

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 23, 2016**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Board (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") interest on the Bonds (as defined herein) is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. It is also the opinion of Bond Counsel that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. In addition, in the opinion of Bond Counsel, interest on and any gain from the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. Bond Counsel's opinions described herein are given in reliance on representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate (as defined herein), assuming continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See "TAX MATTERS" herein.*

**THE BOARD OF EDUCATION OF THE HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF MERCER, NEW JERSEY  
\$35,855,000 SCHOOL BONDS  
(Book-Entry-Only) (Callable)**

**Dated:** Date of Delivery**Due:** January 15, as shown below

The \$35,855,000 School Bonds (the "Bonds") of The Board of Education of the Hopewell Valley Regional School District in the County of Mercer, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued 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 Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity, or earlier redemption, commencing on July 15, 2017. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

The Bonds are valid and legally binding 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.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\***

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS</u>
2018	\$	%	%	
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				

*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 the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about December 15, 2016.*

**ELECTRONIC SUBMISSIONS FOR THE SCHOOL BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON NOVEMBER 30, 2016. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.PROSPECTUSHUB.COM**

*\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, 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 of Education 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  
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF MERCER, NEW JERSEY**

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**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, 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 foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriter.

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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**

**\$35,855,000  
SCHOOL BONDS  
(BOOK-ENTRY-ONLY ISSUE) (CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of Hopewell Valley Regional School District in the County of Mercer, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$35,855,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the 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 the date of delivery and shall mature on January 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July, commencing on July 15, 2017 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee Cede & Co. (or any successor or assign) 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 Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. 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 integrals, with a minimum purchase of \$5,000, through book entries made on the books and the 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 maturing prior to January 15, 20\_\_ are not subject to optional redemption. The Bonds maturing on or after January 15, 20\_\_ shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after January 15, 20\_\_ at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the 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, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the 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, the Bonds to be redeemed 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 and after such redemption date except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

## **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 property within the School District without limitation as to rate or amount.

## **New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)**

All school bonds are secured by 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")). Amendments to the Act provide that the Fund will be divided into two 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 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (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 equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (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 Reserve at the required levels, the State agrees that the State Treasurer 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 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 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 being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on August 15, 2016 and approved by a majority of the legal voters present and voting at the School District election held on September 27, 2016 and by a resolution duly adopted by the Board on November 14, 2016 (the "Resolution").

The purpose of the Bonds is to provide funds (a) to undertake renovations, alterations and improvements at Hopewell Elementary School, Stony Brook Elementary School, Bear Tavern Elementary School, Timberlane Middle School, and Toll Gate Grammar School, and to provide for an addition, renovations, alterations and improvements to Central High School; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is \$35,855,000, which

will be funded through the issuance of the Bonds. The Board also expects to receive 40% debt service aid on the eligible costs of the Projects.

### **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

The following description 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 defined below, 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, each 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 and 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 S&P Global, acting through Standard & Poor's Financial Services LLC, rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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<sup>1</sup> Source: The Depository Trust Company



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 affect 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 Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 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 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 in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the 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 the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

**THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.**

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.**

### **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/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/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 Date, whether or not a business day, next preceding an Interest Payment Date.

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

The Board consists of nine members elected to three-year terms. The purpose of the School District is to educate students in grades Pre-K through twelve (12). The Superintendent of the School District is appointed by the Board and is responsible for the administrative control of the School District.

The School District is a Type II school district and provides a full range of educational services appropriate to Pre-K through grade twelve (12), including regular and special education programs, serving the Borough of Hopewell, the Township of Hopewell and the Borough of Pennington (the "Constituent Municipalities").

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

The Constitution of the State of New Jersey provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State 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 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.

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 adopted 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 and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the 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 approved April 3, 2007 (A4), 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 school 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 categorized 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, which 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, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, 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, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. 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 chosen freeholders 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 chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves 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 chosen freeholders 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 district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves 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 school 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.

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

In a Type I school district, 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, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board of education has moved its annual election to November as described below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing bodies of the Constituent Municipalities must develop the school budget by May 19 of each year. Should the governing bodies be unable to do so, the Commissioner establishes the local school budget.

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) 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 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 15% of the legally qualified voters, is filed with the Board. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two-percent property tax levy cap as provided for the New Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the two-percent property tax levy cap would be presented to voters at the annual school election in November.

### **Spending Growth Limitation**

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

## **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 that 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 cash 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 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 (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 limitation was 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 ("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 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 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 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), 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 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 approved 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 expenses 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 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment. The new law limits the school district tax levy for the general fund budget to increases of 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 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. 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 to bank the unused tax levy for use in any of the next three 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 or Spending Growth Limitations has been eliminated under Chapter 44.

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.

## **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) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board (and approved by a board of school estimate in a Type I school district); and (v) 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 is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district’s audit. Previously the audit was required to be completed within four months. 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 and fourth 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.

### **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 grade Pre-K through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. As shown in Appendix “A”, the Board has not exceeded its 4% debt limit. See “APPENDIX A – Debt Limit of the Board.”

### **Exceptions to Debt Limitation**

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the borrowing margin of the Constituent Municipalities. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

### **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 financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see “Energy Savings Obligations” below). Facilities lease purchase agreements, which may only be financed 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, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) 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 Spending Growth Limitation and tax levy cap.

### **Energy Saving Obligations**

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the “ESIP Law,” school districts may issue energy savings obligations as refunding bonds without voter approval or lease

purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district's Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

### **Promissory Notes for Cash Flow Purposes**

N.J.S.A. 18A: 22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

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

In 1973, the Supreme Court of the State of New Jersey (the "Court") first 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 State 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") (since 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, since 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 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 the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 (A500), removed 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 current plan for school aid is a "constitutionally adequate scheme".

Notwithstanding over 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, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice 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 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the Educational Facilities Construction and Financing Act of 2001. The amount of the aid to which a school district is entitled is



established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2016 and has proposed the same reduction for 2016. 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 their fiscal year 2011 through 2016 budgets representing 15% of the school district’s proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

## **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 governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of the Constituent Municipalities for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Constituent Municipalities have not exceeded their statutory debt limit for the year ended June 30, 2016.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Constituent Municipalities may exceed their debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Constituent Municipalities 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 Constituent Municipalities or substantially reduce the ability of the Constituent Municipalities to meet their obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Constituent Municipalities to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes 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).

The Constituent Municipalities may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. 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 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 New Jersey local finance system is the annual cash basis budget. The Constituent Municipalities, which operate on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

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.

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may 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 the municipality’s calendar 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 the last day of that fiscal 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 of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget. When such appropriations exceed 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 ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous years’ budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAP” appropriations nor can transfers be made between excluded from “CAP” appropriations.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate”. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year’s tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits, including the provisions of the recent legislation, would limit the obligation of the Constituent Municipalities to levy *ad valorem* taxes upon all taxable real property within the Constituent Municipalities to pay debt service on its bonds or notes.

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 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 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.

### **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 results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

Tax bills are mailed annually in June by the Tax Collector. The taxes are due January 15 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Constituent Municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 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 New Jersey, 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 non-budgetary 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 of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

### **FINANCIAL STATEMENTS**

The financial statements of the Board as of and for the year ended June 30, 2016 together with the related notes to the financial statements are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Wiss & Company, LLP, Livingston, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B - Hopewell Valley Regional School District Financial Statements." Such Financial Statements are included herein for informational purposes only, and the information contained in these Financial Statements should not be used to modify the description of the security for the Bonds contained herein.

The Board Auditor has not participated in the preparation of this Official Statement except as previously stated.

### **LITIGATION**

To the knowledge of the Board Attorney, Schenck, Price, Smith & King, LLP, Florham Park, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, 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 knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material 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 of the Bonds at the closing.

### **TAX MATTERS**

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that interest on the Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Board has covenanted in its Arbitrate and Tax Certificate (the "Tax Certificate"), delivered in connection with the issuance of the Bonds, to comply with these continuing requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds to assure this exclusion. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon, Scotland & Baumann, LLC ("Bond Counsel"), pursuant to Section 103(a) of Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on

individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel’s opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate, assume continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

### **Certain Federal Tax Consequences Relating to the Bonds**

Although, pursuant to Section 103(a) of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

### **Bank Qualification**

The Bonds will not be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

### **New Jersey Gross Income Tax**

In the opinion of Bond Counsel, the interest on the Bonds and any gain realized on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act.

### **Future Events**

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or State level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions and even proposals for change could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY CHANGES IN THE STATUTES, PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR PROPOSALS FOR CHANGE ON THE TAX AND MARKET IMPLICATIONS OF OWNERSHIP OF THE BONDS.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 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 certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. 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 not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit 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 Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

**Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.**

## **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 hereto. Certain legal matters may be passed on to the Board for review by the 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 same to the Underwriter by a certificate signed by the Board President and the Business Administrator/Board Secretary.

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## **RATINGS**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned its rating of "AA" (stable outlook) to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "A-" (negative outlook) to the Bonds based upon the additional security provided by the School Bond Reserve Act.

The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. 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 ratings will be maintained for any given period of time or that the ratings may 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 ratings may have an adverse effect on the marketability or market price of the Bonds.

The inclusion of the Rating Agency's "stable outlook" has been provided herein for informational purposes only and is not a part of the "rating" described in the preceding paragraph. The "outlook" is only the Rating Agency's forward-looking view of the School District. The School District has no obligation to treat any change in the "outlook" as a "material event", as defined and described under the Rule or under the provisions of the School District's Continuing Disclosure Agreement, or to notify Bondholders as to any changes to the "outlook" after the date hereof.

## **FINANCIAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor to the Board with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial 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 Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **SECONDARY MARKET DISCLOSURE**

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2017, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board of Education consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board of Education and certain financial information and operating data consisting of (1) Board of Education indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:



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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) Notice of failure of the Board to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

(d) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

(e) The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

(f) In the event that the Board fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the Board shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, its adopted budgets for the fiscal years ending June 30, 2011 and 2012. Additionally, the Board acknowledges that it previously failed to file material event notices and late filing notices in connection with (i) its timely filings of annual financial information; and (ii) certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. The Board has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Robert W. Colavita, Jr., Business Administrator/Board Secretary, at 425 South Main Street, Pennington, NJ 08534, (609) 737-4002, or to the Financial Advisor, Phoenix Advisors, LLC, at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

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

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that he 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 the 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 of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

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

By: \_\_\_\_\_  
**Robert W. Colavita, Jr., Business Administrator/Board Secretary**

**Date:** November \_\_, 2016

## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CONSTITUENT MUNICIPALITIES AND THE HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT**

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

### **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:

<b>Facility</b>	<b>Construction Date</b>	<b>Grade Level</b>	<b>Student Enrollment (As of 6/30/16)</b>
Bear Tavern Elementary	1961	Pre-K- 5	529
Toll Gate Grammar	1928	Pre-K- 5	312
Hopewell Elementary	1926	Pre-K- 5	520
Stony Brook Elementary	2002	Pre-K- 5	522
Timberlane Middle School	1961	6-8	951
Hopewell Valley Central High School	1958	9-12	1,167

Source: Comprehensive Annual 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 Board Secretary/Business Administrator 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.

