.	1,894	-1.25%	392,138	1.24%	9,500,851	2.28%
2020	1,918	-0.21	387,340	5.68	9,288,994	5.65
2010	1,922	-5.55	366,513	4.49	8,791,894	4.49
2000	2,035	3.40	350,761	7.65	8,414,350	8.85
1990	1,968	-1.65	325,824	5.83	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	2025	% of Total
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Freedman, Gerald	\$2,200,000	0.69%
Hopewell Village Square	2,048,900	0.64%
Rockwell Automation, Inc	1,444,100	0.45%
71 E. Broad LLC	1,340,600	0.42%
Brick Farm Market, LLC	1,276,400	0.40%
PNC Bank	1,029,600	0.32%
Pashley, Peter & Katharine H/W	1,027,400	0.32%
Hopewell Special LLC C/O Moseley,	1,022,300	0.32%
Jeffers James & Raquel	1,019,500	0.32%
Prewitt Incorporated	<u>994,600</u>	<u>0.31%</u>
Total	<u>\$13,403,400</u>	<u>4.22%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$10,941,582	\$10,799,680	98.70%
2023	10,549,179	10,319,165	97.82%
2022	10,208,530	10,026,624	98.22%
2021	10,003,034	9,843,967	98.41%
2020	9,834,009	9,707,964	98.72%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$0	\$137,119	\$137,119	1.25%
2023	-	230,014	230,014	2.18%
2022	-	177,241	177,241	1.74%
2021	-	138,905	138,905	1.39%
2020	83,125	99,716	182,841	1.86%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$187,700
2023	187,700
2022	187,700
2021	187,700
2020	187,700

Source: Annual Audit Reports of the Borough

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

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

		Regional		Fire
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>District</u>
2024	\$0.801	\$1.848	\$0.720	\$0.070
2023	0.763	1.822	0.655	0.070
2022	0.732	1.749	0.648	0.070
2021	0.685	1.736	0.650	0.070
2020	0.674	1.715	0.638	0.070

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

Valuation of Property

	Aggregate Assessed	Aggregate True	Ratio of	Assessed	
<u>Year</u>	<u>Valuation of</u>	<u>Value of</u>	<u>Assessed to</u>	<u>Value of</u>	<u>Equalized</u>
	<u>Real Property</u>	<u>Real Property</u>	<u>True Value</u>	<u>Personal Property</u>	<u>Valuation</u>
2025	\$317,910,000	\$443,018,395	71.76%	\$0	\$443,018,395
2024	317,972,400	396,079,223	80.28	0	396,079,223
2023	318,522,900	396,764,948	80.28	0	396,764,948
2022	318,574,800	372,210,305	85.59	0	372,210,305
2021	317,351,900	358,184,989	88.6	0	358,184,989

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$4,566,400	\$272,370,700	\$1,770,700	\$36,428,900	\$1,270,100	\$1,503,200	\$317,910,000
2024	4,566,400	272,433,100	1,770,700	36,428,900	1,270,100	1,503,200	317,972,400
2023	5,005,800	272,544,200	1,770,700	36,428,900	1,270,100	1,503,200	318,522,900
2022	4,442,500	272,376,300	1,775,800	37,206,900	1,270,100	1,503,200	318,574,800
2021	5,264,000	270,089,200	1,775,800	37,449,600	1,270,100	1,503,200	317,351,900

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$393,200	\$541,500	\$600,000	\$630,000	\$653,000
Miscellaneous Revenues	904,366	1,060,273	922,969	1,057,397	1,106,344
Receipts from Delinquent Taxes	99,700	100,000	140,000	155,000	135,000
Amount to be Raised by Taxation	<u>2,142,259</u>	<u>2,297,715</u>	<u>2,396,457</u>	<u>2,514,026</u>	<u>2,606,566</u>
Total Revenue:	<u>\$3,539,525</u>	<u>\$3,999,488</u>	<u>\$4,059,426</u>	<u>\$4,356,424</u>	<u>\$4,500,910</u>
<u>Appropriations</u>					
General Appropriations	\$1,485,094	\$1,619,037	\$1,692,303	\$1,760,564	\$1,847,828
Operations (Excluded from CAPS)	900,085	930,962	969,525	1,158,363	1,065,133
Deferred Charges and Statutory Expenditures	24,107	143,650	0	0	600
Capital Improvement Fund	175,000	199,498	0	0	150,000
Municipal Debt Service	548,349	689,232	976,540	1,001,736	986,686
Reserve for Uncollected Taxes	<u>406,890</u>	<u>417,109</u>	<u>421,058</u>	<u>435,761</u>	<u>450,663</u>
Total Appropriations:	<u>\$3,539,525</u>	<u>\$3,999,488</u>	<u>\$4,059,426</u>	<u>\$4,356,424</u>	<u>\$4,500,910</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$2,526,706	\$653,000
2023	2,266,068	630,000
2022	2,309,922	600,000
2021	2,209,524	541,500
2020	1,866,266	393,200

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

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

<u>Fund Balance - Water Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$28,142	\$10,000
2023	23,890	-
2022	48,880	26,000
2021	74,125	64,262
2020	133,820	90,000

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2024**General Purpose Debt**

Serial Bonds	\$7,158,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	2,786,448
Other Bonds, Notes and Loans	0
Total:	<u>\$9,944,448</u>

Local School District Debt

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

Regional School District Debt

Serial Bonds	\$1,866,336
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$1,866,336</u>

Self-Liquidating Debt

Serial Bonds	\$538,000
Bond Anticipation Notes	95,000
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$633,000</u>

TOTAL GROSS DEBT**\$12,443,784**

Less: Statutory Deductions	
General Purpose Debt	\$1,747,615
Local School District Debt	0
Regional School District Debt	1,866,336
Self-Liquidating Debt	633,000
Total:	<u>\$4,246,951</u>

TOTAL NET DEBT**\$8,196,833**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$0	100.00%	\$0
Regional School District	27,795,000	6.71%	1,866,336
County	635,709,173	0.68%	<u>4,296,215</u>
Net Indirect Debt			\$6,162,551
Net Direct Debt			<u>8,196,833</u>
Total Net Direct and Indirect Debt			<u>\$14,359,384</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$388,351,492
Permitted Debt Limitation (3 1/2%)	13,592,302
Less: Net Debt	<u>8,196,833</u>
Remaining Borrowing Power	<u>\$5,395,469</u>
Percentage of Net Debt to Average Equalized Valuation	2.111%
 Gross Debt Per Capita based on 2023 population of 1,894	 \$6,570
Net Debt Per Capita based on 2023 population of 1,894	\$4,328

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE BOROUGH OF PENNINGTON¹

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

General Information

The Borough is comprised of an area of approximately one square mile and is a small suburban community. The Borough is located in the west central portion of the State, in the northwest portion of the County.

Form of Government

The Borough operates under a form of the Mayor-Council Plan in which authority is decentralized. Under this form the Mayor, elected directly by the voters, shares administrative power and responsibility with the Council.

The Mayor, as chief executive officer of the Borough, serves on a part-time basis. The Mayor is elected for a four-year term. The Mayor nominates appointees to boards and commissions of the Borough, subject to the ratification of Council, and presides over meetings of the Borough Council. The Mayor may vote on actions being considered by the Council only to break a tied vote.

The Borough Council is the policy making body of Borough government, but also has certain administrative powers. The Council is comprised of six members, two of whom are elected at-large each year to three-year terms. The Council is responsible for passing ordinances, adopting operating budgets, and approving appointments made by the Mayor. Through its standing committees, the Council exercises significant policy oversight in the Borough's operations.

The day-to-day operations of the Borough are managed by the Borough Administrator, who is the chief administrative officer and heads a workforce of approximately 37 employees. The Borough Administrator is appointed by the Mayor and Council and carries out the Council's plans and orders. All Borough departments report to the Administrator, who is responsible for personnel policy and organization, interdepartmental coordination, budget planning and procurement of goods and services necessary to the Borough's operations.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually

¹ Source: The Borough, unless otherwise indicated.

charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2024	1,648	1,608	40	2.4%
2023	1,648	1,606	42	2.5%
2022	1,611	1,577	34	2.1%
2021	1,542	1,499	43	2.8%
2020	1,512	1,453	59	3.9%
<u>County</u>				
2024	199,583	190,833	8,750	4.4%
2023	198,699	190,533	8,166	4.1%
2022	195,425	188,302	7,123	3.6%
2021	192,685	180,980	11,705	6.1%
2020	192,510	177,193	15,317	8.0%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
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2020	4,643,700	4,204,301	439,399	9.5%

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

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Income (as of 2023)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$171,282	\$96,333	\$101,050
Median Family Income	212,273	124,699	123,892
Per Capita Income	88,350	52,101	53,118

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

Population

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

	<u>Borough</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2023 est.	2,840	1.36%	392,138	1.24%	9,500,851	2.28%
2020	2,802	8.39	387,340	5.68	9,288,994	5.65
2010	2,585	-4.12	366,513	4.49	8,791,894	4.49
2000	2,696	6.27	350,761	7.65	8,414,350	8.85
1990	2,537	20.29	325,824	5.83	7,730,188	4.96

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
143 West Franklin Ave., LLC	\$7,600,000	1.44%
Pennington Square Shop. Cntr.	4,100,000	0.78%
21 Pennington, LLC	3,700,000	0.70%
Straube Regional Center	3,531,800	0.67%
Straube Center	3,310,000	0.63%
Scope Flip Pennington SM, LLC	3,241,600	0.61%
ECS Holding LLC	3,000,000	0.57%
Montpen SC LLC	1,956,900	0.37%
Pennington Court, Inc.	1,870,900	0.35%
Salyerds, John R. & Melissa E.	<u>1,425,300</u>	<u>0.27%</u>
Total	<u>\$33,736,500</u>	<u>6.38%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$17,208,601	\$17,112,904	99.44%
2023	16,097,485	15,960,204	99.15%
2022	14,956,973	14,830,946	99.16%
2021	14,797,484	14,592,597	98.62%
2020	14,324,026	14,170,770	98.93%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$8,007	\$67,084	\$75,091	0.44%
2023	8,007	117,010	125,017	0.78%
2022	7,943	141,587	149,530	1.00%
2021	7,943	189,465	197,408	1.33%
2020	7,943	152,428	160,371	1.12%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$17,810
2023	17,810
2022	17,810
2021	17,810
2020	17,810

Source: Annual Audit Reports of the Borough

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

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

	Regional			
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
2025	\$0.631	\$1.932	\$0.745	\$3.308
2024	0.603	1.862	0.736	3.201
2023	0.589	1.758	0.653	3.000
2022	0.545	1.614	0.615	2.774
2021	0.580	1.621	0.608	2.809

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2025	\$527,018,800	\$751,702,753	70.11%	\$1,459,900	\$753,162,653
2024	526,703,500	672,587,792	78.31	1,556,000	674,143,792
2023	525,630,100	671,217,086	78.31	1,704,600	672,921,686
2022	525,531,200	612,650,035	85.78	2,118,491	614,768,526
2021	514,221,200	551,680,292	93.21	2,118,491	553,798,783

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$1,110,000	\$468,303,200	\$0	\$50,525,200	\$6,293,800	\$786,600	\$527,018,800
2024	1,653,800	466,656,900	0	51,322,400	6,283,800	786,600	526,703,500
2023	1,678,800	465,526,700	0	51,322,400	6,283,800	818,400	525,630,100
2022	1,315,300	465,791,300	0	51,322,400	6,283,800	818,400	525,531,200
2021	5,347,400	450,787,100	0	50,984,500	6,283,800	818,400	514,221,200

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$438,915	\$492,299	\$496,085	\$578,753	\$818,288
Miscellaneous Revenues	1,196,260	664,476	766,715	683,085	646,403
Receipts from Delinquent Taxes	154,000	150,000	120,000	116,000	70,000
Amount to be Raised by Taxation	<u>2,701,467</u>	<u>2,822,848</u>	<u>3,052,530</u>	<u>3,129,734</u>	<u>3,279,118</u>
Total Revenue:	<u>\$4,490,642</u>	<u>\$4,129,624</u>	<u>\$4,435,330</u>	<u>\$4,507,573</u>	<u>\$4,813,808</u>
<u>Appropriations</u>					
General Appropriations	\$2,927,716	\$3,077,702	\$3,250,037	\$3,344,013	\$3,557,385
Operations (Excluded from CAPS)	898,626	397,545	493,293	508,560	595,678
Deferred Charges and Statutory Expenditures	74,300	53,200	80,000	30,000	30,000
Capital Improvement Fund	15,000	15,000	15,000	15,000	15,000
Municipal Debt Service	315,000	321,177	327,000	330,000	325,745
Reserve for Uncollected Taxes	<u>260,000</u>	<u>265,000</u>	<u>270,000</u>	<u>280,000</u>	<u>290,000</u>
Total Appropriations:	<u>\$4,490,642</u>	<u>\$4,129,624</u>	<u>\$4,435,330</u>	<u>\$4,507,573</u>	<u>\$4,813,808</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$1,123,553	\$818,288
2023	723,272	578,753
2022	839,234	496,085
2021	829,168	492,299
2020	722,919	438,915

Source: Annual Audit Reports of the Borough

Water/Sewer Utility Operating Fund

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

Fund Balance - Water/Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2024	\$879,484	\$281,089
2023	895,182	393,530
2022	743,202	397,007
2021	444,478	222,976
2020	566,615	158,464