	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Teaching Professionals	366	407	400	397	397
Support Staff	<u>287</u>	<u>259</u>	<u>257</u>	<u>257</u>	<u>239</u>
Total Full & Part Time Employees	<u>653</u>	<u>667</u>	<u>657</u>	<u>654</u>	<u>636</u>

Source: Comprehensive Annual Financial Report of the School District

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<sup>1</sup> 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.

<b>Pupil Enrollments</b>	
<b><u>School Year</u></b>	<b><u>Enrollment</u></b>
2015-2016	3,661
2014-2015	3,640
2013-2014	3,686
2012-2013	3,735
2011-2012	3,798

Source: School District and Comprehensive Annual 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.

## **Fiscal 2016-17 Budget**

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

The 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 2016-2017 fiscal year is \$74,704,715. The major sources of revenue are \$69,391,867 from the local tax levy and \$2,838,448 from State aid.

Source: Annual User-Friendly Budget of the School District

### **Budget History**

As noted, prior to the Board's budget for its 2013-2014 fiscal year, the Board was required to submit its budget for voter approval. The results of the last five budget elections of the Board are as follows:

<b><u>Budget Year</u></b>	<b><u>Amount Raised in Taxes</u></b>	<b><u>Budget Amount</u></b>	<b><u>Election Result</u></b>
2016-2017	\$69,391,867	\$75,009,013	N/A
2015-2016	68,841,138	74,429,649	N/A
2014-2015	68,227,094	73,126,737	N/A
2013-2014	66,854,602	71,157,676	N/A
2012-2013	64,435,292	70,117,619	Approved

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, 2012 through June 30, 2016 for the general fund.

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

	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$68,841,138	\$68,227,094	\$65,955,801	\$64,435,292	\$63,295,965
Other Local Revenue	<u>980,142</u>	<u>1,024,676</u>	<u>1,291,608</u>	<u>1,807,726</u>	<u>2,692,383</u>
Total revenues-local sources	69,821,280	69,251,770	67,247,409	66,243,018	65,988,348
State Sources	11,682,018	9,863,169	8,700,418	9,677,242	7,430,231
Federal Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>138,544</u>
Total Revenues	\$81,503,298	\$79,114,939	\$75,947,827	\$75,920,260	\$73,557,123
<b>EXPENDITURES</b>					
General Fund:					
Instruction	\$34,183,944	\$32,814,277	\$32,567,134	\$32,016,183	\$30,537,908
Undistributed Expenditures	44,645,205	42,200,653	41,562,484	41,366,132	40,341,949
Capital Outlay	1,677,574	2,029,502	1,953,282	3,320,610	851,808
Special Schools	<u>0</u>	<u>187,323</u>	<u>230,581</u>	<u>188,702</u>	<u>197,188</u>
Total Expenditures	\$80,506,723	\$77,231,755	\$76,313,481	\$76,891,627	\$71,928,853
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	996,575	1,883,184	(365,654)	(971,367)	1,628,270
Other Financing Sources (Uses):					
Proceeds of Capital Lease	451,635	48,610	663,763	0	0
Transfers in	616,567	0	0	0	0
Transfers out	<u>0</u>	<u>(8,587)</u>	<u>(600,200)</u>	<u>(266,839)</u>	<u>(196,428)</u>
Total other financing sources (uses)	1,068,202	40,023	63,563	(266,839)	(196,428)
Net Change in Fund Balance	2,064,777	1,923,207	(302,091)	(1,238,206)	1,431,842
Fund Balance, July 1	<u>7,149,795</u>	<u>5,226,588</u>	<u>5,528,679</u>	<u>6,766,885</u>	<u>5,335,043</u>
Fund Balance, June 30	<u>\$9,214,572</u>	<u>\$7,149,795</u>	<u>\$5,226,588</u>	<u>\$5,528,679</u>	<u>\$6,766,885</u>

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

### **Capital Leases**

As of June 30, 2016, the Board has one capital lease outstanding with payments due through year ending June 30, 2021, totaling \$501,680.

Source: Comprehensive Annual Financial Report of the School District

### **Operating Leases**

As of June 30, 2016, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

### **Short Term Debt**

As of June 30, 2016, the Board has no short term debt outstanding.

Source: Comprehensive Annual 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, 2016.

<b><u>Fiscal Year Ending</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	3,790,000	711,419	4,501,419
2018	3,960,000	756,338	4,716,338
2019	4,105,000	615,538	4,720,538
2020	4,255,000	451,400	4,706,400
2021	3,380,000	261,500	3,641,500
2022	<u>3,540,000</u>	<u>88,500</u>	<u>3,628,500</u>
<b>TOTALS</b>	<b><u>\$23,030,000</u></b>	<b><u>\$2,884,694</u></b>	<b><u>\$25,914,694</u></b>

Source: Comprehensive Annual Financial Report of the School District



### **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, 2016:

Average Equalized Real Property Valuation (2013, 2014, and 2015)	\$4,851,458,724
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#### **School District Debt Analysis**

Permitted Debt Limitation (4% of AEVP)	\$194,058,349
Less: Bonds and Notes Authorized and Outstanding	<u>27,920,000</u>
Remaining Limitation of Indebtedness	\$166,138,349
Percentage of Net School Debt to Average Equalized Valuation	0.58%

Source: Comprehensive Annual Financial Report of the School District

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

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.

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<sup>1</sup> 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.

## **Retirement Systems**

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

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

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2015	1,186	1,143	43	3.6%
2014	1,163	1,108	55	4.7%
2013	1,144	1,089	55	4.8%
2012	1,169	1,084	85	7.3%
2011	1,129	1,077	52	4.6%
<b><u>County</u></b>				
2015	199,062	189,451	9,611	4.8%
2014	195,012	183,638	11,374	5.8%
2013	193,672	179,973	13,699	7.1%
2012	194,274	178,394	15,880	8.2%
2011	193,406	177,458	15,948	8.2%
<b><u>State</u></b>				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

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 2010)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$105,417	\$71,217	\$71,180
Median Family Income	125,066	88,694	86,779
Per Capita Income	50,910	36,016	35,768

Source: US Bureau of the Census 2010

## **Population**

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

<b><u>Year</u></b>	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
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
1980	2,001	-11.89	307,863	1.23	7,365,001	2.75
1970	2,271	17.79	304,116	14.16	7,168,164	18.15

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:

<b><u>Taxpayers</u></b>	<b><u>2016</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Freedman, Gerald	\$3,208,200	1.01%
Hopewell Village Square	2,048,900	0.64%
Verizon	1,897,655	0.60%
Rockwell Automation	1,444,100	0.45%
RanpdLLC	1,340,600	0.42%
Brick Farm Market,LLC	1,276,400	0.40%
Magliacano, Maria	1,057,100	0.33%
PNC Bank	1,029,600	0.32%
Pashley, Peter & Katharine	1,027,400	0.32%
Jeffers James	<u>1,019,500</u>	<u>0.32%</u>
<b>Total</b>	<b><u>\$15,349,455</u></b>	<b><u>4.83%</u></b>

Source: Comprehensive Annual 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>
2015	\$8,778,604	\$8,635,608	98.37%
2014	8,710,959	8,499,961	97.58%
2013	8,449,136	8,197,416	97.02%
2012	8,135,408	7,845,065	96.43%
2011	7,649,081	7,453,705	97.45%

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>
2015	\$22,989	\$112,710	\$135,699	1.55%
2014	0	196,527	196,527	2.26%
2013	0	180,449	180,449	2.14%
2012	19,031	195,937	214,968	2.64%
2011	0	150,410	150,410	1.97%

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2015	\$0
2014	0
2013	0
2012	0
2011	0

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total Taxes</u>
2016	\$0.580	\$1.536	\$0.621	\$2.737
2015R	0.564	1.525	0.606	2.695
2014	0.528	0.573	1.401	2.502
2013	0.501	0.543	1.360	2.404
2012	0.479	0.520	1.294	2.293

R=Revaluation

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>
2016	\$315,822,700	\$316,360,513	99.83%	\$1,897,655	\$318,258,168
2015R	316,653,500	317,478,945	99.74	1,897,655	319,376,600
2014	337,222,900	317,266,817	106.29	1,897,655	319,164,472
2013	340,985,300	315,318,384	108.14	1,897,655	317,216,039
2012	345,324,200	315,076,825	109.60	1,897,655	316,974,480

R: Revaluation

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>
2016	\$5,370,400	\$266,880,300	\$1,776,700	\$39,022,000	\$1,270,100	\$1,503,200	\$315,822,700
2015R	4,586,800	268,494,600	1,776,800	39,022,000	1,270,100	1,503,200	316,653,500
2014	5,528,900	278,896,700	1,919,100	48,322,600	857,700	1,697,900	337,222,900
2013	5,549,000	281,632,600	1,918,200	49,329,900	857,700	1,697,900	340,985,300
2012	5,251,100	285,641,000	1,918,200	49,958,300	857,700	1,697,900	345,324,200

R=Revaluation

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

## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Fund Balance	\$258,000	\$258,000	\$268,000	\$268,000	\$268,000
Miscellaneous Revenues	989,878	854,777	534,109	522,440	811,301
Receipts from Delinquent Taxes	140,000	160,000	140,000	147,000	100,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>1,628,005</u>	<u>1,684,169</u>	<u>1,757,597</u>	<u>1,761,274</u>	<u>1,808,757</u>
Total Revenue:	<u>\$3,015,883</u>	<u>\$2,956,946</u>	<u>\$2,699,706</u>	<u>\$2,698,714</u>	<u>\$2,988,058</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$1,194,219	\$1,204,285	\$1,117,968	\$1,222,207	\$1,373,489
Operations	847,779	870,302	878,369	824,936	944,087
Deferred Charges and Statutory Expenditures	0	45,000	90,009	103,700	0
Judgments	0	0	0	0	0
Capital Improvement Fund	60,000	0	0	20,000	20,000
Municipal Debt Service	621,660	526,863	291,560	201,660	317,282
Reserve for Uncollected Taxes	<u>292,225</u>	<u>310,496</u>	<u>321,800</u>	<u>326,210</u>	<u>333,200</u>
Total Appropriations:	<u>\$3,015,883</u>	<u>\$2,956,946</u>	<u>\$2,699,706</u>	<u>\$2,698,714</u>	<u>\$2,988,058</u>

Source: Annual Adopted Budgets of the Borough

## **Fund Balance**

### **Current Fund**

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

### **Fund Balance - Current Fund**

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2015	\$675,074	\$268,000
2014	533,370	268,000
2013	428,432	268,000
2012	350,829	258,000
2011	426,990	258,000

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.

<b><u>Fund Balance - Water Utility Operating Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2015	\$76,286	\$30,000
2014	40,677	30,000
2013	88,705	50,911
2012	118,642	38,198
2011	115,557	46,457

Hopewell BoroughSource: Annual Audit Reports of the Borough

### **Borough Indebtedness as of December 31, 2015**

#### **General Purpose Debt**

Serial Bonds	\$4,462,000
Bond Anticipation Notes	1,385,334
Bonds and Notes Authorized but Not Issued	194,666
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$6,042,000

#### **Regional School District Debt**

Serial Bonds	\$1,647,011
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$1,647,011

#### **Self-Liquidating Debt**

Serial Bonds	\$539,000
Bond Anticipation Notes	394,250
Bonds and Notes Authorized but Not Issued	50,000
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$983,250

#### **TOTAL GROSS DEBT**

**\$8,672,261**

Less: Statutory Deductions

General Purpose Debt	\$808,316
Regional School District Debt	1,647,011
Self-Liquidating Debt	<u>983,250</u>
Total:	\$3,438,577

#### **TOTAL NET DEBT**

**\$5,233,684**

Source: Annual Debt Statement of the Borough

**Overlapping Debt (as of December 31, 2015)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Regional School District	\$25,170,000	7.00%	\$1,647,011
County	387,479,132	0.74%	2,886,273
Net Indirect Debt			\$4,533,284
Net Direct Debt			<u>5,233,684</u>
Total Net Direct and Indirect Debt			<b><u>\$9,766,969</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2013, 2014, 2015)	\$317,457,539
Permitted Debt Limitation (3 1/2%)	11,111,014
Less: Net Debt	<u>5,233,684</u>
Remaining Borrowing Power	<u>\$5,877,329</u>
Percentage of Net Debt to Average Equalized Valuation	1.65%
Gross Debt Per Capita based on 2010 population of 1,922	\$4,512
Net Debt Per Capita based on 2010 population of 1,922	\$2,723

Source: Annual Debt Statement of the Borough

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

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

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.

### **Retirement Systems**

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

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

with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

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

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2015	1,354	1,304	50	3.7%
2014	1,358	1,308	50	3.7%
2013	1,419	1,385	34	2.4%
2012	1,407	1,368	39	2.8%
2011	1,308	1,264	44	3.4%
<b><u>County</u></b>				
2015	199,062	189,451	9,611	4.8%
2014	195,012	183,638	11,374	5.8%
2013	193,672	179,973	13,699	7.1%
2012	194,274	178,394	15,880	8.2%
2011	193,406	177,458	15,948	8.2%
<b><u>State</u></b>				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

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

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

### **Income (as of 2010)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$107,250	\$71,217	\$71,180
Median Family Income	156,923	88,694	86,779
Per Capita Income	56,962	36,016	35,768

Source: US Bureau of the Census 2010

### **Population**

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

	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
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
1980	2,109	-1.95	307,863	1.23	7,365,001	2.75
1970	2,151	4.27	304,116	14.16	7,168,164	18.15

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:

<b><u>Taxpayers</u></b>	<b><u>2016 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
143 West Franklin Ave., LLC	\$7,600,000	1.53%
Mercer Mutual	5,319,500	1.07%
Pennington Square Shop. Cntr.	3,900,000	0.79%
Pennington Investments	3,700,000	0.75%
Straube Center	3,649,500	0.74%
Straube Regional Center	3,531,800	0.71%
ECS Holding LLC	3,000,000	0.60%
NJ Bell	2,475,730	0.50%
Helene Fuld Medical Center	2,231,800	0.45%
Pennington Court, Inc.	<u>2,078,200</u>	<u>0.42%</u>
<b>Total</b>	<b><u>\$37,486,530</u></b>	<b><u>7.55%</u></b>

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

### **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2015	\$13,219,793	\$13,052,822	98.74%
2014	12,977,526	12,789,153	98.55%
2013	12,423,057	12,217,811	98.35%
2012	12,189,917	12,049,886	98.85%
2011	11,525,528	11,294,887	98.00%

Source: Annual Audit Reports of the Borough

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2015	\$1,934	\$149,407	\$151,341	1.14%
2014	1,655	172,487	174,142	1.34%
2013	1,103	151,138	152,241	1.23%
2012	0	114,724	114,724	0.94%
2011	0	230,939	230,939	2.00%

Source: Annual Audit Reports of the Borough

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2015	\$17,810
2014	17,810
2013	17,810
2012	17,810
2011	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.

<u>Year</u>	<u>Municipal</u>	<u>Regional</u> <u>School</u>	<u>County</u>	<u>Total</u> <u>Taxes</u>
2016	\$0.469	\$1.554	\$0.632	\$2.655
2015	0.461	1.548	0.608	2.617
2014	0.447	1.491	0.624	2.562
2013	0.447	1.408	0.588	2.443
2012	0.447	1.379	0.545	2.371

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

## **Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed</u> <u>Valuation of</u> <u>Real Property</u>	<u>Aggregate True</u> <u>Value of</u> <u>Real Property</u>	<u>Ratio of</u> <u>Assessed to</u> <u>True Value</u>	<u>Assessed</u> <u>Value of</u> <u>Personal Property</u>	<u>Equalized</u> <u>Valuation</u>
2016	\$494,619,000	\$498,507,357	99.22%	\$1,750,730	\$500,258,087
2015	494,467,400	508,449,769	97.20	1,600,418	510,050,187
2014	496,583,600	500,840,746	99.15	1,710,251	503,546,561
2013	499,655,000	501,661,647	99.60	1,884,914	502,550,997
2012	493,945,400	485,450,025	101.75	2,481,413	487,931,438

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>
2016	\$1,645,800	\$429,968,800	\$0	\$55,552,700	\$6,633,300	\$818,400	\$494,619,000
2015	1,654,600	429,608,400	0	55,752,700	6,633,300	818,400	494,467,400
2014	1,713,600	430,813,400	0	56,604,900	6,633,300	818,400	496,583,600
2013	1,712,500	433,816,600	0	56,674,200	6,633,300	818,400	499,655,000
2012	2,020,300	434,578,600	0	49,894,800	6,633,300	818,400	493,945,400

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

## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Fund Balance	\$100,000	\$455,893	\$506,082	\$435,000	\$581,611
Miscellaneous Revenues	647,159	469,148	500,211	458,422	714,672
Receipts from Delinquent Taxes	230,939	114,700	151,000	165,701	133,000
Amount to be Raised by Taxes for					
Support of Municipal Budget	<u>2,170,005</u>	<u>2,188,865</u>	<u>2,177,544</u>	<u>2,233,912</u>	<u>2,279,042</u>
Total Revenue:	<u><u>\$3,148,103</u></u>	<u><u>\$3,228,606</u></u>	<u><u>\$3,334,837</u></u>	<u><u>\$3,293,036</u></u>	<u><u>\$3,708,325</u></u>
<b><u>Appropriations</u></b>					
General Appropriations	\$2,062,771	\$2,266,743	\$2,213,495	\$2,379,356	\$2,535,582
Operations	377,241	341,488	348,677	340,380	591,743
Deferred Charges and Statutory					
Expenditures	100,217	25,000	191,571	0	114,000
Judgments	0	0	0	0	0
Capital Improvement Fund	15,000	15,000	15,000	65,000	15,000
Municipal Debt Service	357,875	335,375	321,095	263,300	207,000
Reserve for Uncollected Taxes	<u>235,000</u>	<u>245,000</u>	<u>245,000</u>	<u>245,000</u>	<u>245,000</u>
Total Appropriations:	<u><u>\$3,148,103</u></u>	<u><u>\$3,228,606</u></u>	<u><u>\$3,334,837</u></u>	<u><u>\$3,293,036</u></u>	<u><u>\$3,708,325</u></u>

Source: Annual Adopted Budgets of the Borough



## **Fund Balance**

### **Current Fund**

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

<b><u>Fund Balance - Current Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2015	\$853,205	\$581,611
2014	828,833	435,000
2013	876,088	506,082
2012	809,495	440,893
2011	235,534	100,000

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.

<b><u>Fund Balance - Water/Sewer Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2015	\$156,324	\$94,946
2014	111,078	66,192
2013	110,703	100,045
2012	78,312	76,500
2011	44,323	44,088

Source: Annual Audit Reports of the Borough

**Borough Indebtedness (as of December 31, 2015)**

**General Purpose Debt**

Serial Bonds	\$1,433,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,128,348
Other Bonds, Notes and Loans	0
Total:	<u>\$2,561,348</u>

**Regional School District Debt**

Serial Bonds	\$2,613,006
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$2,613,006</u>

**Self-Liquidating Debt**

Serial Bonds	\$1,571,000
Bond Anticipation Notes	85,000
Bonds and Notes Authorized but Not Issued	606,071
Other Bonds, Notes and Loans	0
Total:	<u>\$2,262,071</u>

**TOTAL GROSS DEBT**

**\$7,436,424**

Less: Statutory Deductions

General Purpose Debt \$0

Regional School District Debt 2,613,006

Self-Liquidating Debt 2,262,071

Total: \$4,875,076

**TOTAL NET DEBT**

**\$2,561,348**

Source: Annual Debt Statement of the Borough

**Overlapping Debt (as of December 31, 2015)**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Regional School District	\$25,170,000	10.38%	\$2,613,006
County	450,865,848	1.18%	<u>5,324,986</u>
Net Indirect Debt			\$7,937,992
Net Direct Debt			<u>2,561,348</u>
Total Net Direct and Indirect Debt			<b><u>\$10,499,340</u></b>

**Debt Limit (as of December 31, 2015)**

Average Equalized Valuation Basis (2013, 2014, 2015)	\$503,650,721
Permitted Debt Limitation (3 1/2%)	17,627,775
Less: Net Debt	<u>2,561,348</u>
Remaining Borrowing Power	<u>\$15,066,427</u>
Percentage of Net Debt to Average Equalized Valuation	0.51%
 Gross Debt Per Capita based on 2010 population of 2,585	 \$2,877
Net Debt Per Capita based on 2010 population of 2,585	\$991

Source: Annual Debt Statement of the Borough

## **INFORMATION REGARDING THE TOWNSHIP OF HOPEWELL<sup>1</sup>**

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 Bristol-Myers Squibb, Janssen Pharmaceutical (a division of Johnson & Johnson) and Bank of America Merrill Lynch.

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.

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<sup>1</sup> 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 and the Open Space 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 Elizabeth 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 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.

### **Retirement Systems**

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

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

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2015	10,158	9,862	296	2.9%
2014	9,919	9,559	360	3.6%
2013	9,828	9,385	443	4.5%
2012	9,734	9,231	503	5.2%
2011	8,761	8,384	377	4.3%
<b><u>County</u></b>				
2015	199,062	189,451	9,611	4.8%
2014	195,012	183,638	11,374	5.8%
2013	193,672	179,973	13,699	7.1%
2012	194,274	178,394	15,880	8.2%
2011	193,406	177,458	15,948	8.2%
<b><u>State</u></b>				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

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 2010)**

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$145,924	\$71,217	\$71,180
Median Family Income	159,519	88,694	86,779
Per Capita Income	61,903	36,016	35,768

Source: US Bureau of the Census 2010



## **Population**

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

	<b><u>Township</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
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
1980	10,893	8.60	307,863	1.23	7,365,001	2.75
1970	10,030	28.29	304,116	14.16	7,168,164	18.15

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 as of December 31, 2014:

<b><u>Taxpayers</u></b>	<b><u>2016 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Bristol Myers Squibb	\$233,797,800	5.91%
ARC DB5PROP001 LLC	108,762,504	2.75%
AREP Hopewell LLC	102,563,200	2.59%
Cole Hopewell Twp	92,400,000	2.33%
Janssen Pharmaceutical	91,230,100	2.30%
Carter Road LLC	25,296,200	0.64%
Hopewell TC Associates	24,646,100	0.62%
Trap Rock Industries Inc	22,280,300	0.56%
Transco Gas Pipeline	13,842,100	0.35%
Montpen SC LLC	<u>13,036,500</u>	<u>0.33%</u>
<b>Total</b>	<b><u>\$727,854,804</u></b>	<b><u>18.39%</u></b>

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

### **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2015	\$105,586,389	\$104,667,478	99.13%
2014	103,892,266	102,962,912	99.11%
2013	100,965,562	100,035,296	99.08%
2012	98,518,159	97,330,347	98.79%
2011	97,379,395	95,840,228	98.42%

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement of the Township

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2015	\$144,666	\$646,229	\$790,896	0.75%
2014	134,362	810,430	944,792	0.91%
2013	125,730	701,641	827,371	0.82%
2012	117,385	876,229	993,614	1.01%
2011	109,352	1,277,942	1,387,294	1.42%

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement of the Township

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2015	\$0
2014	0
2013	0
2012	0
2011	0

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement 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.