Source: Annual Audit Reports of the Borough

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Borough Indebtedness (as of December 31, 2024)**General Purpose Debt**

Serial Bonds	\$2,238,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,877,355
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$4,115,355

Local School District Debt

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

Regional School District Debt

Serial Bonds	\$27,795,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$27,795,000

Self-Liquidating Debt

Serial Bonds	\$471,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,446,616
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$1,917,616

TOTAL GROSS DEBT**\$33,827,972**

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	27,795,000
Self-Liquidating Debt	<u>1,917,616</u>
Total:	\$29,712,616

TOTAL NET DEBT**\$4,115,355**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2024)

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	\$27,795,000	11.17%	\$3,103,464
County	635,709,173	1.15%	<u>7,299,086</u>
Net Indirect Debt			\$10,402,550
Net Direct Debt			<u>4,115,355</u>
Total Net Direct and Indirect Debt			<u>\$14,517,905</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$652,151,638
Permitted Debt Limitation (3 1/2%)	22,825,307
Less: Net Debt	<u>4,115,355</u>
Remaining Borrowing Power	<u>\$18,709,952</u>
Percentage of Net Debt to Average Equalized Valuation	0.631%
Gross Debt Per Capita based on 2023 population of 2,840	\$11,911
Net Debt Per Capita based on 2023 population of 2,840	\$1,449

Source: Annual Debt Statement of the Borough

APPENDIX B

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

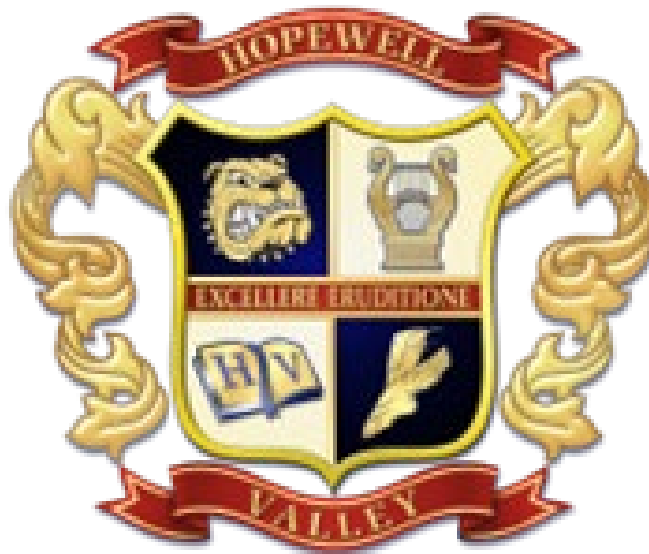
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Hopewell Valley

Regional School District

Hopewell Valley Regional Board of Education
Pennington, New Jersey

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025



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Hopewell Valley Regional School District

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Hopewell Valley Regional School District Pennington, New Jersey

Prepared by Hopewell Valley Regional School District
Business Office
Robert Colavita
Business Administrator, Board Secretary

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Financial Section

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Independent Auditors' Report

**Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
Pennington, New Jersey
County of Mercer**

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 Hopewell Valley Regional School District, County of Mercer, New Jersey (the "District"), as of and for the 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 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) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Our responsibilities under those standards and requirements 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.

PKF O'CONNOR DAVIES, LLP
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**Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District**

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Change in Accounting Policy

We draw attention to Note 19 in the notes to the financial statements which disclose the effects of the District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, "*Compensated Absences*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 auditors' 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 and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey will always detect 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 and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

**Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District**

Page 3

- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules included under Required Supplementary Information in the accompanying table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
December 5, 2025

Scott A. Clelland

Scott A. Clelland, CPA
Licensed Public School Accountant, No. 1049

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Required Supplementary Information
Part I

Management's Discussion and Analysis

Hopewell Valley Regional School District Management's Discussion and Analysis

Year ended June 30, 2025

As management of the Hopewell Valley Regional School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A as required by GASB Statement No. 34.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required supplementary information, supplementary information and other information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows of resources, deferred inflows of resources and liabilities of the District, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The government-wide financial statements are Schedules A-1 and A-2.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund and as supplementary information for the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are Schedules B-1, B-2 and B-3.

Proprietary funds. The District maintains two proprietary fund types as enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service and driver education programs. Also, a self-insurance internal service fund is used to record the activity of the District's health insurance program.

The proprietary fund financial statements are Schedules B-4, B-5 and B-6.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The required supplementary information and the individual and combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the financial statements.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$36,113,419 (net position) at the close of 2025 and our overall net position increased in the current year. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2025 and 2024:

Hopewell Valley Board of Education						
Net Position						
June 30,						
	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 23,014,672	\$ 738,239	\$ 23,752,911	\$ 23,261,871	\$ 688,555	\$ 23,950,426
Restricted cash	332,417		332,417	702,247		702,247
Capital assets, net	74,625,191	177,547	74,802,738	77,265,231	208,096	77,473,327
Total assets	97,972,280	915,786	98,888,066	101,229,349	896,651	102,126,000
Deferred Outflow of Resources	2,532,372		2,532,372	2,117,536		2,117,536
Current liabilities	3,657,023	79,459	3,736,482	8,281,359	74,926	8,356,285
Net pension liability	16,137,307		16,137,307	16,548,772		16,548,772
Long-term liabilities outstanding	44,217,085		44,217,085	34,389,220		34,389,220
Total liabilities	64,011,415	79,459	64,090,874	59,219,351	74,926	59,294,277
Deferred Inflow of Resources	1,216,145		1,216,145	1,456,111		1,456,111
Net position:						
Net investment in capital assets	48,795,596	177,547	48,973,143	47,860,510	208,096	48,068,606
Restricted	9,246,389		9,246,389	8,027,740		8,027,740
Unrestricted (deficit)	(22,764,893)	658,780	(22,106,113)	(13,216,827)	613,629	(12,603,198)
Total net position	\$ 35,277,092	\$ 836,327	\$ 36,113,419	\$ 42,671,423	\$ 821,725	\$ 43,493,148

GASB Statement No. 101 was implemented during the 2025 fiscal year, which required a retroactive adjustment of beginning net position in the amount of (\$10,001,131). This amount is not reflected in the June 30, 2024 net position shown above.

The decrease in restricted cash is mainly due to the use of the unspent portion of financed purchases payable proceeds in the current year.

The largest portion of the District's net position is its net investment in capital assets. The increase in the District's net investment in capital assets is due to ongoing capital projects combined with the paying down of related debt.

Restricted net position includes assets that are subject to external restrictions (e.g., for capital reserve, maintenance reserve, scholarship reserve, student activity reserve, capital projects and debt service).

Deferred outflow of resources represents deferred pension costs associated with the District's net pension liability. Deferred inflows of resources represent the District's proportionate share of earnings and assumptions associated with the District's net pension liability. Long-term liabilities increased due to the implementation of GASB Statement No. 101 offset by the current year payments made on existing obligations.

The unrestricted net position deficit increased in the current year due mainly to the implementation of GASB Statement No. 101.

Government-wide activities. The key elements of the District's changes in net position for the years ended June 30, 2025 and 2024 are as follows:

Hopewell Valley Board of Education Changes in Net Position Year Ended June 30,						
	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	\$ 1,567,749	\$ 1,470,802	\$ 3,038,551	\$ 1,426,647	\$ 1,454,959	\$ 2,881,606
Operating and capital grants and contributions	1,499,364	314,199	1,813,563	1,803,724	341,842	2,145,566
Capital grants and contributions	219,857		219,857	22,452		22,452
General revenues:						
Property taxes	88,915,275		88,915,275	86,662,125		86,662,125
Grants and contributions not restricted to specific programs	31,317,213		31,317,213	33,162,046		33,162,046
Investment Earnings	1,041,912	29,755	1,071,667	1,109,929	25,196	1,135,125
Other	661,760		661,760	588,109	1,319	589,428
Transfers	56,787	(56,787)	-			
Total Revenues and Transfers	125,279,917	1,757,969	127,037,886	124,775,032	1,823,316	126,598,348
Expenses:						
Instructional services	70,144,317		70,144,317	70,167,891		70,167,891
Support services	51,140,679	1,743,367	52,884,046	47,691,520	1,718,900	49,410,420
Special schools	440,297		440,297	440,231		440,231
Interest and other charges on long-term debt	947,824		947,824	1,047,714		1,047,714
Total Expenses	122,673,117	1,743,367	124,416,484	119,347,356	1,718,900	121,066,256
Change in net position	2,606,800	14,602	2,621,402	5,427,676	104,416	5,532,092
Net position-beginning of year, as reported	42,671,423	821,725	43,493,148	37,243,747	717,309	37,961,056
Cumulative Effect of Change in Accounting Principle*	(10,001,131)		(10,001,131)			
Net position-end of year	\$ 35,277,092	\$ 836,327	\$ 36,113,419	\$ 42,671,423	\$ 821,725	\$ 43,493,148

*Restated for change in accounting principle

Charges for services increased due to an increase in tuition revenue in the current year. Capital grants and contributions increased due an increase in the grant funded capital projects.

Governmental support services increased mainly because of the increase in the number of special education students attending in district schools during the current year causing an increase in services provided.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,223,246, while total fund balance was \$14,393,246. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1.9% of the total general fund expenditures while total fund balance represents 12.3% of that same amount.

The fund balance of the District's general fund decreased by \$523,123 during the current fiscal year. Factors in this decrease include the expenditures exceeding revenues by approximately \$1.05 million offset by other financing sources of \$527 thousand.

The Capital Projects Fund was active once again during the fiscal year. Fund balance restricted for capital projects decreased by \$429,785 to \$989,438 which represents the unspent balance of bond proceeds and remaining balance of the local contribution for the ROD grant project that started in the prior year. The decrease is attributed to the expenditures incurred on the ongoing projects.

The Debt Service Fund has a total fund balance of \$284,758, all of which is restricted for the payment of debt service and \$144,834 of which has been anticipated in the District's 2025-26 budget. The net increase in fund balance during the current year was \$139,924, which is mainly attributable to the transfer in during the year. The District received \$3,130,854 from the local tax levy and \$1,031,191 in state aid and paid \$3,155,000 and \$1,012,511 in principal and interest on bonds, respectively.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2025, and the increases and decreases in relation to the prior year.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2024</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 92,255,605	75.3%	\$ 2,412,142	2.7%
State sources	29,197,703	23.8%	672,812	2.4%
Federal sources	1,138,515	0.9%	(237,791)	-17.3%
Total	<u>\$ 122,591,823</u>	<u>100.0%</u>	<u>\$ 2,847,163</u>	2.4%

The increase in local sources is due to an increase in the tax levy, and interest revenue, which mainly stems from an increase in interest rates.

The increase in state sources is mainly attributable to increases in on-behalf TPAF pension, medical and long-term disability contributions paid by the State as well as additional state grants received in the current year.

The decrease in federal sources is mainly attributable to the completion of the COVID-19 ESSER grants in the prior year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2025, and the increases and decreases in relation to the prior year.

	Amount	Percent of Total	(Decrease) Increase from 2024	Percent of (Decrease) Increase
Current expenditures:				
Instruction	\$ 40,749,159	33.0%	\$ (56,784)	-0.1%
Support services	75,899,371	61.5%	5,328,784	7.6%
Capital outlay	1,536,327	1.2%	(1,181,501)	-43.5%
Special schools	19,111	0.0%	(221,393)	-92.1%
Debt service:				
Principal	4,421,503	3.6%	159,484	3.7%
Interest and costs	1,041,165	0.7%	(113,147)	-9.8%
Total	<u>\$ 123,666,636</u>	<u>100.0%</u>	<u>\$ 3,915,443</u>	3.3%

The increase in support services is mainly attributable to the increase in salaries and general supplies necessary to provide a comprehensive education.

The decrease in capital outlay is due to the District completing fewer projects in the current year.

General Fund Budgetary Highlights

The District budget is prepared according to New Jersey Statutes. The most significant budgeted fund is the general fund. During the fiscal year, there were several differences between the original budget and the final amended budget as a result of transfers being applied to certain line items. These transfers were made between line items as part of the normal process as permitted by State guidelines. Readers should refer to Section C of the financial report for comparisons between the actual and budgeted amounts.

State sources exceeded anticipated revenues by \$22,683,923 as a result of the District not anticipating revenues related to Extraordinary Aid, Non-public transportation aid, State on-behalf TPAF pension, medical and disability contributions, and State reimbursed TPAF social security contributions.

The District was able to expend funds within budget constraints and did not overexpend any budgetary line items.

Capital Assets

At the end of the fiscal years ended June 30, 2025 and 2024, the District had \$74,802,738 and \$77,473,327, respectively, invested in land, construction in progress, land improvements, building and building improvements and machinery and equipment, net of accumulated depreciation.

	Capital Assets (Net of Depreciation)			
	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Land	\$ 2,508,679	\$ 2,508,679		
Construction in progress	2,082,523	1,687,975		
Land improvements	1,423,096	1,608,769		
Building and building improvements	64,098,535	67,199,862		
Machinery and equipment	4,512,358	4,259,946	\$ 177,547	\$ 208,096
Total	\$ 74,625,191	\$ 77,265,231	\$ 177,547	\$ 208,096

The decrease in governmental activities capital assets is due to the current year depreciation expense exceeding additions related to buildings and building improvements, and machinery, equipment, and vehicles. The decrease in business-type activities is due to the current year disposals and depreciation expense exceeding current year additions.