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Municipal Open Space</u></b>	<b><u>Regional School</u></b>	<b><u>County</u></b>	<b><u>Fire District</u></b>	<b><u>Total Taxes</u></b>	<b><u>Total Tax Levy</u></b>
2016	\$0.364	\$0.030	\$1.548	\$0.686	\$0.085	\$2.628	\$105,586,389
2015	0.362	0.030	1.523	0.661	0.079	2.576	103,892,266
2014	0.342	0.030	1.481	0.67	0.077	2.523	100,965,562
2013	0.318	0.030	1.452	0.642	0.074	2.442	98,518,159
2012	0.301	0.030	1.409	0.619	0.066	2.359	97,379,395

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

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2016	\$3,953,367,800	\$4,049,375,482	97.63%	\$5,364,053	\$4,054,739,535
2015	3,962,896,900	4,188,665,997	94.61	5,579,058	4,194,245,055
2014	3,982,778,000	3,987,163,880	99.89	5,426,768	3,992,590,648
2013	3,999,790,300	3,915,221,515	102.16	6,706,907	3,921,928,422
2012	4,050,947,200	3,961,419,128	102.26	6,828,000	3,968,247,128

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.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2016	\$40,845,500	\$2,744,443,000	\$266,854,200	\$493,931,400	\$402,089,000	\$5,204,700	\$3,953,367,800
2015	47,397,200	2,742,115,000	266,140,000	502,637,700	399,286,800	5,320,200	3,962,896,900
2014	45,419,400	2,739,937,800	266,811,700	525,123,300	400,165,600	5,320,200	3,982,778,000
2013	48,281,400	2,750,531,200	268,713,000	523,657,700	402,985,600	5,621,400	3,999,790,300
2012	54,584,900	2,784,798,700	272,915,800	529,848,000	403,178,400	5,621,400	4,050,947,200

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**

<b><u>Anticipated Revenues</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Fund Balance	\$1,915,811	\$1,415,811	\$1,615,811	\$2,265,811	\$2,068,558
Miscellaneous Revenues	4,752,016	6,035,335	5,014,165	7,220,702	4,925,184
Receipts from Delinquent Taxes	1,210,000	915,516	700,000	775,000	670,000
Amount to be Raised by Taxes for					
Support of Municipal Budget	12,211,510	12,749,536	13,633,685	14,353,928	14,395,093
Total Revenue:	<u>\$20,089,338</u>	<u>\$21,116,199</u>	<u>\$20,963,661</u>	<u>\$24,615,442</u>	<u>\$22,058,835</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$12,236,639	\$12,646,396	\$12,628,106	\$13,040,997	\$12,680,017
Operations	946,194	897,402	1,001,872	1,131,512	788,980
Deferred Charges and Statutory					
Expenditures	1,690,140	2,428,570	1,754,310	1,763,108	1,807,799
Judgments	0	0	0	0	0
Capital Improvement Fund	198,864	160,479	155,319	729,093	229,032
Municipal Debt Service	3,167,994	3,582,014	3,964,596	6,461,365	5,328,958
Local School District Purposes	500,000	0	0	0	0
Reserve for Uncollected Taxes	1,349,507	1,401,338	1,459,458	1,489,367	1,224,050
Total Appropriations:	<u>\$19,589,338</u>	<u>\$21,116,199</u>	<u>\$20,963,661</u>	<u>\$24,615,442</u>	<u>\$22,058,835</u>

Source: Annual Adopted Budgets of the Township

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## **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.

<b><u>Fund Balance - Current Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2015	\$12,008,398	\$2,068,558
2014	12,202,394	2,265,811
2013	12,039,768	1,615,811
2012	12,164,634	1,415,811
2011	12,878,445	1,915,811

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement 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.

<b><u>Fund Balance - Water Utility Operating Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2015	\$123,829	0
2014	102,277	0
2013	90,578	0
2012	47,056	0
2011	33,335	1,921

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement of the Township

### **Sewer Utility Fund**

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.

<b><u>Fund Balance - Sewer Utility Operating Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2015	\$890,577	\$267,872
2014	894,991	91,075
2013	822,416	145,398
2012	743,666	213,226
2011	1,045,840	406,278

Source: Annual Audit Reports of the Township and Unaudited Annual Financial Statement of the Township

## **Township Indebtedness as of December 31, 2015**

### **General Purpose Debt**

Serial Bonds	\$63,202,000
Bond Anticipation Notes	3,730,613
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>282,943</u>
Total:	\$67,215,556

### **Regional School District Debt**

Serial Bonds	\$20,909,983
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$20,909,983

### **Self-Liquidating Debt**

Serial Bonds	\$1,441,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$1,441,000

### **TOTAL GROSS DEBT**

**\$89,566,539**

Less: Statutory Deductions

General Purpose Debt	\$17,986,451
Regional School District Debt	20,909,983
Self-Liquidating Debt	<u>1,441,000</u>
Total:	\$40,337,434

### **TOTAL NET DEBT**

**\$49,229,105**

Source: 2014 Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2015)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Regional School District	\$25,170,000	83.00%	\$20,909,983
County	387,479,132	9.39%	<u>36,372,997</u>
Net Indirect Debt			\$57,282,981
Net Direct Debt			<u>49,229,105</u>
Total Net Direct and Indirect Debt			<b><u>\$106,512,086</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2013, 2014, 2015)	\$4,030,350,464
Permitted Debt Limitation (3 1/2%)	141,062,266
Less: Net Debt	<u>49,229,105</u>
Remaining Borrowing Power	<b><u>\$91,833,161</u></b>
Percentage of Net Debt to Average Equalized Valuation	1.22%
 Gross Debt Per Capita based on 2010 population of 17,304	 \$5,176
Net Debt Per Capita based on 2010 population of 17,304	\$2,845

Source: 2014 Annual Debt Statement of the Township

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

**APPENDIX B**

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT FINANCIAL STATEMENTS**



# **Hopewell Valley Regional School District**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016

**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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## Independent Auditors' Report

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

### **Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to previously 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, 2016, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

November 10, 2016  
Livingston, New Jersey

# **Hopewell Valley Regional School District Management's Discussion and Analysis**

Year ended June 30, 2016  
(Unaudited)

As management of the Hopewell Valley Regional School 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, 2016. 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 and other 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 can be found on pages 11-12 of this report.

**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 three categories: governmental funds, proprietary funds, and fiduciary 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 can be found on pages 13-15 of this report.

**Proprietary funds.** The District maintains one proprietary fund type as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service, driver education, and kindergarten extension programs. The basic enterprise fund financial statements can be found on pages 16-18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund. The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

**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. The notes to the basic financial statements can be found on pages 21-55 of this report.

**Other information.** The required supplementary information related to pensions and budgetary comparison are presented immediately following the notes to the financial statements. Required supplementary information can be found on pages 56-68 of this report.

## 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 outflows of resources exceeded liabilities and deferred inflows of resources by \$22,172,392 (net position) at the close of 2016 and our overall financial position has improved in the current year, as a result of better than expected general fund revenues and expenditures. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2016 and 2015:

	2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$10,787,818	\$ 347,635	\$ 11,135,453	\$ 8,386,811	\$ 564,420	\$ 8,951,231
Capital assets, net	61,314,323	138,336	61,452,659	62,390,470	162,155	62,552,625
Total assets	72,102,141	485,971	72,588,112	70,777,281	726,575	71,503,856
Deferred outflows of resources	6,137,723		6,137,723	3,203,865		3,203,865
Current liabilities	6,551,644	188,737	6,740,381	6,687,339	99,115	6,786,454
Long-term liabilities outstanding	23,276,696		23,276,696	27,036,953		27,036,953
Net pension liability	25,231,324		25,231,324	20,302,690		20,302,690
Total liabilities	55,059,664	188,737	55,248,401	54,026,982	99,115	54,126,097
Deferred inflows of resources	1,305,042		1,305,042	1,209,930		1,209,930
Net position:						
Net investment in capital assets	36,138,255	138,336	36,276,591	33,969,867	162,155	34,132,022
Restricted	4,959,888		4,959,888	4,312,975		4,312,975
Unrestricted (Deficit)	(19,222,985)	158,898	(19,064,087)	(19,538,608)	465,305	(19,073,303)
Total net position	\$21,875,158	\$297,234	\$22,172,392	\$ 18,744,234	\$ 627,460	\$ 19,371,694

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 paying down the related debt. Restricted net position includes assets that are subject to external restrictions (e.g., for capital reserve, maintenance reserve, and debt service).

The (deficit) unrestricted net position in the governmental funds decreased, mainly attributable to better than expected general fund revenues and expenditures. The unrestricted net position



decreased in the business-type activities due to the transfer of the kindergarten extension program net position balance to the General Fund due to the elimination of the program. Capital assets decreased in the current year as a result of current year depreciation expense, partially offset by the various ongoing capital projects being completed at the District.

Deferred outflows of resources represent deferred losses on refunded debt associated with the District's outstanding debt issuances and 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 and deferred gains on refunded debt. Long-term liabilities decreased due to the current year bond payments.

**Government-wide activities.** The key elements of the District's changes in net position for the years ended June 30, 2016 and 2015 are as follows:

Year ended June 30,						
	2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 348,231	\$1,394,609	\$1,742,840	\$ 393,004	\$ 1,720,143	\$ 2,113,147
Operating grants and contributions	1,167,590	153,185	1,318,775	1,174,991	140,305	1,315,296
Capital grants and contributions				222,058		222,058
General revenues:						
Property taxes	73,601,264		73,601,264	72,074,537		72,074,537
Federal and state aid not restricted to specific purposes	21,308,429		21,308,429	17,294,614		17,294,614
Investment earnings	32,998		32,998	28,112		28,112
Miscellaneous	607,722		607,722	605,313		605,313
Total revenues	97,066,234	1,547,794	98,614,028	91,792,629	1,860,448	93,653,077
Expenses:						
Instructional services	57,698,045		57,698,045	53,243,800		53,243,800
Support services	35,388,576	1,515,587	36,904,163	33,187,594	1,787,924	34,975,518
Special schools	281,701		281,701	299,101		299,101
Interest on long-term debt	929,421		929,421	1,141,961		1,141,961
Total expenses	94,297,743	1,515,587	95,813,330	87,872,456	1,787,924	89,660,380
Increase in net position before transfers	2,768,491	32,207	2,800,698	3,920,173	72,524	3,992,697
Transfers	362,433	(362,433)	-			
Change in net position	3,130,924	(330,226)	2,800,698	3,920,173	72,524	3,992,697
Net position-beginning of year	18,744,234	627,460	19,371,694	34,591,692	554,936	35,146,628
Restatement				(19,767,631)		(19,767,631)
Net position-beginning of year (as restated)	18,744,234	627,460	19,371,694	14,824,061	554,936	15,378,997
Net position – end of year	\$21,875,158	\$297,234	\$22,172,392	\$ 18,744,234	\$ 627,460	\$ 19,371,694

Property tax revenue increased due to an increase in the current year property tax levy.

Federal and state aid not restricted for a specific purpose increased due to an increase in the on-

behalf TPAF pension contributions associated with the GASB Statement Nos. 68 and 71.

Governmental instructional and support services expenses increased due to the allocation of pension expense to these functions as required by GASB Statement Nos. 68 and 71.

Business-type activities revenues decreased due to the cessation of the kindergarten extension program.

### **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 \$1,764,050, while total fund balance was \$9,214,572. 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 2.2% of the total general fund expenditures while total fund balance represents 11.45% of that same amount.

The fund balance of the District's general fund increased by \$2,064,777 during the current fiscal year. Factors in this increase include the impact fiscal conservatism had on expenditures mainly in the areas of general administration, health benefits and student transportation as well as transfers in to the General Fund from the terminated Kindergarten Extension Program Enterprise Fund and from the Capital Projects Fund, where unspent funds were returned to the General Fund's Capital Reserve.

The District experienced a slight decrease in Special Revenue Fund revenue, mostly driven by an increase in local source revenue offset by slight declines in federal and state source revenue.

Capital Projects fund revenues decreased from the prior year as there were no grant funds earned during the period under audit.

The debt service fund has a total fund balance of \$10,563, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$7,497, which is mainly attributable to realized revenues exceeding expenditures. The District received \$4,760,126 from the local tax levy and paid \$3,645,000 and \$1,116,438 in principal and interest on bonds, respectively. The District also refunded a portion of its outstanding debt during the 2016 fiscal year resulting in future costs savings.

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, 2016, and the increases and decreases in relation to the prior year.

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2015</b>	<b>Percent of Increase (Decrease)</b>
Local sources	\$ 74,616,715	85.3%	\$ 1,506,479	2.1 %
State sources	11,779,408	13.5	1,801,734	18.1
Federal sources	1,043,700	1.2	(7,516)	(0.7)
Total	<u>\$ 87,439,823</u>	<u>100.0%</u>	<u>\$ 3,300,697</u>	<u>3.9%</u>

The increase in local sources is due to an increase in the local tax levy.

The increase in state sources is mainly attributable to an increase in on-behalf TPAF pension contributions paid by the State.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2016, and the increases and decreases in relation to the prior year.

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2015</b>	<b>Percent of Increase (Decrease)</b>
Current expenditures:				
Instruction	\$ 35,189,644	40.6%	\$ 1,355,971	4.0%
Support services	44,641,384	51.6	2,508,362	6.0
Capital outlay	1,677,574	1.9	(351,928)	(17.3)
Special schools	165,711	0.2	(21,612)	(11.5)
Debt service:				
Principal	3,645,000	4.2	(92,209)	(2.5)
Interest and costs	1,277,528	1.5	26,899	2.2
Total	<u>\$ 86,596,841</u>	<u>100.0%</u>	<u>\$ 3,425,483</u>	<u>4.1%</u>

The increase in instruction is attributable mainly to the increase in salaries and the increase in the cost to provide a comprehensive education.

The increase in support services is attributable mainly to the increased cost of undistributed instruction and the increase in on-behalf pension and social security contributions made by the State on behalf of the District.

The decrease in capital outlay is due to less construction and maintenance projects occurring during the current period as compared to the prior period.

## **General Fund Budgetary Highlights**

Overall, there were no additional appropriations made to the original budget as compared to the final budget. During the year, revenues exceeded budgetary estimates and expenditures were under budgetary estimates, thus eliminating the need to draw upon any additional existing fund balance.

Tuition revenues exceeded anticipated revenues by \$47,588 as a result of an increase in student enrollment. State sources exceeded anticipated revenues by \$8,950,045 as a result of the District not anticipating revenues related to Extraordinary Aid, Non-public transportation aid, State on-behalf TPAF pension contributions, and State reimbursed TPAF social security contributions.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Instruction – regular programs – an increase of \$476,336 occurred in the budget mainly due to increases in salaries grades 6 – 8 and 9 - 12 and other salaries for instruction.
- Instruction – Basic skills/remedial – a decrease of \$290,020 occurred in the budget due to less salaries expended than originally budgeted for.
- Undistributed expenditures – general administration – judgments against the district - an increase of \$776,452 occurred in the budget due to settlement of litigation not provided for in the original budget.
- Undistributed expenditures – operation and maintenance of plant service – decreases of \$194,817 and \$140,874 for electricity and natural gas energy cost, respectively.

The District also experienced significant variations between the final amended budget and the actual expenditures for various reasons including:

- Instruction – regular programs – a remaining balance of \$280,107. Fiscal restraint with respect to purchased professional-educational services, other purchased services, general supplies and textbooks resulted in a favorable balance.
- Undistributed expenditures – instruction – tuition - a remaining balance of 339,333. Fiscal restraint with respect to tuition to CSSD and regional day schools and state facilities.
- Undistributed expenditures – child study teams – a remaining balance of \$473,025. Fiscal restraint with respect to salaries of other professional staff and other purchased professional services and technical services resulted in a favorable balance.
- Undistributed expenditures – operation and maintenance of plant services – a remaining balance of \$366,583. Fiscal restraint with respect to custodial salaries and energy costs resulted in a favorable balance.
- Undistributed expenditures – student transportation services – a remaining balance of \$365,552. Fiscal restraint with respect to contracted services and supplies resulted in a favorable balance.

## Capital Assets

At the end of the fiscal years ended June 30, 2016 and 2015, the District had \$61,452,659 and \$62,552,625, respectively, invested in land, construction in progress, land improvements, building and building improvements and machinery and equipment, net of accumulated depreciation or amortization.

<b>Capital Assets (Net of Depreciation)</b>				
<b>Governmental Activities</b>		<b>Business-type Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$ 2,546,691	\$ 2,546,691		
Construction in progress	90,484	2,494,459		
Land improvements	3,142,527	2,479,791		
Building and building improvements	53,987,827	53,462,719		
Machinery and equipment	1,546,794	1,406,810	\$ 138,336	\$ 162,155
Total	\$ 61,314,323	\$ 62,390,470	\$ 138,336	\$ 162,155

The decrease in capital assets is due to depreciation expense exceeding the current year expenditures related to construction in progress and machinery and equipment. For more detailed information, please refer to Note 4 to the basic financial statements.

## Debt Administration

At June 30, 2016, the District had \$53,079,286 of outstanding long-term liabilities. Of this amount, \$25,231,324 represents the District's net pension liability, \$2,256,070 is for compensated absences; \$501,680 for capital leases; \$23,030,000 of serial bonds; and \$2,060,212 is for the unamortized premium on bonds. For more detailed information, refer to Note 5 of the basic financial statements.

## Economic Factors and Next Year's Budget

- Local and State aid has remained relatively flat.
- The cost of providing employee health benefits are expected to continue to increase.
- The District budgeted \$1,841,569 of its 2016 fund balance to partially fund the 2016/2017 operations, an increase of \$661,287 from the prior year.

All of the above factors were considered in preparing the District's 2016-17 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.

## Hopewell Valley Regional School District

## Statement of Net Position

June 30, 2016

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,640,806	\$ 288,808	\$ 4,929,614
Accounts receivable	1,187,124	21,128	1,208,252
Inventories		37,699	37,699
Restricted assets:			
Cash and cash equivalents	4,959,888		4,959,888
Capital assets, non-depreciable	2,637,175		2,637,175
Capital assets, depreciable, net	58,677,148	138,336	58,815,484
Total assets	72,102,141	485,971	72,588,112
<b>Deferred Outflow of Resources</b>			
Pension deferrals	5,587,675		5,587,675
Deferred loss on refunding of debt	550,048		550,048
	6,137,723		6,137,723
<b>Liabilities</b>			
Accounts payable	1,698,545	118,181	1,816,726
Accrued interest payable	195,717		195,717
Intergovernmental payables:			
Federal	2,401		2,401
State	19,740		19,740
Unearned revenue	63,975	70,556	134,531
Net pension liability	25,231,324		25,231,324
Current portion of long-term obligations	4,571,266		4,571,266
Noncurrent portion of long-term obligations	23,276,696		23,276,696
Total liabilities	55,059,664	188,737	55,248,401
<b>Deferred Inflows of Resources</b>			
Pension deferrals	405,671		405,671
Deferred gain on refunding of debt	134,224		134,224
Deferred tax levy	765,147		765,147
	1,305,042		1,305,042
<b>Net position</b>			
Net investment in capital assets	36,138,255	138,336	36,276,591
Restricted for:			
Capital reserve	4,871,220		4,871,220
Maintenance reserve	88,668		88,668
Unrestricted	(19,222,985)	158,898	(19,064,087)
Total net position	\$ 21,875,158	\$ 297,234	\$ 22,172,392

See accompanying notes to the basic financial statements.

## Hopewell Valley Regional School District

## Statement of Activities

Year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>						
Instruction	\$ 57,698,045	\$ 267,681	\$ 1,005,700	\$ (56,424,664)		\$ (56,424,664)
Support services:						
Instruction	2,563,473			(2,563,473)		(2,563,473)
Attendance/social work	93,118			(93,118)		(93,118)
Health services	1,032,512			(1,032,512)		(1,032,512)
Other support services	6,737,869		161,890	(6,575,979)		(6,575,979)
Improvement of instruction	2,588,198			(2,588,198)		(2,588,198)
School library	1,633,244			(1,633,244)		(1,633,244)
General administration	1,743,813			(1,743,813)		(1,743,813)
School administration	3,529,509			(3,529,509)		(3,529,509)
Central services	1,628,818			(1,628,818)		(1,628,818)
Admin info technology	351,678			(351,678)		(351,678)
Required maintenance of plant services	2,166,532			(2,166,532)		(2,166,532)
Operation of plant	5,723,026			(5,723,026)		(5,723,026)
Care & upkeep of grounds	427,796			(427,796)		(427,796)
Security	314,368			(314,368)		(314,368)
Student transportation	4,854,622	80,550		(4,774,072)		(4,774,072)
Special Schools	281,701			(281,701)		(281,701)
Interest and other charges on long-term debt	929,421			(929,421)		(929,421)
Total governmental activities	94,297,743	348,231	1,167,590	(92,781,922)		(92,781,922)
<b>Business-type activities</b>						
Enterprise Funds	1,515,587	1,394,609	153,185		\$ 32,207	32,207
Total business-type activities	1,515,587	1,394,609	151,185		32,207	32,207
Total primary government	\$ 95,813,330	\$ 1,742,840	\$ 1,318,775	(92,781,922)	32,207	(92,749,715)
General revenues:						
Property taxes, levied for general purposes				68,841,138		68,841,138
Property taxes, levied for debt service				4,760,126		4,760,126
State sources				21,308,429		21,308,429
Investment earnings				32,998		32,998
Miscellaneous income				607,722		607,722
Transfers				362,433	(362,433)	-
Total general revenues and transfers				95,912,846	(362,433)	95,550,413
Change in net position				3,130,924	(330,226)	2,800,698
Net position—beginning				18,744,234	627,460	19,371,694
Net position—ending				\$ 21,875,158	\$ 297,234	\$ 22,172,392