For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration

At June 30, 2025, the District had \$58,456,887 of outstanding long-term liabilities. Of this amount, \$16,137,307 represents the District's net pension liability, \$11,888,983 is for compensated absences; \$1,780,693 for financed purchases payable; \$24,640,000 of serial bonds payable; \$359,122 has been accrued to pay for legal settlements and \$398,340 is for the unamortized premium on bonds. In addition, the District has \$3,252,442 accrued as a liability for insurance claims related to its self-insured health benefits. For more detailed information, refer to Note 5 of the basic financial statements.

Economic Factors and Next Year's Budget

- Local aid related to the tax levy has increased approximately \$3.7 million.
- State aid has increased approximately \$395,000.
- The cost of providing employee health benefits are expected to continue to increase.
- The District budgeted \$2,726,312 of its 2025 fund balance to partially fund the 2025-26 operations, a decrease of \$1,223,851 from the prior year.

All of the above factors were considered in preparing the District's 2025-26 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Hopewell Valley Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 425 South Main Street, Pennington, New Jersey 08534.

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Basic Financial Statements

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Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2025.

Hopewell Valley Regional School District

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 21,616,083	\$ 689,518	\$ 22,305,601
Accounts receivable	1,398,589	27,743	1,426,332
Inventories		20,978	20,978
Restricted assets:			
Cash and cash equivalents	332,417		332,417
Capital assets, non-depreciable	4,591,202		4,591,202
Capital assets, depreciable, net	70,033,989	177,547	70,211,536
Total assets	97,972,280	915,786	98,888,066
Deferred Outflows of Resources			
Pension deferrals	2,532,372		2,532,372
Total deferred outflows of resources	2,532,372		2,532,372
Liabilities			
Accounts payable	2,636,086	2,116	2,638,202
Accrued interest payable	439,877		439,877
Intergovernmental payables:			
State	40,140		40,140
Unearned revenue	218,185	77,343	295,528
Accrued expenses	2,220,240		2,220,240
Net pension liability	16,137,307		16,137,307
Current portion of long-term obligations	6,648,336		6,648,336
Noncurrent portion of long-term obligations	35,671,244		35,671,244
Total liabilities	64,011,415	79,459	64,090,874
Deferred Inflows of Resources			
Pension deferrals	1,216,145		1,216,145
Total deferred inflows of resources	1,216,145		1,216,145
Net position			
Net investment in capital assets	48,795,596	177,547	48,973,143
Restricted for:			
Capital reserve	7,636,516		7,636,516
Maintenance reserve	100,369		100,369
Excess surplus	971,109		971,109
Scholarships	29,274		29,274
Student activities	509,121		509,121
Unrestricted (deficit)	(22,764,893)	658,780	(22,106,113)
Total net position	\$ 35,277,092	\$ 836,327	\$ 36,113,419

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
Instruction	\$ 70,144,317	\$ 1,383,442	\$ 440,314		\$ (68,320,561)		\$ (68,320,561)
Support services:							
Instruction	4,445,707				(4,445,707)		(4,445,707)
Health services	1,427,224				(1,427,224)		(1,427,224)
Other support services	12,331,547		1,059,050		(11,272,497)		(11,272,497)
Improvement of instruction	3,824,205				(3,824,205)		(3,824,205)
School library	2,932,478				(2,932,478)		(2,932,478)
General administration	1,420,210				(1,420,210)		(1,420,210)
School administration	4,261,914				(4,261,914)		(4,261,914)
Central services	1,930,081				(1,930,081)		(1,930,081)
Admin info technology	458,343				(458,343)		(458,343)
Instructional staff training services	87,259				(87,259)		(87,259)
Required maintenance of plant services	2,325,201			\$ 219,857	(2,105,344)		(2,105,344)
Operation of plant	6,517,948				(6,517,948)		(6,517,948)
Care and upkeep of grounds	423,326				(423,326)		(423,326)
Security	1,054,792				(1,054,792)		(1,054,792)
Student transportation	7,681,333	184,307			(7,497,026)		(7,497,026)
Special Schools	440,297				(440,297)		(440,297)
Contribution to charter schools	19,111				(19,111)		(19,111)
Interest and other charges on long-term debt	947,824				(947,824)		(947,824)
Total governmental activities	122,673,117	1,567,749	1,499,364	219,857	(119,386,147)		(119,386,147)
Business-type activities							
Food service	1,698,720	1,442,742	314,199			\$ 58,221	58,221
Driver education	44,647	28,060				(16,587)	(16,587)
Total business-type activities	1,743,367	1,470,802	314,199			41,634	41,634
Total primary government	\$ 124,416,484	\$ 3,038,551	\$ 1,813,563	\$ 219,857	(119,386,147)	41,634	(119,344,513)
General revenues and transfers:							
Property taxes, levied for general purposes					85,784,421		85,784,421
Property taxes, levied for debt service					3,130,854		3,130,854
State and federal sources					31,317,213		31,317,213
Investment earnings					1,041,912	29,755	1,071,667
Miscellaneous income					661,760		661,760
Transfers					56,787	(56,787)	-
Total general revenues and transfer					121,992,947	(27,032)	121,965,915
Change in net position					2,606,800	14,602	2,621,402
Net position—Beginning of Year, as Reported					42,671,423	821,725	43,493,148
Cumulative Effect of Change in Accounting Principle					(10,001,131)		(10,001,131)
Net position—Beginning of Year, as Restated					32,670,292	821,725	33,492,017
Net position—End of Year					\$ 35,277,092	\$ 836,327	\$ 36,113,419

See accompanying notes to the basic financial statements.

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Fund Financial Statements

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Governmental Funds

Hopewell Valley Regional School District
Governmental Funds

Balance Sheet

June 30, 2025

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 16,174,023	\$ 679,195	\$ 1,046,685	\$ 145,318	\$ 18,045,221
Accounts receivable:					
Intergovernmental:					
State	1,016,213	7,642	184,309		1,208,164
Federal	11,804	22,246			34,050
Other	137,028	19,347			156,375
Interfund receivable	353,340			139,440	492,780
Total assets	<u>\$ 17,692,408</u>	<u>\$ 728,430</u>	<u>\$ 1,230,994</u>	<u>\$ 284,758</u>	<u>\$ 19,936,590</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 217,844	\$ 6,489	\$ 102,116		\$ 326,449
Intergovernmental payables:					
State		40,140			40,140
Interfunds payable	786,249		139,440		925,689
Payroll deductions and withholdings payable	2,220,240				2,220,240
Unearned revenue	74,779	143,406			218,185
Total liabilities	<u>3,299,112</u>	<u>190,035</u>	<u>241,556</u>		<u>3,730,703</u>
Fund balances:					
Restricted for:					
Capital reserve	7,636,516				7,636,516
Maintenance reserve	100,369				100,369
Excess surplus	971,109				971,109
Capital projects			989,438		989,438
Debt service				\$ 284,758	284,758
Scholarships		29,274			29,274
Student activities		509,121			509,121
Assigned to:					
Designated for subsequent year expenditures	2,726,312				2,726,312
Other purposes	735,744				735,744
Unassigned	2,223,246				2,223,246
Total fund balances	<u>14,393,296</u>	<u>538,395</u>	<u>989,438</u>	<u>284,758</u>	<u>16,205,887</u>
Total liabilities and fund balances	<u>\$ 17,692,408</u>	<u>\$ 728,430</u>	<u>\$ 1,230,994</u>	<u>\$ 284,758</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$138,690,850 and the accumulated depreciation is \$64,065,659. 74,625,191

Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds. (439,877)

Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds. 1,316,227

Internal service funds are used by the District to charge the costs of the District's self-insurance fund to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 297,497

Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (16,137,307)

Accrued pension contributions for the June 30, 2025 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position. (1,523,388)

Long-term liabilities, including bonds payable, financed purchases payable, compensated absences, settlements arising from litigation and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds. (39,067,138)

Net position of governmental activities \$ 35,277,092

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2025

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local sources:					
Local tax levy	\$ 85,784,421			\$3,130,854	\$ 88,915,275
Tuition	709,780				709,780
Interest on investments	996,522		\$ 45,390		1,041,912
Transportation	184,307				184,307
Miscellaneous	661,760	\$ 787,961			1,449,721
Total local sources	88,336,790	787,961	45,390	3,130,854	92,300,995
State sources	27,889,839	276,673	219,857	1,031,191	29,417,560
Federal sources	30,123	1,108,392			1,138,515
Total revenues	116,256,752	2,173,026	265,247	4,162,045	122,857,070
Expenditures:					
Current:					
Instruction	39,615,746	1,133,413			40,749,159
Support services:					
Instruction	4,224,892				4,224,892
Health services	918,432				918,432
Support services	2,812,251	1,059,050			3,871,301
Guidance	1,503,230				1,503,230
Child study team	2,204,140				2,204,140
Improvement of instruction	2,181,322				2,181,322
School library	1,683,255				1,683,255
General administration	1,158,228				1,158,228
School administration	2,582,877				2,582,877
Central services	1,159,199				1,159,199
Administration information technology	259,101				259,101
Instructional staff training services	82,925				82,925
Required maintenance of plant services	1,654,726				1,654,726
Operation of plant-custodial services	4,762,321				4,762,321
Care and upkeep of grounds	259,395				259,395
Security	664,445				664,445
Student transportation	5,659,318				5,659,318
Employee benefits	20,734,579				20,734,579
On-behalf pension, medical and disability contributions	17,719,514				17,719,514
On-behalf TPAF social security contributions	2,918,430				2,918,430
Special Schools	247,383				247,383
Contribution to charter schools	19,111				19,111
Capital outlay	986,685		549,642		1,536,327
Debt Service:					
Principal	1,266,503			3,155,000	4,421,503
Interest	28,654			1,012,511	1,041,165
Total expenditures	117,306,662	2,192,463	549,642	4,167,511	124,216,278
(Deficiency) of revenues (under) expenditures	(1,049,910)	(19,437)	(284,395)	(5,466)	(1,359,208)
Other financing sources (uses):					
Transfers in	56,787			145,390	202,177
Transfers out			(145,390)		(145,390)
Financed purchases (non-budgeted)	470,000				470,000
Total other financing sources (uses)	526,787		(145,390)	145,390	526,787
Net change in fund balances	(523,123)	(19,437)	(429,785)	139,924	(832,421)
Fund balances, July 1	14,916,419	557,832	1,419,223	144,834	17,038,308
Fund balances, June 30	<u>\$ 14,393,296</u>	<u>\$ 538,395</u>	<u>\$ 989,438</u>	<u>\$ 284,758</u>	<u>\$ 16,205,887</u>

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in an accompanying schedule (B-3).

Hopewell Valley Regional School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Total net change in fund balances - governmental funds (from B-2) **\$ (832,421)**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions in the period.

Capital additions	\$ 1,351,473	
Depreciation expense	<u>(3,963,042)</u>	
		(2,611,569)

Loss on disposal of assets		(48,468)
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Transfer of assets from close out of Driver Education enterprise fund		19,997
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Proceeds from financed purchases are a financing source in the governmental funds. They are not revenue in the statement of activities; financed purchases increase long-term liabilities in the statement of net position.

Obligations Under Financed Purchases Payable		(470,000)
--	--	-----------

Repayments of bond principal and financed purchases payable are expenditures 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.

Serial Bonds Payable	3,155,000	
Financed Purchases Payable	<u>1,266,502</u>	
		4,421,502

Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

Amortization of Premium on Bonds		53,409
----------------------------------	--	--------

The Internal Service Fund is used by the District to charge the costs of self insurance to other funds. The activity of this fund is included in the Statement of Activities.

Change in net position		(442,786)
------------------------	--	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Pension expense		1,158,902
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In the statement of activities, provision for litigation settlements are measured in the period the incident occurred. In the governmental funds however, expenditures for these items are reported in the amount of financial resources paid.

309,446

In the statement of activities, interest on long-term debt/ leases is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.

39,932

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).

1,008,856

Change in net position of governmental activities (A-2)

\$ 2,606,800

See accompanying notes to the basic financial statements.