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District  
Governmental Funds

Balance Sheet

June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 4,286,561	182,233		\$ 172,012	\$ 4,640,806
Accounts receivable:					
Intergovernmental:					
State	665,323				665,323
Federal		139,951			139,951
Other	366,045	15,805			381,850
Interfund receivable	272,521				272,521
Restricted cash and cash equivalents	4,959,888				4,959,888
<b>Total assets</b>	<u>\$ 10,550,338</u>	<u>\$ 337,989</u>	<u>\$ -</u>	<u>\$ 172,012</u>	<u>\$ 11,060,339</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 690,563	\$ 20,857			\$ 711,420
Intergovernmental payables:					
State		19,740			19,740
Federal		2,401			2,401
Interfunds payable		272,521			272,521
Unearned revenue	41,505	22,470			63,975
<b>Total liabilities</b>	<u>732,068</u>	<u>337,989</u>			<u>1,070,057</u>
Deferred inflows of resources	603,698			\$ 161,449	765,147
<b>Fund balances:</b>					
Restricted for:					
Capital reserve	4,871,220				4,871,220
Maintenance reserve	88,668				88,668
Debt service				10,563	10,563
Assigned to:					
Designated for subsequent year expenditures	1,841,569				1,841,569
Other purposes	649,065				649,065
Unassigned	1,764,050				1,764,050
<b>Total fund balances</b>	<u>9,214,572</u>	<u>-</u>	<u>-</u>	<u>10,563</u>	<u>9,225,135</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 10,550,338</u>	<u>\$ 337,989</u>	<u>\$ -</u>	<u>\$ 172,012</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 \$97,209,960 and the accumulated depreciation is \$35,895,637. \$ 61,314,323

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. (195,717)

Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds. 5,182,004

Losses and gains arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds. 415,824

Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (25,231,324)

Accrued pension contributions for the June 30, 2016 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. (987,125)

Long-term liabilities, including bonds payable, capital leases, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds. (27,847,962)

Net position of governmental activities \$ 21,875,158



Hopewell Valley Regional School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Revenues:</b>					
Local sources:					
Local tax levy	\$ 68,841,138			\$ 4,760,126	\$ 73,601,264
Tuition	267,681				267,681
Interest on investments	28,488				28,488
Interest earned on investments - reserve funds	4,510				4,510
Transportation	80,550				80,550
Miscellaneous	598,913	\$ 26,500		8,809	634,222
Total local sources	69,821,280	26,500		4,768,935	74,616,715
State sources	11,682,018	97,390			11,779,408
Federal sources		1,043,700			1,043,700
Total revenues	81,503,298	1,167,590		4,768,935	87,439,823
<b>Expenditures:</b>					
Current:					
Instruction	34,183,944	1,005,700			35,189,644
Support services:					
Instruction	2,469,773				2,469,773
Attendance/social work	56,595				56,595
Health services	618,581				618,581
Support services	4,149,453	161,890			4,311,343
Improvement of instruction	1,527,506				1,527,506
School library	993,025				993,025
General administration	1,528,948				1,528,948
School administration	2,091,891				2,091,891
Central services	1,022,890				1,022,890
Administration information technology	213,423				213,423
Required maintenance of plant services	1,682,559				1,682,559
Operation of plant-custodial services	3,927,004				3,927,004
Care & upkeep of grounds	281,239				281,239
Security	184,334				184,334
Student transportation	3,776,463				3,776,463
Employee benefits	11,552,487				11,552,487
On-behalf pension contributions	5,601,577				5,601,577
On-behalf TPAF social security contributions	2,801,746				2,801,746
Special Schools	165,711				165,711
Capital outlay	1,677,574				1,677,574
Debt Service:					
Principal				3,645,000	3,645,000
Interest				1,116,438	1,116,438
Costs of issuance				161,090	161,090
Total expenditures	80,506,723	1,167,590		4,922,528	86,596,841
Excess (deficiency) of revenues over (under) expenditures	996,575	-		(153,593)	842,982
Other financing sources (uses):					
Transfers in	616,567				616,567
Transfers out			\$ (254,134)		(254,134)
Payment to refunding bond escrow agent				(17,911,317)	(17,911,317)
Refunding bonds issued				16,290,000	16,290,000
Premium on bond refunding				1,782,407	1,782,407
Capital leases (non-budgeted)	451,635				451,635
Total other financing sources (uses)	1,068,202	-	(254,134)	161,090	975,158
Net change in fund balances	2,064,777	-	(254,134)	7,497	1,818,140
Fund balances, July 1	7,149,795	-	254,134	3,066	7,406,995
Fund balances, June 30	\$ 9,214,572	\$ -	\$ -	\$ 10,563	\$ 9,225,135

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, 2016

**Total net change in fund balances - governmental funds (from B-2)** **\$ 1,818,140**

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 additions in the period.

Capital additions	\$ 1,201,737	
Depreciation expense	(2,277,884)	(1,076,147)

Proceeds from lease purchase payables and capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; lease purchase payables and capital leases increase long-term liabilities in the statement of net assets.

Obligations Under Capital Leases	(180,000)	
		(180,000)

Repayments of bond principal and capital lease obligations 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	3,645,000	
Obligations Under Capital Leases	122,970	3,767,970

The issuance of long-term debt for general and refunding purposes provides current financial resources to governmental funds, however has no effect on net position.

Refunding Bonds Issued	(16,290,000)	
Bonds Refunded	17,535,000	1,245,000

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.

Premium on Bond Issuance	(1,782,407)	
Amortization of Premium on Bonds	568,725	
Deferred Interest on Bond Refunding	(137,095)	
Amortization of Deferred Interest Costs	(237,658)	(1,588,435)

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		(970,783)
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In the statement of activities, interest on long-term debt/capital 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.

258,816

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).

(143,637)

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

\$ 3,130,924

Hopewell Valley Regional School District  
Proprietary Funds

Combining Statements of Net Position

June 30, 2016

	Major Funds			
	Business Type Activities -			
	Enterprise Funds			
	Food Service	Driver Education	Kindergarten Extension	Totals
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 207,156	\$ 81,652		\$ 288,808
Accounts receivable:				
State	522			522
Federal	6,733			6,733
Other	13,873			13,873
Inventories	37,699			37,699
Total current assets	265,983	81,652		347,635
Non-current assets:				
Capital assets:				
Equipment	612,805			612,805
Accumulated depreciation	(474,469)			(474,469)
Total capital assets, net	138,336			138,336
Total assets	404,319	81,652		485,971
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	117,025	1,156		118,181
Unearned revenue	70,556			70,556
Total current liabilities	187,581	1,156		188,737
<b>Net position</b>				
Net investment in capital assets	138,336			138,336
Unrestricted	78,402	80,496		158,898
Total net position	\$ 216,738	\$ 80,496	\$ -	\$ 297,234

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District  
Proprietary Funds

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

Year ended June 30, 2016

	Major Funds			
	Business Type Activities -			
	Enterprise Funds			
	Food Service	Driver Education	Kindergarten Extension	Totals
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 594,191			\$ 594,191
Daily food sales- non reimbursable programs	778,988			778,988
Fees		\$ 23,430		23,430
Total operating revenues	1,373,179	23,430		1,396,609
Operating expenses:				
Salaries	408,545	13,481		422,026
Employee benefits	110,990	1,025		112,015
Supplies and materials	75,248			75,248
Depreciation	23,819			23,819
Insurance	39,642			39,642
Cost of sales - reimbursable programs	442,551			442,551
Cost of sales - non reimbursable programs	314,773			314,773
Management and administrative fees	77,084			77,084
Other	4,454	3,975		8,429
Total operating expenses	1,497,106	18,481		1,515,587
Operating (loss) income	(123,927)	4,949		(118,978)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	6,528			6,528
Federal sources:				
National school lunch program	83,731			83,731
Food donation program	62,926			62,926
Cancellation of prior year's receivable			\$ (2,000)	(2,000)
Total nonoperating revenues (expenses)	153,185	-	(2,000)	151,185
Income (loss) before transfers	29,258	4,949	(2,000)	32,207
Transfer out - General Fund			(362,433)	(362,433)
Change in net position	29,258	4,949	(364,433)	(330,226)
Total net position-beginning	187,480	75,547	364,433	627,460
Total net position-ending	\$ 216,738	\$ 80,496	\$ -	\$ 297,234

See accompanying notes to the basic financial statements.

Hopewell Valley Regional School District  
Proprietary Funds

Combining Statements of Cash Flows

Year ended June 30, 2016

	Major Funds Business Type Activities - Enterprise Funds			
	Food Service	Driver Education	Kindergarten Extension	Totals
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 1,378,645	\$ 23,430	\$ 1,600	\$ 1,403,675
Payments to employees	(408,545)	(12,326)		(420,871)
Payments for employee benefits	(110,990)	(1,025)		(112,015)
Payments to suppliers	(868,066)	(5,087)	-	(873,153)
Net cash (used in) provided by operating activities	(8,956)	4,992	1,600	(2,364)
<b>Cash flows from noncapital financing activities:</b>				
Cash received from state and federal reimbursements	89,036			89,036
Cash received from food donation program	60,508			60,508
Transfer to general fund			(362,433)	(362,433)
Net cash provided by (used in) noncapital financing activities	149,544		(362,433)	(212,889)
Net increase (decrease) in cash and cash equivalents	140,588	4,992	(360,833)	(215,253)
Cash and cash equivalents, beginning of year	66,568	76,660	360,833	504,061
Cash and cash equivalents, end of year	<u>\$ 207,156</u>	<u>\$ 81,652</u>	<u>\$ -</u>	<u>\$ 288,808</u>
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities</b>				
Operating (loss) income	\$ (123,927)	\$ 4,949	\$ -	\$ (118,978)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	23,819			23,819
Change in assets and liabilities:				
Decrease in accounts receivable	4,618		1,600	6,218
(Increase) in inventory	(5,463)			(5,463)
Increase in accounts payable	88,731	43		88,774
Increase in unearned revenue	3,266		-	3,266
Net cash (used in) provided by operating activities	<u>\$ (8,956)</u>	<u>\$ 4,992</u>	<u>\$ 1,600</u>	<u>\$ (2,364)</u>

**Noncash noncapital financing activities:**

The District received \$60,508 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2016.

Hopewell Valley Regional School District  
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016

	<b>Private- Purpose Scholarship Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 31,040		\$ 1,641,887
Total assets	<u>31,040</u>		<u><u>\$ 1,641,887</u></u>
<b>Liabilities</b>			
Payroll deductions and withholdings payable			\$ 1,288,899
Due to student groups			352,988
Total liabilities		<u>-</u>	<u><u>\$ 1,641,887</u></u>
<b>Net position</b>			
Held in trust for scholarships	<u>\$ 31,040</u>		
Held in trust for unemployment claims		<u><u>\$ -</u></u>	

*See accompanying notes to the basic financial statements.*

Hopewell Valley Regional School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2016

	<b>Private- Purpose Scholarship Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>
<b>Additions</b>		
Contributions:		
Board contributions		\$ 160,801
Plan member contributions		116,397
Scholarship donations	\$ 20,005	
Total additions	<u>20,005</u>	<u>277,198</u>
<b>Deductions</b>		
Unemployment benefit payments		277,198
Scholarship payments	12,350	
Total deductions	<u>12,350</u>	<u>277,198</u>
Change in net position	7,655	-
Net position-beginning	23,385	-
Net position-ending	<u><u>\$ 31,040</u></u>	<u><u>\$ -</u></u>

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies**

The financial statements of the Board of Education (Board) of the Hopewell Valley Regional School District (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.



# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

#### **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 of the nonfiduciary activities of the District. 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.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements. 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 and fiduciary 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.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 1. Summary of Significant Accounting Policies (continued)

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 equalization 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.

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 noninstructional 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 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.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 1. Summary of Significant Accounting Policies (continued)

The District reports the following major proprietary funds:

*Enterprise Funds (Food Service, Driver Education, and Kindergarten Extension):* The enterprise funds account for all revenues and expenses pertaining to cafeteria, driver education, and kindergarten extension 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. The kindergarten extension program was permanently discontinued during the 2016 fiscal year.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund, private-purpose scholarship trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District:

*Trust and Agency Funds:* The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

*Trust Funds:* The unemployment compensation and private-purpose scholarship funds are accounted for using the economic resources measurement focus. The unemployment compensation fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private-purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

*Agency Funds (Payroll and Student Activity Fund):* Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees charged to customers 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.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

Enterprise 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, tuition for the driver education program and rental fees. Operating expenses for the enterprise fund include the cost of sales, administrative expenses, and depreciation on capital assets. 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.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

#### **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. In accordance with P.L. 2011, c.202, which became effective January 17, 2012, the District elected to move the April school board election to the date of the November general election thereby eliminating the vote on the annual base budget. 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 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 County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines.

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.

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.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 1. Summary of Significant Accounting Policies (continued)

#### 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.

#### 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.

#### 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. At June 30, 2016, the unused Food Donation Program commodities of \$612 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. Donated capital assets are valued at their estimated fair value on the date of donation.

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

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

#### **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.

The liability for vested compensated absences of the District is recorded in the government-wide financial statements amounted to \$2,256,070 at June 30, 2016. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **J. Unearned Revenue**

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

#### **K. Deferred Outflows / Inflows or 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 position that applies to future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then. The District has two items that qualify for reporting in this category, including deferred losses from the refunding of debt and 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 position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category, including deferred amounts related to pensions, deferred gain on the refunding of debt and local tax levies received in advance.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

#### **L. Deferred Loss/Gain on Defeasances of Debt**

Deferred losses on refunding of debt are recorded as deferred outflows of resources. Deferred gain on refunding of debt is recorded as a deferred inflow of resources. They are amortized in a systematic and rational manner over the duration of the related debt as a component of interest and other charges on long-term debt. The net amortization expense for the year ended June 30, 2016 amounted to \$237,658. As of June 30, 2016, the District has recorded an unamortized balance of \$550,048 and \$134,224 as deferred outflow of resources and deferred inflow of resources, respectively.

#### **M. 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.

#### **N. 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



# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 1. Summary of Significant Accounting Policies (continued)

#### N. Fund Balances (continued)

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.
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 \$9,214,572 of fund balance in the General Fund, \$4,871,220 has been restricted in the capital reserve account, \$88,668 has been restricted in the maintenance reserve account, \$1,841,569 has been assigned to designated for subsequent year expenditures, \$649,065 of encumbrances are assigned to other purposes and \$1,764,050 is unassigned. Of the \$10,563 of fund balance in the Debt Service Fund, \$1,754 has been budgeted for use in the 2016-17 budget and is included in restricted for debt service.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **Summary of Significant Accounting Policies (continued)**

#### **O. 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 did not generate any excess fund balance during the 2016 fiscal year.

#### **P. Net Position**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows of resources, deferred outflows 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 financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

#### **Q. GASB Pronouncements**

##### **GASB Pronouncements implemented in the 2016 Fiscal Year**

In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has adopted GASB No. 72 during the year ended June 30, 2016 and it did not have a significant impact on the District's financial statements.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **1. Summary of Significant Accounting Policies (continued)**

#### **Recently Issued Accounting Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB No. 77"). This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the District in the 2017 fiscal year. Management has not yet determined the impact of this Statement on financial statement note disclosures.

#### **R. 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **S. 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 contributions in the government-wide financial statements have been increased by \$9,626,411 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.

#### **T. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and November 10, 2016, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and, other than the disclosures which follow, no items have come to the attention of the District that would require disclosure.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 1. Summary of Significant Accounting Policies (continued)

On September 27, 2016, the voters of the Hopewell Valley Regional School District approved a bond referendum in the amount of \$35,855,000 that will allow the District to address immediate facilities needs including roofs, windows, safety, security, ADA accessibility and HVAC.

### 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 \$27,847,962 difference is as follows:

Bonds payable	\$	23,030,000
Premium on bonds		2,060,212
Capital leases payable		501,680
Compensated absences		2,256,070
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	<u>27,847,962</u>

### 3. Deposits and Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and Statement No. 72, "Fair Value Measurement and Application." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

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

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 3. Deposits and Investments (continued)

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 last 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.

#### 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. Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash and money market accounts are

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 3. Deposits and Investments (continued)

profiled in order to determine exposure, if any, 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 deposits and investments). 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. 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.

At June 30, 2016, the District's carrying value of its deposits was \$11,562,429 and the bank balance was \$12,405,575. Of the bank balance, \$250,000 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$10,493,319. \$1,662,256 held in the District agency accounts are not covered by GUDPA.

#### Investments

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

- a. Bonds or 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.

The District did not have any investments as of June 30, 2016.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016.

	Beginning Balance	Increases	Deletions/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 2,546,691			\$ 2,546,691
Construction in progress	2,494,459	\$ 90,484	\$ 2,494,459	90,484
Total capital assets, not being depreciated	5,041,150	90,484	2,494,459	2,637,175
Capital assets, being depreciated				
Land improvements	3,425,279	857,847		4,283,126
Buildings and building improvements	80,531,323	2,193,837		82,725,160
Machinery, equipment, and vehicles	7,010,471	554,028		7,564,499
Total capital assets being depreciated	90,967,073	3,605,712		94,572,785
Less accumulated depreciation for:				
Land improvements	945,488	195,111		1,140,599
Buildings and building improvements	27,068,604	1,668,729		28,737,333
Machinery, equipment, and vehicles	5,603,661	414,044		6,017,705
Total accumulated depreciation	33,617,753	2,277,884		35,895,637
Total capital assets, being depreciated, net	57,349,320	1,327,828		58,677,148
Governmental activities capital assets, net	\$ 62,390,470	\$ 1,418,312	\$ 2,494,459	\$ 61,314,323

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2016 as follows:

Instruction	\$1,428,756
Attendance/social work	2,147
Health services	23,468
Other support services	163,567
Improvement of instruction	57,952
School library	37,674
General administration	58,007
School administration	79,364
Central services	38,807
Information technology	8,097
Required maintenance of plant services	63,834
Operation of plant	148,986
Care & upkeep of grounds	10,670
Security	6,993
Student transportation	143,275
Special Schools	6,287
	<u>\$2,277,884</u>

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2016:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Ending Balance</b>
<b>Business-type activities</b>			
Capital assets, being depreciated:			
Equipment	\$ 612,805	\$ -	\$ 612,805
Less accumulated depreciation for:			
Equipment	450,650	23,819	474,469
Total business-type activities capital assets, net	<u>\$ 162,155</u>	<u>\$ (23,819)</u>	<u>\$ 138,336</u>

### 5. Long-Term Liabilities

#### Bonds Payable

Bonds are authorized in accordance with State law 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.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year ending June 30:			
2017	\$ 3,790,000	\$ 711,420	\$ 4,501,420
2018	3,960,000	756,338	4,716,338
2019	4,105,000	615,538	4,720,538
2020	4,255,000	451,400	4,706,400
2021	3,380,000	261,500	3,641,500
2022	3,540,000	88,500	3,628,500
	<u>\$ 23,030,000</u>	<u>\$ 2,884,696</u>	<u>\$ 25,914,696</u>

Bonds payable at June 30, 2016 are comprised of the following issues:

\$20,080,000, 2005 refunding bonds, due in a final annual installment of \$1,430,000 on August 15, 2016 at an interest rate of 5.00%.



# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **5. Long-Term Liabilities (continued)**

#### **Bonds Payable (continued)**

\$13,265,000, 2010 refunding bonds, due in a final annual installment of \$1,435,000 on August 15, 2016 at an interest rate of 4.00%.

\$5,665,000, 2012 refunding bonds, due in annual installments ranging from \$925,000 to \$1,015,000 through January 15, 2020 at interest rates ranging from 3.00% to 4.00%.

\$16,290,000, 2016 refunding bonds, due in annual installments ranging from \$3,010,000 to \$3,540,000 through August 15, 2021 at interest rates ranging from 3.00% to 5.00%.

#### *Defeased Debt*

In March 2012, the District issued \$5,665,000 of refunding bonds to provide resources to refund \$4,755,000 of the District's 2004 bonds. As of June 30, 2016, none of the defeased debt remained outstanding.

On May 3, 2016, the District issued \$16,290,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As a result, \$17,535,000 of refunded bonds are considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce the total debt service payments over the next five years by \$1,437,443 and resulted in a net present value savings of \$1,397,570. As of June 30, 2016, no defeased debt remains outstanding. The difference between the re-acquisition price of the defeased debt of \$17,911,317 and the net carrying value amount of the old bonds of \$17,774,222 is being amortized over the remaining life of the defeased debt.

#### **Bonds Authorized But Not Issued**

As of June 30, 2016, the District had no authorized but not issued bonds.

#### **Capital Leases Payable**

In March 2014, the District entered into a capital lease for maintenance equipment in the amount of \$665,000. The equipment is being leased with an interest rate of 1.52%. In August, 2014, the District entered into a capital lease for cardiac emergency equipment in the amount of \$48,610. The equipment is being leased with an interest rate of 3.33%. In March, 2016, the District entered into a capital lease for the acquisition of buses. The equipment is being leased with an interest rate of 2.93%.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 5. Long-Term Liabilities (continued)

#### Capital Leases Payable (continued)

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016:

	<u>Amount</u>
Year:	
2017	\$ 168,072
2018	174,555
2019	109,335
2020	39,544
2021	40,139
Total minimum lease payments	<u>531,645</u>
Less amounts representing interest	<u>(29,965)</u>
Present value of net minimum lease payments	<u>\$ 501,680</u>

#### Changes in Long-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Bonds payable	\$ 27,920,000	\$16,290,000	\$21,180,000	\$ 23,030,000	\$ 3,790,000
Premium on bonds	846,530	1,782,407	568,725	2,060,212	403,682
Capital leases	444,650	180,000	122,970	501,680	157,884
Compensated absences	2,112,433	197,986	54,349	2,256,070	219,700
Subtotal	31,323,613	18,450,393	21,926,044	27,847,962	4,571,266
Net pension liability	20,302,690	4,928,634		25,231,324	
Total governmental activity long-term liabilities	<u>\$51,626,303</u>	<u>\$23,379,027</u>	<u>\$21,926,044</u>	<u>\$53,079,286</u>	<u>\$4,571,266</u>

Compensated absences, the net pension liability and capital lease liabilities are liquidated by expenditures charged to the general fund. Bonds payable are liquidated by expenditures charged to the debt service fund.