Proprietary Funds

Hopewell Valley Regional School District
Proprietary Funds

Combining Statement of Net Position

June 30, 2025

	Major Funds			Governmental Activity -
	Business-Type Activities -			Internal Service Fund
	Enterprise Funds			
	Food	Driver		
	Service	Education	Totals	Self-Insurance
Assets				
Current assets:				
Cash and cash equivalents	\$ 687,402	\$ 2,116	\$ 689,518	\$ 3,570,862
Accounts receivable:				
State	1,628		1,628	
Federal	15,082		15,082	
Other	11,033		11,033	
Interfund receivable				786,249
Inventories	20,978		20,978	
Restricted cash				332,417
Total current assets	736,123	2,116	738,239	4,689,528
Non-current assets:				
Capital assets:				
Equipment	643,120		643,120	
Accumulated depreciation	(465,573)		(465,573)	
Total capital assets, net	177,547		177,547	
Total assets	913,670	2,116	915,786	4,689,528
Liabilities				
Current liabilities:				
Accounts payable		2,116	2,116	786,249
Accrued liability for insurance claims				933,124
Interfund payable				353,340
Unearned revenue	77,343		77,343	
Total current liabilities	77,343	2,116	79,459	2,072,713
Long-term liabilities:				
Accrued liability for insurance claims				2,319,318
Total long-term liabilities				2,319,318
Total liabilities	77,343	2,116	79,459	4,392,031
Net position				
Investment in capital assets	177,547		177,547	
Unrestricted	658,780		658,780	297,497
Total net position	\$ 836,327	\$ -	\$ 836,327	\$ 297,497

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District
Proprietary Funds

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position

Year Ended June 30, 2025

	Major Funds			Governmental Activity -
	Business Type Activities -			Internal Service Fund
	Enterprise Funds			
	Food Service	Driver Education	Totals	Self-Insurance
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 691,654		\$ 691,654	
Daily food sales- non reimbursable programs	751,088		751,088	
Charges for services - district contributions				\$ 15,911,698
Charges for services - employee contributions				3,067,302
Fees		\$ 28,060	28,060	
Total operating revenues	1,442,742	28,060	1,470,802	18,979,000
Operating expenses:				
Salaries	529,659	38,427	568,086	
Employee benefits	142,827	2,125	144,952	
Supplies and materials	82,288	2,541	84,829	
Purchased services		1,554	1,554	
Depreciation	10,552		10,552	
Insurance	42,095		42,095	
Cost of sales - reimbursable programs	481,408		481,408	
Cost of sales - non reimbursable programs	283,203		283,203	
Management and administrative fees	99,281		99,281	
Insurance Claims				18,094,218
Other	27,407		27,407	2,276,687
Total operating expenses	1,698,720	44,647	1,743,367	20,370,905
Operating (loss)	(255,978)	(16,587)	(272,565)	(1,391,905)
Nonoperating revenues:				
Other sources:				
Re-insurance proceeds				862,433
Interest and investment revenue	29,755		29,755	86,686
State sources:				
State school lunch program	10,958		10,958	
State school lunch reduced supplement	1,382		1,382	
State school breakfast reduced supplement	57		57	
State school lunch NJEIE	3,749		3,749	
Summer EBT - State	301		301	
Federal sources:				
National School lunch program	191,574		191,574	
School breakfast program	6,038		6,038	
Summer EBT - Federal	301		301	
Local Food for Schools Cooperative	1,607		1,607	
Food donation program	98,232		98,232	
Total nonoperating revenues	343,954		343,954	949,119
Income (Loss) before transfers	87,976	(16,587)	71,389	(442,786)
Transfer out		(56,787)	(56,787)	
Change in net position	87,976	(73,374)	14,602	(442,786)
Total net position-beginning	748,351	73,374	821,725	740,283
Total net position-ending	\$ 836,327	\$ -	\$ 836,327	\$ 297,497

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District
Proprietary Funds

Combining Statement of Cash Flows

Year Ended June 30, 2025

	Major Funds			Governmental Activity - Internal Service Fund
	Business Type Activities - Enterprise Funds			
	Food Service	Driver Education	Totals	Self-Insurance
Cash flows from operating activities:				
Receipts from customers	\$ 1,451,589	\$ 28,210	\$ 1,479,799	
Payments to employees	(529,659)	(41,540)	(571,199)	
Payments for employee benefits	(142,827)	(283)	(143,110)	
Receipts from services provided				\$ 19,835,032
Payments for insurance claims				(17,222,057)
Payments to suppliers	(1,017,415)	(4,059)	(1,021,474)	(1,843,778)
Net cash (used in) provided by operating activities	(238,312)	(17,672)	(255,984)	769,197
Cash flows from noncapital financing activities:				
Cash received from state and federal reimbursements	229,388		229,388	
Cash received from food donation program	98,844		98,844	
Re-insurance proceeds				862,433
Transfer to general fund		(56,787)	(56,787)	
Net cash provided by (used in) noncapital financing activities	328,232	(56,787)	271,445	862,433
Cash flows from capital and related financing activity:				
Transfer In		19,997	19,997	
Net cash provided by capital and related financing activity		19,997	19,997	
Cash flows from investing activity:				
Interest	29,755		29,755	86,686
Net cash provided by investing activity	29,755		29,755	86,686
Net increase (decrease) in cash and cash equivalents	119,675	(54,462)	65,213	1,718,316
Cash and cash equivalents, beginning of year	567,727	56,578	624,305	1,852,546
Cash and cash equivalents, end of year	\$ 687,402	\$ 2,116	\$ 689,518	\$ 3,570,862
Reconciliation of operating (loss) to net cash (used in) provided by operating activities				
Operating (loss)	\$ (255,978)	\$ (16,587)	\$ (272,565)	\$ (1,391,905)
Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities:				
Depreciation	10,552		10,552	
Change in assets and liabilities:				
Decrease in accounts receivable	2,210	150	2,360	
Decrease in interfund receivable				856,032
(Increase) in inventory	(1,121)		(1,121)	
(Increase) in deposit/restricted cash				(7,797)
(Decrease) Increase in accounts payable		(1,235)	(1,235)	432,909
Increase in interfund payable				353,340
Increase in accrued liability for insurance claims				526,618
Increase in unearned revenue	6,025		6,025	
Net cash (used in) provided by operating activities	\$ (238,312)	\$ (17,672)	\$ (255,984)	\$ 769,197

Noncash noncapital financing activities:

The District received \$98,844 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2025.

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2025

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education (the "Board") of the Hopewell Valley Regional School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are disclosed below:

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Hopewell Valley Regional School District in Pennington, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements. Except for the internal service fund, the New Jersey Department of Education requires that all funds be reported as major to promote consistency of reporting among the school districts in the State of New Jersey.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except property taxes, to be available if they are collected within 60 days of the end of the current fiscal year. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and net pension liability are recorded only when payment is due.

Property taxes, interest, and state aid monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The District has reported the following major governmental funds:

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

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds, state aid and local funds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

Enterprise Funds (Food Service and Driver Education): The enterprise funds account for all revenues and expenses pertaining to cafeteria and driver education operations and 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 and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges. During the 2025 fiscal year, the District decided to no longer provide Driver Education to its students and transferred its remaining net position to the general fund.

Self-Insurance Internal Service Fund: The self-insurance fund is used to record the activity of the District's self-insured health insurance program expenses.

As a general rule, the effect of internal activity has been eliminated from the Government-wide financial statements. Amounts reported as program revenues include 1) fees charged to customers

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food and tuition for the driver education program. Operating expenses for the enterprise fund include the cost of sales, administrative expenses, and depreciation on capital assets. Operating expense for the internal service fund include payments for health benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet and statement of net position. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statement of net position and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

The County Board of Taxation is responsible for the assessment of properties and the Municipal Tax Collectors are responsible for the collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due on February 1, May 1, August 1, and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds and submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control (continued)

each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23.

The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. All budget amendments must be approved by School Board resolution and certain other matters require approval by the 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 accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and 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.

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

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, amounts on deposit, and money market accounts with original maturities of three months or less.

Investments are stated at fair value in accordance with the GASB. The District 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 and are stated at cost.

F. Interfund Receivables/Payables

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.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

G. Inventories

Inventories that benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase. The food service enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method amounted to \$20,978 at June 30, 2025. At June 30, 2025, the unused Food Donation Program commodities of \$3,922 are reported as unearned revenue in the food service enterprise fund.

H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at acquisition value at the date of acquisition.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	7-60
Machinery and equipment	3-20
Vehicles	5-10
Computer software	5

I. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are 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. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies and collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

The liability for compensated absences represents the vacation and sick time ("leave"/"leave days") and salary related payments which have been earned for services previously rendered by employees in accordance with the District's various collective bargaining agreements, accumulates, is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employee's rate of pay and the number of unused leave days accumulated as of year-end, management's assumption that likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary-related payments that are directly and incrementally associated with payments for the leave. The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the government-wide financial statements as current and long-term liabilities. In the fund financial statements, only the compensated absences liability that has matured through employee resignation or retirement and is expected to be payable from expendable available financial resources is reported. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 101, "*Compensated Absences*."

The liability for vested compensated absences of the District is recorded in the government-wide financial statements amounted to \$11,888,983 at June 30, 2025.

J. Unearned Revenue

Unearned revenue in the general fund and special revenue fund represents cash which has been received but not yet earned. Unearned revenue in the enterprise fund represents unused food donation commodities and student deposits made for the use of purchasing food to be consumed in a future period.

K. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, including deferred amounts related to pensions,

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

In the government-wide financial statements, and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

M. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

M. Fund Balances (continued)

- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$14,393,296 of fund balance in the General Fund, \$7,636,516 has been restricted in the capital reserve account, \$100,369 has been restricted in the maintenance reserve account, \$971,109 is restricted as excess surplus, \$735,744 of encumbrances are assigned to other purposes, \$2,726,312 has been assigned as designated for subsequent years expenditures and \$2,223,246 is unassigned. All of the \$989,438 fund balance in the Capital Projects Fund is restricted for capital projects. Of the \$284,758 fund balance in the Debt Service Fund, \$144,834 has been budgeted for use in the 2025-26 budget and is included in restricted for debt service. Of the \$538,395 of fund balance in Special Revenue Fund, \$29,274 has been restricted for scholarships and \$509,121 has been restricted for student activities.

N. Calculation of Excess Surplus

The designation for restricted fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve fund balance of the general fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in its subsequent years' budget. The District generated excess surplus in the current year in the amount of \$971,109, which is expected to be utilized in its 2026-27 budget

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

O. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. GASB Pronouncements

Adopted and Recently Issued Accounting Pronouncements

Adopted – The District adopted GASB Statement No. 100, *“Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62”*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. See Note 19.

Adopted – The District adopted GASB Statement No. 101, *“Compensated Absences”*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. See Note 19.

Adopted - The GASB issued Statement No. 102 *“Certain Risk Disclosures”* in December 2023. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority.

Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has reviewed the Statement and determined it did not have an impact on the financial statements.

Recent - The GASB issued Statement No. 103 *“Financial Reporting Model Improvements”* in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

1. Summary of Significant Accounting Policies (continued)

P. GASB Pronouncements (continued)

Recent - The GASB issued Statement No. 104 "*Disclosure of Certain Capital Assets*" in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

Q. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources, liabilities, revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement medical and pension benefits for certified members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension, medical and long-term disability contributions in the government-wide financial statements have been adjusted by \$4,005,583 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2025 and December 5, 2025, the date that the financial statements were available for issuance. Based on the evaluation, the following items require disclosure:

On October 30, 2025, the District issued \$20,385,000 of Refunding Bonds, Series 2025 at interest rates ranging from 4.0% to 5.0% with principal amounts maturing each January 15th through January 15, 2032.

In addition, on November 4, 2025, a referendum in the amount of \$84,235,000 was approved by the voters for various improvements to various schools throughout the District.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$39,067,138 difference is as follows:

Bonds payable	\$ 24,640,000
Premium on bonds	398,340
Litigation payable	359,122
Financed purchases payable	1,780,693
Compensated absences	11,888,983
Net adjustment to reduce fund balance-total governmental funds to arrive at net position - governmental activities	<u>\$ 39,067,138</u>

3. Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

New Jersey school districts are limited as to the types 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 public 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

3. Deposits and Investments (continued)

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund and the New Jersey Asset and Rebate Management Fund.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the 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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which a government's deposits and investments are exposed to custodial credit risk.

At June 30, 2025, the District's carrying value of its deposits was \$22,305,601 and the bank balance was \$24,256,002. Of the bank balance, \$261,021 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$21,470,189. \$2,524,793 held in the District agency accounts are not covered by GUDPA. In addition, the District has cash held with fiscal agents in the amount of \$332,417.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures* ("GASB 40") requires that the District disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the District would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

3. Deposits and Investments (continued)

At least five percent of the District's deposits were fully collateralized by funds held by financial institutions, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

New Jersey statutes permit the District to purchase the following types of securities:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the District.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District manages custodial credit risk by limiting its investments to United States Treasury Notes.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk: The District does not have a policy to limit interest rate risk.

The District had no investments at June 30, 2025.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2025:

	Beginning Balance	Increases	Transfers/ Dispositions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,508,679			\$ 2,508,679
Construction in progress	1,687,975	\$ 394,548		2,082,523
Total capital assets, not being depreciated	4,196,654	394,548		4,591,202
Capital assets, being depreciated				
Land improvements	4,373,610			4,373,610
Buildings and building improvements	113,962,093			113,962,093
Machinery, equipment, and vehicles	14,956,292	956,925	\$ (149,272)	15,763,945
Total capital assets being depreciated	133,291,995	956,925	(149,272)	134,099,648
Less accumulated depreciation for:				
Land improvements	2,764,841	185,673		2,950,514
Buildings and building improvements	46,762,231	3,101,327		49,863,558
Machinery, equipment, and vehicles	10,696,346	676,042	(120,801)	11,251,587
Total accumulated depreciation	60,223,418	3,963,042	(120,801)	64,065,659
Total capital assets being depreciated, net	73,068,577	(3,006,117)	(28,471)	70,033,989
Governmental activities capital assets, net	\$ 77,265,231	\$ (2,611,569)	\$ (28,471)	\$ 74,625,191

Depreciation expense on assets acquired with financed purchase proceeds is included above.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

4. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2025 as follows:

Regular Instruction	\$ 2,129,761
Undistributed Instruction	220,815
Health services	48,002
Other support services	396,101
Improvement of instruction	114,007
School library	87,976
General administration	60,535
School administration	134,995
Central services	60,586
Admin. Information technology	13,542
Instructional staff training services	4,334
Required maintenance of plant services	86,485
Operation of plant	248,904
Care & upkeep of grounds	13,557
Security	34,727
Student transportation	295,785
Special schools	12,930
	<u>\$ 3,963,042</u>

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2025:

	Beginning Balance	Increases	Transfers/ Dispositions	Ending Balance
Business-type activities				
Capital assets, being depreciated:				
Equipment	\$ 693,975		\$ 50,855	\$ 643,120
Less accumulated depreciation for:				
Equipment	485,879	\$ 10,552	30,858	465,573
Total business-type activities				
capital assets, net	<u>\$ 208,096</u>	<u>\$ (10,552)</u>	<u>\$ 19,997</u>	<u>\$ 177,547</u>

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

5. Long-Term Liabilities

During the fiscal year ended June 30, 2025, the following changes occurred in long-term liabilities:

	Balance Reported as of July 1, 2024	Cumulative Effect of Change in Accounting Principle *	Balance as Restated July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within One Year
Governmental activities:							
Bonds payable	\$ 27,795,000				\$ 3,155,000	\$ 24,640,000	\$ 3,240,000
Premium on bonds	451,749				53,409	398,340	53,409
Litigation payable	668,568				309,446	359,122	209,122
Compensated absences	2,896,708	\$ 10,001,131	\$ 12,897,839		1,008,856	11,888,983	222,670
Financed purchases payable	2,577,195			\$ 470,000	1,266,502	1,780,693	1,025,630
Subtotal	34,389,220	10,001,131	12,897,839	470,000	5,793,213	39,067,138	4,750,831
Accrued Liability for Insurance Claims	2,725,824			16,741,729	16,215,111	3,252,442	933,124
Net pension liability	16,548,772				411,465	16,137,307	
Total governmental activities long-term liabilities	\$ 53,663,816	\$ 10,001,131	\$ 12,897,839	\$ 17,211,729	\$ 22,419,789	\$ 58,456,887	\$ 5,683,955

The change in compensated absences is presented as a net change.

*See Note 19.

The District expects to liquidate the balance in compensated absences, the litigation payable, financed purchases payable and net pension liability with payments made from the District's general fund. Bonds payable will be liquidated with payments from the debt service fund. The accrued liability for insurance claims will be liquidated with payments from the internal service fund.

Bonds Payable

Bonds are authorized in accordance with State law or by the voters of the municipalities through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. The principal and interest of these bonds will be paid from the debt service fund as required by New Jersey statutes.

Bonds payable at June 30, 2025 is comprised of the following issue:

\$35,855,000, 2016 school bonds, due in annual installments ranging from \$3,240,000 to \$3,815,000 through January 15, 2032 at interest rates ranging from 3.25% to 4.00%.

Principal and interest due on all bonds outstanding at June 30, 2025 are as follows:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

5. Long-Term Liabilities (continued)

	Principal	Interest	Total
Fiscal year ending June 30:			
2026	\$ 3,240,000	\$ 909,975	\$ 4,149,975
2027	3,330,000	804,675	4,134,675
2028	3,420,000	688,125	4,108,125
2029	3,515,000	568,425	4,083,425
2030	3,610,000	445,400	4,055,400
2031-2032	7,525,000	453,600	7,978,600
	<u>\$ 24,640,000</u>	<u>\$ 3,870,200</u>	<u>\$28,510,200</u>

Bonds Authorized But Not Issued

As of June 30, 2025, the District had no authorized but not issued bonds.

Financed Purchases Payable - Leases

In June 2021, the District entered into a lease for acquisition of buses, vehicles and technology equipment in the amount of \$3,465,000. The buses, vehicles and technology equipment are being leased with an interest rate of 0.710%

In June 2022, the District entered into a lease for acquisition of equipment in the amount of \$870,000. The equipment is being leased with an interest rate of 3.25%.

In April 2024, the District entered into a lease for acquisition of buses in the amount of \$315,000. The buses are being leased with an interest rate of 4.880%.

In February 2025, the District entered into a lease for acquisition of buses in the amount of \$470,000. The buses are being leased with an interest rate of 4.350%.

The following is a table of financed purchases payable at June 30, 2025:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

5. Long-Term Liabilities (continued)

	Principal	Interest	Total
Year Ending June 30:			
2026	\$ 1,025,630	\$ 42,101	\$ 1,067,731
2027	331,633	31,125	362,758
2028	157,633	19,124	176,757
2029	164,833	11,923	176,756
2030	100,964	4,392	105,356
	<u>\$ 1,780,693</u>	<u>\$ 108,665</u>	<u>\$ 1,889,358</u>

The assets acquired through financed purchases payables - leases are as follows at June 30, 2025:

Assets:

Machinery, equipment, and vehicles	\$2,405,012
Less accumulated depreciation	(783,468)
Total	<u>\$1,621,544</u>

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan. District employees employed by the Enterprise Funds are not eligible for pension benefits. Employees in the Food Service Enterprise Fund are employees of the Food Service Management Company and therefore not eligible for pension benefits. Employees of the remaining Enterprise Funds are either part-time or stipend employees and are therefore not eligible for pension benefits.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care, to substantially all full-time public-school employees in the State. Members are fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

In the case of death before retirement, members beneficiaries are entitled to full interest credited to the members accounts.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tier 1 and 2 members upon reaching the age of 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching the age of 62 and Tier 5 members upon reaching the age of 65. Early retirement benefits are available to Tier 1 and 2 members with 25 years or more of service credit before reaching age 60, Tier 3 and 4 members 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 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. 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.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established in January 1955 and the contribution policy is set by the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State of New Jersey or any county, municipality, school Board or public agency, provided the employee is not a member of another State-administered retirement system or other state pension fund or local jurisdiction's pension fund. Pursuant to the provisions of P.L. 2022, C.78, the member contribution rate was 7.5% in State fiscal year 2023.

Members are classified into one of five tiers dependent upon the date of their enrollment. Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tier 1 and 2 members upon reaching the age of 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching the age of 62 and Tier 5 members upon reaching the age of 65. Early retirement benefits are available to Tier 1 and 2 members with 25 years or more of service credit before reaching age 60, Tier 3 and 4 members 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 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. 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.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contribution rates for TPAF and PERS are 7.5% of employees' pensionable compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

During the year ended June 30, 2025, the State of New Jersey contributed \$17,719,514 to the TPAF for on-behalf pension and post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$2,918,430 during the year ended June 30, 2025 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2025, 2024 and 2023 were \$1,616,023, \$1,527,019, and \$1,450,577, respectively.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions (continued)

Public Employees' Retirement System (PERS)

At June 30, 2025, the District reported a liability of \$16,137,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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 school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.1187610560 percent, which was an increase of 0.0045084667 from its proportion measured as of June 30, 2023.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

For the year ended June 30, 2025, the District recognized full accrual pension benefit of \$1,609,902 in the government-wide financial statements. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 20,048	\$ 183,605
Difference between expected and actual experience	323,260	42,962
Net difference between projected and actual earnings on pension plan investments		748,243
Changes in proportion and differences between District contributions and proportionate share of contributions	665,676	241,335
District contributions subsequent to the measurement date	1,523,388	
	<u>\$ 2,532,372</u>	<u>\$ 1,216,145</u>

\$1,523,388 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date.

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

Year ended June 30:		
2026	\$	(509,515)
2027		536,144
2028		(195,870)
2029		(54,207)
2030		16,287
	<u>\$</u>	<u>(207,161)</u>

Additional Information

Actuarial Assumptions

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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

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%

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.

Mortality Rates

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

Long-Term Rate of Return

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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	28.00%	8.63%
Non-U.S. developed markets 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%
	<u>100.00%</u>	

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 non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the 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 net pension liability as of June 30, 2024, calculated using the discount rate as disclosed above 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
District's proportionate share of the net pension liability	\$ 21,442,514	\$ 16,137,307	\$ 11,622,605

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2024 are as follows:

Deferred outflows of resources	\$ 1,079,580,780
Deferred inflows of resources	\$ 1,611,322,898
Net pension liability	\$13,702,423,985

District's Proportion 0.1187610560%

Collective pension expense for the Local Group for the measurement period ended June 30, 2024 is \$372,160,096.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2024, 2023, 2022, 2021, 2020, and 2019 is 5.08, 5.08, 5.04, 5.13, 5.16, and 5.21 years, respectively.

Special Funding Situation

A special funding situation exists for certain Local employers of the PERS. The State of New Jersey, a non-employer, is required to pay the additional costs incurred by local employers under Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The June 30, 2024 State special funding situation net pension liability amount of \$114.3 million is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133.

Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2024, there was no net pension liability associated with this special funding situation there

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense of \$53.7 million, for the fiscal year ending June 30, 2024, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2024. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The District's expense related to the special funding situation is \$52,027.

Special Funding Situation - Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer 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 non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2024 was \$160,342,612. The District's proportionate share was \$0. For fiscal year 2024, the State's pension contribution was more than the actuarial determined amount.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2024, the State's proportionate share of the TPAF net pension liability associated with the District was 0.3244153076 percent, which was an increase of 0.0052183575 from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$584,905 for contributions incurred by the State.

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. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases	2.75 - 5.65%
	based on years of service
Investment rate of return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of 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:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.63%
Non-U.S. developed markets equity	12.75%	8.85%
International small cap equity	1.25%	8.85%
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%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make 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 determining the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability associated with the District 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 above 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:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

6. Pension Plans (continued)

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
State's proportionate share of the net pension liability associated with the District	\$ 190,589,894	\$160,342,612	\$134,868,683

Pension plan fiduciary net position

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

Additional Information

Collective balances of the Local Group at June 30, 2024 are as follows:

Deferred outflows of resources	\$ 1,178,433,819
Deferred inflows of resources	\$ 10,615,423,132
Net pension liability	\$ 49,492,072,325
 District's Proportion	 0.3244153076%

Collective pension benefit of the Local Group for the plan for the measurement period ended June 30, 2024 is \$148,167,647.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2024, 2023, 2022, 2021, 2020, and 2019 is 7.84, 7.93, 7.83, 7.93, 8.04, and 8.29 years, respectively.

7. Post-Retirement Benefits

General Information about the OPEB Plan

State Health Benefit State Retired Employee Plan

The State Health Benefits 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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

7. Post-Retirement Benefits (continued)

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

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. The State is required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits was \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed on the Division of Pensions & Benefits Financial Reports webpage: <https://www.state.nj.us/treasury/pensions/financialreports.shtml>.

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2024</u>
Active Plan Members	219,185
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	153,556
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	<u>372,741</u>

Actuarial assumptions and other inputs

The total non-employer OPEB liability of \$59,650,630,530 as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024 and included in the June 30, 2024 audited financial statements of the State Health Benefit Local education Retired Employees Plan. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

7. Post-Retirement Benefits (continued)

	TPAF	PERS
Salary increases:	2.75 - 5.65%	2.75 - 6.55%
	based on years of service	based on years of service

Mortality Rates

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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 22.80% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.25% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

7. Post-Retirement Benefits (continued)

Changes in Total Non-employer OPEB Liability

Below represents the changes in the District's total OPEB liability for the year ended June 30, 2024:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2023	\$ 156,134,657
Changes for the year:	
Service cost	6,667,524
Interest	5,944,142
Differences between expected and actual experiences	2,704,606
Changes in assumptions or other inputs	13,509,504
Member contributions	155,442
Benefit payments	(4,539,637)
Net changes	<u>24,441,581</u>
Ending Total OPEB Liability, June 30, 2024	<u><u>\$ 180,576,238</u></u>

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and healthcare cost trend rate

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2024 calculated using a discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current rate:

	At 1% decrease (2.93%)	At Current discount rate (3.93%)	At 1% increase (4.93%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 211,493,448	\$ 180,576,238	\$ 155,712,384

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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

7. Post-Retirement Benefits (continued)

	At 1% decrease	At Healthcare Cost Trend Rate	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 150,421,321	\$ 180,576,238	\$ 219,855,008

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

For the year ended June 30, 2024, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$7,319,470 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2024 are as follows:

Deferred outflows of resources	\$ 18,640,445,786
Deferred inflows of resources	\$ 25,058,850,175
Collective OPEB Expense	\$ 1,999,742,665
District's Proportion	0.30%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student and other accident claims and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Statistical Section of this Annual Comprehensive Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

8. Risk Management (continued)

Self-Insurance

The District is self-insured for medical, prescription and dental benefits and uses an internal service fund to account for its self-insurance activities. At June 30, 2025, the accrued liability for unpaid medical, prescription and dental claims of \$3,252,442 has been recorded in the internal service fund financial statements for Incurred But Not Reported Claims (IBNR), which is subject to modification and/or assessment of existing or additional claims. The medical, prescription, and dental benefits IBNR liability has been calculated by an actuary employed by the District's claims administrator.

Changes in the Incurred But Not Reported claims liability for the past three years were:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2024-2025	\$ 2,725,824	\$ 16,741,729	\$16,215,111	\$ 3,252,442
2023-2024	2,923,294	13,370,830	13,568,300	2,725,824
2022-2023	3,095,270	13,646,587	13,818,563	2,923,294

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method." Under this plan, the District has a quarterly contribution due based on the amount of wages paid for the quarter and remits these funds with the employee withholdings to the State. The District's withholdings are recorded in the Unemployment Compensation accounts in the general fund.

9. Deferred Compensation

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

Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan.

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2025, 2024 and 2023 were \$1,469,735, \$1,359,776, and \$1,326,655, respectively. The District does not contribute to these plans on behalf of plan members.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2025 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 353,340	\$ 786,249
Capital Projects Fund		139,440
Debt Service Fund	139,440	
Self-Insurance Internal Service Fund	786,249	353,340
	<u>\$ 1,279,029</u>	<u>\$ 1,279,029</u>

The interfund between general fund and the self-insurance internal service fund represents monies collected in the general fund that are related to health insurance claims due to the self-insurance internal service fund. The interfund between the capital projects fund and the debt service fund represent interest earned in the capital projects fund that is due to the debt service fund to offset the debt issued on capital projects. All interfunds are expected to be repaid within one year.

11. Economic Dependency

The District 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, could have an effect on the District's programs and activities.

12. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025 may be impaired. As a result of the impact of COVID-19, the District has received funding under the American Rescue Plan Act (ARP), Elementary and Secondary School Emergency Relief (ESSER) Fund and the Coronavirus Relief Fund (CRF). To the extent that the District has not complied with the rules governing the ARP, ESSER and CRF funds, money may be required to be returned. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

The District is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will have a material adverse effect on the financial position of the District. Therefore, the District has accrued a total of \$359,122 in the government-wide financial statements as a result of the actual and expected

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

12. Contingent Liabilities (continued)

outcomes of these claims and lawsuits. The estimated settlement of these claims is not expected to be paid with current financial resources.

13. Capital Reserve Account

A capital reserve account was established by the District on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item 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. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning balance July 1, 2024	\$ 7,373,539
Withdrawals:	
Capital Outlay – Withdrawal	(62,500)
Deposits:	
Unspent capital outlay funds not utilized in 2024-25	38,040
Interest earned on capital reserve funds	287,437
Ending balance, June 30, 2025	<u>\$ 7,636,516</u>

The June 30, 2025 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve. The District did not budget any of the June 30, 2025 capital reserve balance in its 2025-26 fiscal year budget.

14. Maintenance Reserve Account

A maintenance reserve account was established by the District by way of a Board approved resolution in prior years for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

14. Maintenance Reserve Account (continued)

activity is included in the general fund annual budget. Funds placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Comprehensive Management Plan (CMP).

Upon submission of the CMP to the New Jersey Department of Education, the District may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amount, or both. The 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. 6A:23A-14.2(g), the balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

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	\$ 96,369
Deposits:	
Interest earned on maintenance reserve funds	4,000
Ending balance, June 30, 2025	<u>\$ 100,369</u>

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2025. The District did not budget any of the June 30, 2024 maintenance reserve balance in its 2025-26 fiscal year budget.

15. Commitments

The District also has contracts with several vendors for goods and services that have not been received as of June 30, 2025. These encumbrances in the amount of \$735,744 are recorded as assigned to other purposes on the general fund balance sheet and in the capital projects fund in the amount of \$612,128, which are recorded as part of fund balance restricted for capital projects.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

16. Transfers

The following presents a reconciliation of transfers during the 2025 fiscal year:

	Transfer In	Transfer Out
General Fund	\$ 56,787	
Capital Projects Fund		\$ 145,390
Debt Service Fund	145,390	
Driver Education Enterprise Fund		56,787
	<u>\$ 202,177</u>	<u>\$ 202,177</u>

The District transferred \$145,390 from the capital projects fund to the debt service fund. The transfer was required to move interest earned on the unspent bond proceeds in the capital projects fund to the debt service fund to offset future debt service tax levies. The District transferred \$56,787 from the driver education enterprise fund to the general fund which represents the transfer of assets and close out of the driver education enterprise fund.

17. Net Position – Net Investment in Capital Assets

Net investment in capital assets, Governmental Activities, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. The net investment in capital assets of \$48,795,596 indicated as part of the Governmental Activities net position is calculated as follows:

Capital assets, net of depreciation	\$ 74,625,191
Bonds payable (used to build or acquire capital assets)	(24,640,000)
Unspent bond proceeds	989,438
Unamortized premium	(398,340)
Financed purchases payable	<u>(1,780,693)</u>
Total net investment in capital assets	<u>\$ 48,795,596</u>

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. 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

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2025

18. Tax Abatements (continued)

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 provision 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.

Hopewell Township provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by Hopewell Township are for affordable housing projects and other permitted purposes. Taxes abated include municipal, local school, and county taxes.

Hopewell Township recognized revenue of \$3,495,017 from the annual service charge in lieu of payment of taxes in 2024 and taxes in 2024 that otherwise would have been due on these long-term tax exemptions amount to \$4,676,254, based upon the assessed valuations of the long-term tax exemptions properties. A portion of the \$1,181,237 abatement would have been allocated to the District.

Hopewell Borough and Pennington Borough do not currently have any such long-term tax exemptions in place.

19. Change in Accounting Principle and Restatement of Net Position

Effective for the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This statement establishes new recognition and measurement criteria for compensated absences, requiring governments to recognize a liability for certain types of compensated absences when the leave is earned, rather than when it is paid.

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the provisions of GASB Statement No. 101 were adopted effective July 1, 2024. As a result, the compensated absences liability was restated as of June 30, 2024, and the cumulative effect of the change of \$10,001,131 was recognized in the 2024 governmental activities change in net position.

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Required Supplementary Information Part II

Hopewell Valley Regional School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset) - Local Group	0.1187610560%	0.1142525893%	0.1150294814%	0.1170566995%	0.1146451393%	0.1156124926%	0.1142608200%	0.1105497103%	0.1111144609%	0.1123990058%
District's proportionate share of the net pension liability (asset)	\$ 16,137,307	\$ 16,548,772	\$ 17,359,532	\$ 13,867,121	\$ 18,695,624	\$ 20,831,617	\$ 22,497,386	\$ 25,734,206	\$ 32,908,916	\$ 25,231,324
District's covered-employee payroll	\$ 9,413,631	\$ 9,254,164	\$ 8,989,894	\$ 8,567,034	\$ 8,481,274	\$ 8,484,842	\$ 8,255,182	\$ 8,039,792	\$ 7,728,853	\$ 7,569,463
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.42%	178.83%	193.10%	161.87%	220.43%	245.52%	272.52%	320.09%	425.79%	333.33%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

See accompanying notes to required supplementary information.

Hopewell Valley Regional School District
Schedule of District Contributions
Public Employees' Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,616,023	\$ 1,527,019	\$ 1,450,577	\$ 1,370,870	\$ 1,254,162	\$ 1,124,575	\$ 1,142,038	\$ 1,039,948	\$ 987,125	\$ 735,000
Contributions in relation to the contractually required contribution	(1,616,023)	(1,527,019)	(1,450,577)	(1,370,870)	(1,254,162)	(1,124,575)	(1,142,038)	(1,039,948)	(987,125)	(735,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,254,164	\$ 8,989,894	\$ 8,567,034	\$ 8,481,274	\$ 8,484,842	\$ 8,255,182	\$ 8,039,792	\$ 7,728,853	\$ 7,569,463	\$ 7,614,532
Contributions as a percentage of covered-employee payroll	17.46%	16.99%	16.93%	16.16%	14.78%	13.62%	14.20%	13.46%	13.04%	9.65%

See accompanying notes to required supplementary information.

Hopewell Valley Regional School District
Schedule of the State's Proportionate Share of the Net Pension
Liability Associated with the District
Teachers' Pension and Annuity Fund
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2024	2024	2023	2022	2021	2020	2019	2018	2017	2016
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.3244153076%	0.3191969501%	0.3203300028%	0.3234095105%	0.3221734740%	0.3213292076%	0.3204881619%	0.3148182207%	0.3193640991%	0.3156974568%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 160,342,612	\$ 162,894,725	\$ 165,272,394	\$ 155,479,732	\$ 212,147,356	\$ 197,202,768	\$ 203,887,685	\$ 212,261,796	\$ 251,232,134	\$ 199,534,274
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 160,342,612</u>	<u>\$ 162,894,725</u>	<u>\$ 165,272,394</u>	<u>\$ 155,479,732</u>	<u>\$ 212,147,356</u>	<u>\$ 197,202,768</u>	<u>\$ 203,887,685</u>	<u>\$ 212,261,796</u>	<u>\$ 251,232,134</u>	<u>\$ 199,534,274</u>
Plan fiduciary net position as a percentage of the total pension liability	37.99%	34.68%	32.29%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make a contribution to this plan.

See accompanying notes to required supplementary information.

Hopewell Valley Regional School District
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the District
and Changes in the Total OPEB Liability and Related Ratios
Public Employees' Retirement System and Teachers' Pension and Annuity Fund
Required Supplementary Information and Notes to Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset)	0.30%	0.30%	0.29%	0.30%	0.29%	0.29%	0.29%	0.29%	0.29%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	\$ 180,576,238	\$ 156,134,657	\$ 151,003,885	\$ 179,423,866	\$ 197,513,121	\$ 121,555,911	\$ 132,400,824	\$ 153,498,657	\$ 165,557,124
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 180,576,238</u>	<u>\$ 156,134,657</u>	<u>\$ 151,003,885</u>	<u>\$ 179,423,866</u>	<u>\$ 197,513,121</u>	<u>\$ 121,555,911</u>	<u>\$ 132,400,824</u>	<u>\$ 153,498,657</u>	<u>\$ 165,557,124</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
	2025	2024	2023	2022	2021	2020	2019	2018	2017**
Total OPEB Liability									
Service cost	\$ 6,667,524	\$ 6,453,481	\$ 8,171,661	\$ 9,420,306	\$ 5,211,370	\$ 5,132,335	\$ 5,664,106	\$ 6,825,202	
Interest cost	5,944,142	5,498,872	4,001,770	4,654,444	4,379,006	5,253,136	5,637,383	4,864,441	
Changes of benefit terms	-	-	-	(190,975)	-	-	-	-	
Differences between expected and actual experiences	2,704,606	(2,990,741)	3,751,443	(28,602,638)	33,622,293	(19,421,998)	(13,787,674)	-	
Changes of assumptions	13,509,504	314,703	(40,508,147)	177,015	36,078,860	1,812,409	(15,193,657)	(20,323,672)	
Member contributions	155,442	140,917	127,163	118,991	104,222	110,609	122,360	130,917	
Gross benefit payments	<u>(4,539,637)</u>	<u>(4,286,460)</u>	<u>(3,963,871)</u>	<u>(3,666,398)</u>	<u>(3,438,541)</u>	<u>(3,731,404)</u>	<u>(3,540,351)</u>	<u>(3,555,355)</u>	
Net change in total OPEB liability	24,441,581	5,130,772	(28,419,981)	(18,089,255)	75,957,210	(10,844,913)	(21,097,833)	(12,058,467)	
Total OPEB liability - beginning	156,134,657	151,003,885	179,423,866	197,513,121	121,555,911	132,400,824	153,498,657	165,557,124	
Total OPEB liability - ending	<u>\$ 180,576,238</u>	<u>\$ 156,134,657</u>	<u>\$ 151,003,885</u>	<u>\$ 179,423,866</u>	<u>\$ 197,513,121</u>	<u>\$ 121,555,911</u>	<u>\$ 132,400,824</u>	<u>\$ 153,498,657</u>	
Covered-employee payroll	<u>\$ 50,147,237</u>	<u>\$ 48,848,759</u>	<u>\$ 48,114,539</u>	<u>\$ 45,962,722</u>	<u>\$ 44,893,289</u>	<u>\$ 44,791,075</u>	<u>\$ 42,878,604</u>	<u>\$ 41,315,611</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>360.09%</u>	<u>319.63%</u>	<u>313.84%</u>	<u>390.37%</u>	<u>439.96%</u>	<u>271.38%</u>	<u>308.78%</u>	<u>371.53%</u>	

* This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

** Information not available

See accompanying notes to required supplementary information.

Hopewell Valley Board of Education
Notes to Required Supplementary Information
Year Ended June 30, 2025

1. PENSION - PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

There were none.

2. PENSION – TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

There were none.

3. OTHER POST-RETIREMENT BENEFIT PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.65% as of June 30, 2023 to 3.93% as of June 30, 2024.

Required Supplementary Information
Part III

Budgetary Comparison Schedules

Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 85,784,421		\$ 85,784,421	\$ 85,784,421	
Tuition	547,502		547,502	709,780	\$ 162,278
Transportation - Hazardous Routes	105,000		105,000	184,307	79,307
Interest Earned on Investments	377,100		377,100	996,522	619,422
Rentals	100,000		100,000	149,534	49,534
Miscellaneous	250,000		250,000	512,226	262,226
Total - Local Sources	87,164,023		87,164,023	88,336,790	1,172,767
State Sources:					
Categorical Special Education Aid	3,919,016		3,919,016	3,919,016	
Transportation Aid	1,865,797		1,865,797	1,865,797	
Security Aid	332,027		332,027	332,027	
School Choice Aid	300,257		300,257	300,257	
Non-Public Transportation Aid				125,156	125,156
Extraordinary Aid				747,455	747,455
State Reimbursement for Menstrual Products	1,000		1,000	465	(535)
TPAF Pension (On-Behalf - Non-Budgeted)				13,708,324	13,708,324
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				4,005,583	4,005,583
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				5,607	5,607
TPAF Social Security (Reimbursed - Non-Budgeted)				2,918,430	2,918,430
Total State Sources	6,418,097		6,418,097	27,928,117	21,510,020
Federal Sources:					
Medical Assistance Program	28,987		28,987	30,123	1,136
Total - Federal Sources	28,987		28,987	30,123	1,136
Total Revenues	93,611,107		93,611,107	116,295,030	22,683,923
EXPENDITURES:					
Current:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	988,760	\$ 40,668	1,029,428	1,006,599	22,829
Grades 1-5 - Salaries of Teachers	8,248,261	(205,512)	8,042,749	8,042,673	76
Grades 6-8 - Salaries of Teachers	6,189,846	(347,789)	5,842,057	5,842,056	1
Grades 9-12 - Salaries of Teachers	8,297,558	(139,419)	8,158,139	8,069,925	88,214
Regular Programs - Home Instruction					
Salaries of Teachers	50,000	5,848	55,848	55,848	
Purchased Professional-Educational Services	17,000	(240)	16,760	16,666	94
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	841,520	(211,580)	629,940	586,096	43,844
Purchased Professional-Educational Services	1,085,578	(132,574)	953,004	840,821	112,183
Purchased Technical Services	6,500	23,190	29,690	25,350	4,340
Other Purchased Services	1,437,975	171,761	1,609,736	1,500,724	109,012
General Supplies	1,352,058	111,727	1,463,785	1,175,157	288,628
Textbooks	222,540	(33,628)	188,912	157,210	31,702
Other Objects	19,531	(300)	19,231	6,584	12,647
TOTAL REGULAR PROGRAMS - INSTRUCTION	28,757,127	(717,848)	28,039,279	27,325,709	713,570
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities					
Salaries of Teachers	285,647	65,258	350,905	350,905	
Other Salaries for Instruction	194,100	(89,754)	104,346	104,212	134
Total Learning and/or Language Disabilities	479,747	(24,496)	455,251	455,117	134
Emotional Regulation Impairments					
Salaries of Teachers	298,012		298,012	298,012	
Other Salaries for Instruction	192,966	95	193,061	192,910	151
Total Emotional Regulation Impairments	490,978	95	491,073	490,922	151
Multiple Disabilities					
Salaries of Teachers	535,833	137,752	673,585	657,437	16,148
Other Salaries for Instruction	266,873	35,330	302,203	301,803	400
General Supplies	1,500		1,500	1,268	232
Total Multiple Disabilities	804,206	173,082	977,288	960,508	16,780

Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center					
Salaries of Teachers	\$ 5,581,991	\$ (71,600)	\$ 5,510,391	\$ 5,463,716	\$ 46,675
Other Salaries for Instruction	573,845	164,978	738,823	728,991	9,832
Other Purchased Services	300		300		300
General Supplies	25,900		25,900	13,568	12,332
Textbooks	4,150	120	4,270	554	3,716
Total Resource Room/Resource Center	6,186,186	93,498	6,279,684	6,206,829	72,855
Autism:					
Salaries of Teachers	150,679		150,679	150,679	
Other Salaries for Instruction	104,951	(18,572)	86,379	85,624	755
General Supplies		493	493	493	
Total Autism	255,630	(18,079)	237,551	236,796	755
Preschool Disabilities - Full-Time					
Salaries of Teachers	730,431	27,522	757,953	757,800	153
Other Salaries for Instruction	593,240	(187,554)	405,686	403,072	2,614
General Supplies	6,975		6,975	2,140	4,835
Total Preschool Disabilities - Full-Time	1,330,646	(160,032)	1,170,614	1,163,012	7,602
Home Instruction					
Purchased Prof. - Ed. Services	17,000		17,000	16,080	920
Total Home Instruction	17,000		17,000	16,080	920
TOTAL SPECIAL EDUCATION - INSTRUCTION	9,564,393	64,068	9,628,461	9,529,264	99,197
Basic Skills/Remedial - Instruction					
Salaries of Teachers	1,798,498	(29,665)	1,768,833	1,751,615	17,218
General Supplies	7,400		7,400	5,338	2,062
Total Basic Skills/Remedial - Instruction	1,805,898	(29,665)	1,776,233	1,756,953	19,280
Bilingual Education - Instruction					
Salaries of Teachers	283,039	20,258	303,297	298,831	4,466
General Supplies	1,000		1,000	949	51
Total Bilingual Education - Instruction	284,039	20,258	304,297	299,780	4,517
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	315,726		315,726	292,500	23,226
Purchased Services	50,100	5,695	55,795	49,920	5,875
Supplies and Materials	66,283	37,194	103,477	44,716	58,761
Other Objects	88,855	(673)	88,182	49,342	38,840
Total School-Spon. Cocurricular Actvts. - Inst.	520,964	42,216	563,180	436,478	126,702
School-Spon. Athletics					
Salaries	968,796	1,382	970,178	920,725	49,453
Purchased Services	165,450	16,401	181,851	170,064	11,787
Supplies and Materials	120,900	(19,515)	101,385	90,959	10,426
Other Objects	33,520		33,520	32,348	1,172
Total School-Spon. Athletics	1,288,666	(1,732)	1,286,934	1,214,096	72,838
TOTAL INSTRUCTION	42,221,087	(622,703)	41,598,384	40,562,280	1,036,104

**Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Instruction					
Tuition to County Voc. School Dist. - Regular	\$ 46,800	\$ 32,712	\$ 79,512	\$ 77,481	\$ 2,031
Tuition to County Voc. School Dist. - Special	132,300	(76,113)	56,187	56,187	
Tuition to CSSD & Regional Day Schools	165,394	88,236	253,630	253,630	
Tuition to Private Schools for the Disabled - Within State	3,104,423	303,139	3,407,562	3,407,562	
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	314,400	(96,494)	217,906	211,801	6,105
Tuition - Other	158,341	59,890	218,231	218,231	
Total Undistributed Expenditures - Instruction	3,921,658	311,370	4,233,028	4,224,892	8,136
Undistributed Expend. - Attend. & Social Work					
Salaries	4,000	(4,000)			
Other Purchased Services	255	(255)			
Total Undistributed Expend. - Attend. & Social Work	4,255	(4,255)			
Undist. Expend. - Health Services					
Salaries	634,605		634,605	630,323	4,282
Purchased Professional and Technical Services	51,500		51,500	46,744	4,756
Other Purchased Services	197,690	35,800	233,490	230,457	3,033
Rentals	11,893	(9,621)	2,272		2,272
Supplies and Materials	16,500		16,500	10,705	5,795
Menstrual Product Supplies	1,000		1,000	465	535
Total Undistributed Expenditures - Health Services	913,188	26,179	939,367	918,694	20,673
Undist. Expend. - Other Supp. Serv. Students - OT, PT, ReL Serv.					
Salaries	1,339,758	(2,920)	1,336,838	1,307,755	29,083
Purchased Professional - Educational Services	155,000	(53,468)	101,532	101,532	
Supplies and Materials	57,225	(17,258)	39,967	28,019	11,948
Total Undist. Expend. - Other Supp. Serv. Students - OT, PT, ReL Serv.	1,551,983	(73,646)	1,478,337	1,437,306	41,031
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	824,894	271,085	1,095,979	1,076,041	19,938
Purchased Professional - Educational Services	428,000	(126,954)	301,046	295,724	5,322
Supplies and Materials	10,000	(4,612)	5,388	3,180	2,208
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	1,262,894	139,519	1,402,413	1,374,945	27,468
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	1,513,128	(104,164)	1,408,964	1,408,961	3
Salaries of Secretarial and Clerical Assistants	131,483	(4,415)	127,068	90,370	36,698
Other Purchased Services	5,680	(75)	5,605	2,620	2,985
Supplies and Materials	2,050		2,050	1,204	846
Other Objects	400	75	475	75	400
Total Undist. Expend. - Guidance	1,652,741	(108,579)	1,544,162	1,503,230	40,932
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	1,950,605	(99,441)	1,851,164	1,851,164	
Salaries of Secretarial and Clerical Assistants	225,910	(1)	225,909	225,410	499
Purchased Prof. - Educational Services	50,000	(50,000)			
Other Purchased Prof. and Tech. Services	100,000	(555)	99,445	72,663	26,782
Other Purchased Services	28,750	290	29,040	10,726	18,314
Supplies and Materials	55,300	(4,630)	50,670	33,599	17,071
Other Objects	11,329		11,329	10,578	751
Total Undist. Expend. - Child Study Team	2,421,894	(154,337)	2,267,557	2,204,140	63,417
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	961,809	3,795	965,604	954,260	11,344
Salaries of Other Professional Staff	538,371	(8,195)	530,176	530,176	
Salaries of Secretarial and Clerical Assistants	100,340	(1,000)	99,340	99,340	
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers	391,168	(1,000)	390,168	390,168	
Other Salaries	99,800	17,630	117,430	117,430	
Unused Vacation Payment to Term/Ret Staff		36,467	36,467	36,467	
Purchased Prof. - Educational Services		10,609	10,609	6,823	3,786
Other Purchased Services	44,925	(18,189)	26,736	18,130	8,606
Supplies and Materials	9,500		9,500	5,805	3,695
Other Objects	28,805	40	28,845	22,723	6,122
Total Undist. Expend. - Improvement of Inst. Serv.	2,174,718	40,157	2,214,875	2,181,322	33,553

Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 573,265		\$ 573,265	\$ 571,552	\$ 1,713
Salaries of Technology Coordinators	973,061	\$ 83,457	1,056,518	1,016,938	39,580
Purchased Professional and Technical Services	34,768	(6,500)	28,268	26,051	2,217
Supplies and Materials	75,720	2,600	78,320	68,714	9,606
Other Objects	950		950		950
Total Undist. Expend. - Edu. Media Serv./Sch. Library	1,657,764	79,557	1,737,321	1,683,255	54,066
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Professional & Technical Services	55,276	7,320	62,596	61,698	898
Other Purchased Services	68,250	(13,114)	55,136	19,411	35,725
Supplies and Materials	3,700		3,700	1,816	1,884
Total Undist. Expend. - Instructional Staff Training Serv.	127,226	(5,794)	121,432	82,925	38,507
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	275,563		275,563	275,563	
Legal Services	150,000	(40,948)	109,052	47,711	61,341
Audit Fees	75,000		75,000	74,300	700
Architectural/Engineering Services	200,000	1,925	201,925	85,760	116,165
Other Purchased Professional Services	13,500		13,500	8,400	5,100
Communications/Telephone	201,964	(49,345)	152,619	119,194	33,425
Miscellaneous Purchased Services	222,982	67,846	290,828	279,048	11,780
General Supplies	3,000		3,000	312	2,688
Judgements Against the School District	264,122	98,660	362,782	226,227	136,555
Miscellaneous Expenditures	58,300		58,300	41,713	16,587
Total Undist. Expend. - Supp. Serv. - General Admin.	1,464,431	78,138	1,542,569	1,158,228	384,341
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	1,669,882	28,286	1,698,168	1,698,168	
Salaries of Secretarial and Clerical Assistants	837,232	796	838,028	837,247	781
Unused Vacation Payment to Term/Ret Staff		4,821	4,821	4,821	
Other Purchased Services	34,929	(9,607)	25,322	11,714	13,608
Supplies and Materials	34,000	(1,600)	32,400	20,766	11,634
Other Objects	19,590	(175)	19,415	10,161	9,254
Total Undist. Expend. - Support Serv. - School Admin.	2,595,633	22,521	2,618,154	2,582,877	35,277
Undist. Expend. - Central Services					
Salaries	963,853	7,772	971,625	971,624	1
Purchased Professional Services	50,540	(16,337)	34,203	22,415	11,788
Purchased Technical Services	66,444	15,104	81,548	75,336	6,212
Miscellaneous Purchased Services	80,333	(2,651)	77,682	51,001	26,681
Supplies and Materials	30,320	(1,326)	28,994	26,737	2,257
Miscellaneous Expenditures	11,500	1,326	12,826	12,086	740
Total Undist. Expend. - Central Services	1,202,990	3,888	1,206,878	1,159,199	47,679
Undist. Expend. - Technology Admin.					
Salaries	256,557	(2,287)	254,270	254,023	247
Other Purchased Services	15,528	23	15,551	5,078	10,473
Total Undist. Expend. - Technology Admin.	272,085	(2,264)	269,821	259,101	10,720
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	844,458	(45,607)	798,851	798,849	2
Unused Vacation Payment to Term/Ret Staff		5,624	5,624	5,624	
Cleaning, Repair and Maintenance Services	616,600	198,200	814,800	683,271	131,529
General Supplies	373,600	(48,756)	324,844	287,712	37,132
Total Undist. Expend. - Required Maint. for Sch. Facil.	1,834,658	109,461	1,944,119	1,775,456	168,663

Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Custodial Services					
Salaries	\$ 2,195,984	\$ (32,452)	\$ 2,163,532	\$ 2,061,070	\$ 102,462
Cleaning, Repair and Maintenance Services	132,500	(22,620)	109,880	101,992	7,888
Other Purchased Property Services	288,659	(13,306)	275,353	211,274	64,079
Insurance	659,163	(87,524)	571,639	561,785	9,854
General Supplies	208,000	(14,637)	193,363	182,795	10,568
Other Purchased Services	10,650		10,650		10,650
Natural Gas	316,000	58,083	374,083	369,811	4,272
Electricity	1,010,000	225,942	1,235,942	1,234,934	1,008
Energy - Gasoline	31,600	(5,251)	26,349	26,349	
Other Objects	17,000	(4,951)	12,049	12,049	
Total Undist. Expend. - Custodial Services	4,869,556	103,284	4,972,840	4,762,059	210,781
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	213,912	(8,213)	205,699	205,699	
Cleaning, Repair and Maintenance Services	86,500	(26,054)	60,446	24,497	35,949
General Supplies	116,600	(67,401)	49,199	29,199	20,000
Total Undist. Expend. - Care and Upkeep of Grounds	417,012	(101,668)	315,344	259,395	55,949
Undist. Expend. - Security					
Salaries	495,270	144	495,414	486,458	8,956
Purchased Professional and Technical Services	3,500	3,500	3,500	300	3,200
Cleaning, Repair and Maintenance Services		121,882	121,882	121,882	
General Supplies	5,000	55,805	60,805	55,805	5,000
Total Undist. Expend. - Security	503,770	181,331	681,601	664,445	17,156
Undist. Expend. - Student Transportation Serv.					
Salaries for Non-Instructional Aids	367,887	135,564	503,451	475,538	27,913
Salaries for Pupil Trans. (Between Home & School) - Regular	826,215	12,849	839,064	839,063	1
Salaries for Pupil Trans. (Between Home & School) - Sp. Ed.	1,209,491	(126,350)	1,083,141	995,288	87,853
Salaries for Pupil Trans. Other than Between Home & School	78,000	(14,835)	63,165	51,448	11,717
Unused Vacation Payment to Terminated/Retired Staff		15,191	15,191	15,191	
Management Fees - ESC & CTSA Transportation Programs	7,500		7,500	1,840	5,660
Other Purchased Professional and Technical Services	34,375	532	34,907	32,347	2,560
Cleaning, Repair & Maintenance Services	84,500	29,066	113,566	108,010	5,556
Rental Payments - School Buses	3,000	(1,830)	1,170		1,170
Lease Purchase Payments-School Buses	245,618	(743)	244,875	235,332	9,543
Contracted Services Aid In Lieu of Payment for Non-public School Students	370,000	(5,286)	364,714	305,373	59,341
Contracted Services (Between Home and School) - Vendors	2,091,437	73,865	2,165,302	2,159,061	6,241
Contracted Services (Other than Between Home and School) - Vendors	307,100	(1,937)	305,163	273,817	31,346
Contracted Services (Between Home and School) - Joint Agreements	1,500	20,313	21,813	7,345	14,468
Contracted Services (Sp. Ed.) - Vendors	81,008	(1,657)	79,351	79,351	
Contracted Services (Sp. Ed.) - Joint Agreements	57,198	8,514	65,712	65,712	
Contracted Services (Special Education Students) - ESCs	50,000	(49,304)	696		696
Other Purchased Services	2,000		2,000	778	1,222
Miscellaneous Purchased Services - Transportation		125	125	125	
Transportation Supplies	292,925	(1,492)	291,433	241,592	49,841
Other Objects	1,000	(950)	50		50
Total Undist. Expend. - Student Transportation Serv.	6,110,754	91,635	6,202,389	5,887,211	315,178
Unallocated Benefits					
Social Security Contributions	1,250,000	1,253	1,251,253	1,250,000	1,253
Other Retirement Contributions - PERS	1,636,202	(20,179)	1,616,023	1,616,023	
Other Retirement Contributions - Regular	56,871	1,531	58,402	54,429	3,973
Unemployment Compensation	181,156	8,858	190,014	190,014	
Workmen's Compensation	771,943	(131,704)	640,239	640,239	
Health Benefits	15,167,000	1,139,537	16,306,537	16,305,358	1,179
Tuition Reimbursement	200,000	(4,115)	195,885	165,636	30,249
Other Employee Benefits	345,000	(48,209)	296,791	296,791	
Unused Vac. Payment to Term/Ret. Staff	127,000	89,089	216,089	216,089	
Total Unallocated Benefits	19,735,172	1,036,061	20,771,233	20,734,579	36,654
On-behalf TPAF Pension Contributions (Non-budgeted)				13,708,324	(13,708,324)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				4,005,583	(4,005,583)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				5,607	(5,607)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				2,918,430	(2,918,430)
Total On-behalf Contributions				20,637,944	(20,637,944)
TOTAL UNDISTRIBUTED EXPENDITURES	54,694,382	1,769,058	56,463,440	75,491,203	(19,027,763)
TOTAL GENERAL	96,915,469	1,146,355	98,061,824	116,053,483	(17,991,659)

Hopewell Valley Regional School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures:					
Instruction	\$ 222,522	\$ 58,264	\$ 280,786	\$ 277,787	\$ 2,999
Support Services - Students-Spec.		2,105	2,105	2,105	
Undistributed Exp.-Req. Maint. of School Facilities		5,337	5,337	5,337	
Undist. Exp. - Non-instructional Services					
Non-instructional equipment		950	950		950
School buses - regular		9,867	9,867	9,742	125
Total Equipment	<u>222,522</u>	<u>76,523</u>	<u>299,045</u>	<u>294,971</u>	<u>4,074</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		3,650	3,650	3,650	
Construction Services		296,810	296,810	116,996	179,814
Other Objects - Debt Service Assessment	101,068		101,068	101,068	
Non-budgeted - Financed Purchases				470,000	(470,000)
Total Facilities Acquisition and Construction Services	<u>101,068</u>	<u>300,460</u>	<u>401,528</u>	<u>691,714</u>	<u>(290,186)</u>
TOTAL CAPITAL OUTLAY	<u>323,590</u>	<u>376,983</u>	<u>700,573</u>	<u>986,685</u>	<u>(286,112)</u>
Contribution to Charter Schools	<u>19,111</u>		<u>19,111</u>	<u>19,111</u>	
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	274,500	(81,057)	193,443	181,868	11,575
Other Salaries of Instruction		64,337	64,337	64,337	
General Supplies	1,500		1,500	1,178	322
Total Summer School - Instruction	<u>276,000</u>	<u>(16,720)</u>	<u>259,280</u>	<u>247,383</u>	<u>11,897</u>
TOTAL SPECIAL SCHOOLS	<u>276,000</u>	<u>(16,720)</u>	<u>259,280</u>	<u>247,383</u>	<u>11,897</u>
TOTAL EXPENDITURES	<u>97,534,170</u>	<u>1,506,618</u>	<u>99,040,788</u>	<u>117,306,662</u>	<u>(18,265,874)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(3,923,063)</u>	<u>(1,506,618)</u>	<u>(5,429,681)</u>	<u>(1,011,632)</u>	<u>4,418,049</u>
Other Financing Sources:					
Assets acquired under financed purchase - (non-budgeted)				470,000	470,000
Transfer In				56,787	56,787
Total Other Financing Sources				<u>526,787</u>	<u>526,787</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources (Uses)	<u>(3,923,063)</u>	<u>(1,506,618)</u>	<u>(5,429,681)</u>	<u>(484,845)</u>	<u>4,944,836</u>
Fund Balance, July 1	<u>15,451,480</u>		<u>15,451,480</u>	<u>15,451,480</u>	
Fund Balance, June 30	<u>\$ 11,528,417</u>	<u>\$ (1,506,618)</u>	<u>\$ 10,021,799</u>	<u>\$ 14,966,635</u>	<u>\$ 4,944,836</u>
Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures:					
Budgeted Fund Balance	\$ (3,950,163)		\$ (3,950,163)	\$ (3,695,927)	\$ 254,236
Adjustment for Prior Year Encumbrances		\$ 1,976,996	1,976,996	1,976,996	
(Decrease) Increase in Capital Reserve	27,100	(3,483,614)	(3,456,514)	1,234,086	4,690,600
Total	<u>\$ (3,923,063)</u>	<u>\$ (1,506,618)</u>	<u>\$ (5,429,681)</u>	<u>\$ (484,845)</u>	<u>\$ 4,944,836</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus-current year				\$ 971,109	
Capital Reserve				7,636,516	
Maintenance Reserve				100,369	
Assigned to:					
Designated for Subsequent Year's Expenditures				2,726,312	
Year End Encumbrances				735,744	
Unassigned Fund Balance				<u>2,796,585</u>	
				14,966,635	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Final State Aid Payments Not Realized on GAAP Basis				(573,339)	
Fund balance per Governmental Funds (GAAP)				<u>\$ 14,393,296</u>	

Hopewell Valley Regional School District
Special Revenue Fund
Required Supplementary Information
Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources		\$ 318,343	\$ 318,343	\$ 276,673	\$ (41,670)
Federal sources	\$ 853,903	272,061	1,125,964	1,109,195	(16,769)
Local sources		260,495	260,495	783,085	522,590
Total revenues	<u>853,903</u>	<u>850,899</u>	<u>1,704,802</u>	<u>2,168,953</u>	<u>464,151</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries of teachers		92,416	92,416	88,476	3,940
Purchased professional services	8,500	(7,784)	716	716	
Other purchased services	811,088	135,353	946,441	942,201	4,240
General supplies		152,467	152,467	97,637	54,830
Textbooks		24,190	24,190	6,382	17,808
Total instruction	<u>819,588</u>	<u>396,642</u>	<u>1,216,230</u>	<u>1,135,412</u>	<u>80,818</u>
Support services:					
Salaries		5,638	5,638	3,911	1,727
Personal services—employee benefits		1,287	1,287	1,178	109
Purchased professional services	34,315	37,444	71,759	60,481	11,278
Other purchased professional services		343,806	343,806	272,149	71,657
Supplies and materials		66,082	66,082	22,160	43,922
Student activities				680,499	(680,499)
Scholarships awarded				12,600	(12,600)
Total support services	<u>34,315</u>	<u>454,257</u>	<u>488,572</u>	<u>1,052,978</u>	<u>(564,406)</u>
Total expenditures	<u>853,903</u>	<u>850,899</u>	<u>1,704,802</u>	<u>2,188,390</u>	<u>(483,588)</u>
(Deficiency) of revenues (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(19,437)</u>	<u>\$ (19,437)</u>
Fund Balance, July 1				<u>557,832</u>	
Fund Balance, June 30				<u>\$ 538,395</u>	
Recapitulation:					
Restricted:					
Scholarships				\$ 29,274	
Student Activities				509,121	
Total Fund Balance				<u>\$ 538,395</u>	

Hopewell Valley Regional School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2025

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 116,295,030	\$ 2,168,953
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		6,875
Current year		(2,802)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	535,061	
Current year	(573,339)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 116,256,752</u>	<u>\$ 2,173,026</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 117,306,662	\$ 2,188,390
Differences - Budgetary 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.		
Prior year		6,875
Current year		(2,802)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 117,306,662</u>	<u>\$ 2,192,463</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

_____, 2026

The Board of Education of the
Hopewell Valley Regional School District
Pennington, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$84,235,000 aggregate principal amount of School Bonds, Series 2026 (the “Bonds”) of The Board of Education of the Hopewell Valley Regional School District in the County of Mercer, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) two (2) proposals adopted by the Board on August 11, 2025 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 4, 2025 and (iii) a resolution duly adopted by the Board on December 15, 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 August 1, 2026 and semi-annually thereafter on the first day of February and August in each year until maturity or prior redemption, and shall mature on February 1 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2028	\$3,600,000		2038	\$5,050,000	
2029	2,500,000		2039	5,050,000	
2030	2,500,000		2040	5,050,000	
2031	2,500,000		2041	5,050,000	
2032	2,500,000		2042	5,050,000	
2033	5,050,000		2043	5,050,000	
2034	5,050,000		2044	5,050,000	
2035	5,050,000		2045	5,035,000	
2036	5,050,000		2046	5,000,000	
2037	5,050,000				

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

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of _____, 2026 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Hopewell Valley Regional 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 \$84,235,000 aggregate principal amount of School Bonds, Series 2026 dated their date of delivery (the "Bonds"). The Bonds are being issued by virtue of two (2) proposals adopted by the Board on August 11, 2025 and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 4, 2025 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$84,235,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2025 OF THE BOARD OF EDUCATION OF THE HOPEWELL VALLEY REGIONAL 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 December 15, 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 Assistant Superintendent for Business/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

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

“State” shall mean the State of New Jersey.

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

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

4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

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

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

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

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

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

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

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

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated January 22, 2026, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

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

Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

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

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Ratings changes rating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) If to the Board of Education:

The Board of Education of the
Hopewell Valley Regional School District
425 South Main Street
Pennington, New Jersey 08534
Attention: Assistant Superintendent for Business/
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
Hopewell Valley Regional School District
425 South Main Street
Pennington, New Jersey 08534
Attention: Assistant Superintendent for Business/
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
HOPEWELL VALLEY REGIONAL SCHOOL
DISTRICT IN THE COUNTY OF MERCER,
NEW JERSEY**

By: _____
ROBERT COLAVITA,
Assistant Superintendent for Business/
Board Secretary

EXHIBIT A

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

Name of Issuer: The Board of Education of the
Hopewell Valley Regional School District
in the County of Mercer, New Jersey

Name of Issue: \$84,235,000 School Bonds, Series 2026
Dated: _____, 2026
(CUSIP Number: 439686____)

Date of Issuance: _____, 2026

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

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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