### 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

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **6. Pension Plans (continued)**

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.

#### **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. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be  $1/55^{\text{th}}$  of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be  $1/60^{\text{th}}$  of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

#### **Public Employee's Retirement System**

The Public Employees' Retirement System was established in January 1955 under 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 or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be  $1/55^{\text{th}}$  of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be  $1/60^{\text{th}}$  of the average annual compensation for the highest five fiscal

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **6. Pension Plans (continued)**

years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their 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 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. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in annually through July, 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2016, the State of New Jersey contributed \$5,601,577 to the TPAF for post-retirement medical benefits and pensions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$2,801,746 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for the years ended June 30, 2016, 2015 and 2014 were \$966,330, \$893,593, and \$867,788 respectively, equal to the required contributions for each year.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

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

##### Public Employee's Retirement System (PERS)

At June 30, 2016, the District reported a liability of \$25,231,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.1123990058 percent, which was an increase of 0.0039603061 from its proportion measured as of June 30, 2014. For the year ended June 30, 2015, the District recognized full accrual pension expense of \$970,783 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 601,931	\$ -
Changes of assumptions	2,709,643	-
Net difference between projected and actual earnings on pension plan investments	-	405,671
Changes in proportion and differences between District contributions and proportionate share of contributions	1,288,976	-
District contributions subsequent to the measurement date	987,125	-
	<u>\$ 5,587,675</u>	<u>\$ 405,671</u>

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

\$987,125 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:	
2017	\$ 813,433
2018	813,433
2019	813,436
2020	1,115,915
2021	638,662
	<u>\$ 4,194,879</u>

#### *Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.04%
Salary increases	
2012-2021	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

#### *Mortality Rates*

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

#### *Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

#### *Discount rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. 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 the average of the last five years of contributions made in relation to the last five years of recommended contributions. 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 through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2015 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State's proportionate share of the net pension liability associated with the District	\$ 31,359,449	\$ 25,231,324	\$ 20,093,549

#### *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.



# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

#### *Additional Information*

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$	3,578,755,666
Collective deferred inflows of resources	\$	993,410,455
Collective net pension liability - Local Group	\$	22,447,996,119
District's Proportion		0.1123990580%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$1,481,308,816.

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, 2014 (the beginning of the measurement period ended June 30, 2015) is 5.72 years and 6.44 years for the measurement period ended June 30, 2014.

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

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

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2015 was \$199,534,274. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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, 2015, the State's proportionate share of the TPAF net pension liability associated with the District was 0.3156974568 percent, which was a decrease of 0.0020501976 from its proportion measured as of June 30, 2014.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$12,183,364 for contributions incurred by the State.

#### *Actuarial assumptions*

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

	Inflation rate	2.50%
	Salary increases	
	2012-2021	Varies based on experience
<i>Mortality Rates</i>	Thereafter	Varies based on experience
	Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

#### *Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 6. Pension Plans (continued)

#### *Discount Rate*

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. 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 the average of the last five years. 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 through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in 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, 2015 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 (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's proportionate share of the net pension liability associated with the District	\$ 237,139,027	\$ 199,534,274	\$ 167,135,530

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

### **Additional Information**

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 7,522,890,856
Collective deferred inflows of resources	\$ 623,365,110
Collective net pension liability - Local Group	\$ 63,204,270,305

State's proportionate share associated with the District	0.3156974568%
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# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **6. Pension Plans (continued)**

Collective pension expense for the plan for the measurement period ended June 30, 2015 is \$3,854,529,453.

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, 2014 (the beginning of the measurement period ended June 30, 2015) is 8.3 years and 8.5 years for the measurement period ended June 30, 2014.

### **7. Post-Retirement Benefits**

#### **Plan Description**

The School District contributes to the New Jersey School Employees Health Benefits Program (the "SEHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SEHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated. Rules governing the operation and administration of the program are found in Title 17, Chapter 9

of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

#### **Funding Policy**

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 C.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **7. Post-retirement Benefits (continued)**

\$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SEHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2016, 2015 and 2014 were, \$3,044,624, \$2,709,509 and \$2,203,986, respectively, which equaled the required contributions for each year. The State's contributions to the SEHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by 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, Liability and Health Insurance**

The District maintains commercial insurance coverage for property, liability, health, 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 Comprehensive Annual 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.

#### **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.

### **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

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 9. Deferred Compensation (continued)

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, 2016, 2015 and 2014 were \$1,101,092, \$1,244,057, and \$1,200,953, respectively. The District does not contribute to these plans on behalf of plan members.

### 10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2016 are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 272,521	
Special Revenue Fund		\$ 272,521
	<u>\$ 272,521</u>	<u>\$ 272,521</u>

The interfund between the general fund and the special revenue fund represents an allocation of internally pooled cash from the general fund and represents a short-term loan.

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

# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### **12. Contingent Liabilities (continued)**

any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with capital projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired.

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 not have a material adverse effect on the financial position of the District.

### **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.



# Hopewell Valley Regional School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 13. Capital Reserve Account (continued)

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$	3,970,353
Deposit:		
Approved by board resolution in June 2016		1,532,625
Interest on Capital Reserve		4,330
Capital Projects Fund Completed And Unused Funding Returned		254,134
Withdrawals:		
Approved by June 2, 2016 Board resolution		(127,222)
Approved in 2015-16 adopted budget		(763,000)
Ending balance, June 30, 2016	\$	<u>4,871,220</u>

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve.

### 14. Transfers

The following presents a reconciliation of transfers during the 2016 fiscal year:

	Transfers In	Transfers Out
General Fund	\$616,567	
Capital Projects Fund		\$254,134
Enterprise Fund – Kindergarten Extension		362,433
	<u>\$616,567</u>	<u>\$616,567</u>

The transfer of \$362,433 from the Enterprise Fund to the General Fund was to remit the ending net position of the kindergarten extension program, which ceased operations during the 2015-16 school year. The transfer from the Capital Projects Fund to the General Fund was to transfer unspent funds from completed capital projects back to the Capital Reserve.

### 15. Restricted Assets

The money set aside in the District's capital and maintenance reserves are classified as restricted assets (cash and cash equivalents) as they are restricted to payments relating to funds set-aside in a capital reserve and maintenance reserve.

Hopewell Valley Regional School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**16. Commitments**

The District has contractual commitments at June 30, 2016 for various purposes, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$649,065.

Hopewell Valley Board of Education  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Public Employee's Retirement System

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - Local Group	0.1123990058%	0.1084386997%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 25,231,324	\$ 20,302,690	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's covered-employee payroll	\$ 7,569,463	\$ 7,614,532	\$ 7,708,670	\$ 7,399,294	\$ 7,048,273	\$ 7,203,027	\$ 7,722,995	\$ 7,470,775	\$ 6,818,472	\$ 5,978,038
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	333.33%	266.63%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	47.93%	52.08%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

Hopewell Valley Board of Education  
Schedule of District Contributions  
Public Employee's Retirement System

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 735,000	\$ 709,412	\$ 710,507	\$ 662,255	\$ 583,482	\$ 527,005	\$ 537,886	\$ 537,386	\$ 494,263	\$ 395,877
Contributions in relation to the contractually required contribution	(735,000)	(709,412)	(710,507)	(662,255)	(583,482)	(527,005)	(537,886)	(537,386)	(494,263)	(395,877)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,614,532	\$ 7,708,670	\$ 7,399,294	\$ 7,048,273	\$ 7,203,027	\$ 7,722,995	\$ 7,470,775	\$ 6,818,472	\$ 5,978,038	\$ 5,978,038
Contributions as a percentage of covered-employee payroll	9.65%	9.20%	9.60%	9.40%	8.10%	6.82%	7.20%	7.88%	8.27%	6.62%

Hopewell Valley Board of Education  
Schedule of the State's Proportionate Share of the Net Pension  
Liability Associated with the District  
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years\*

	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.3156974568%	0.3177476544%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 199,534,274	\$ 169,825,780
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 199,534,274</u>	<u>\$ 169,825,780</u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%

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

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

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.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 68,841,138		\$ 68,841,138	\$ 68,841,138	
Tuition	220,093		220,093	267,681	\$ 47,588
Interest earned on emergency reserve funds				180	180
Interest earned on capital reserve funds				4,330	4,330
Interest on investments				28,488	28,488
Transportation	158,000		158,000	80,550	(77,450)
Miscellaneous	513,000		513,000	598,913	85,913
Total revenues - local sources	69,732,231		69,732,231	69,821,280	89,049
State sources:					
School choice aid	176,202		176,202	176,202	
Special education categorical aid	2,087,038		2,087,038	2,087,038	
Security categorical aid	54,445		54,445	54,445	
Transportation categorical aid	349,130		349,130	349,130	
Extraordinary aid				494,174	494,174
PARCC Readiness aid	35,060		35,060	35,060	
Per pupil growth aid	35,060		35,060	35,060	
Non-public transportation aid				52,548	52,548
On-behalf TPAF pension contributions				5,601,577	5,601,577
Reimbursed TPAF social security contributions				2,801,746	2,801,746
Total - state sources	2,736,935		2,736,935	11,686,980	8,950,045
Federal sources:					
Medicaid reimbursement	17,201		17,201		(17,201)
Total - Federal sources	17,201		17,201		(17,201)
<b>Total revenues</b>	<b>72,486,367</b>		<b>72,486,367</b>	<b>81,508,260</b>	<b>9,021,893</b>
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	459,266	\$ 301,864	761,130	761,103	27
Grades 1-5	7,943,718	433,884	8,377,602	8,358,240	19,362
Grades 6-8	5,602,038	(163,922)	5,438,116	5,414,114	24,002
Grades 9-12	6,953,352	111,255	7,064,607	7,032,902	31,705
Home instruction:					
Salaries of teachers	60,000	(8,950)	51,050	49,190	1,860
Purchased professional-educational services	20,000	(7,070)	12,930	11,778	1,152
Support services:					
Other salaries for instruction	2,385,005	(9,447)	2,375,558	2,319,495	56,063
Purchased professional-educational services	339,462	(87,513)	251,949	249,296	2,653
Purchased technical services	22,000	13	22,013	20,563	1,450
Other purchased services	410,632	(33,735)	376,897	358,685	18,212
General supplies	2,094,369	(56,490)	2,037,879	1,927,848	110,031
Textbooks	131,629	(2,464)	129,165	128,487	678
Other objects	25,126	(1,089)	24,037	11,125	12,912
Total instruction - regular programs	26,446,597	476,336	26,922,933	26,642,826	280,107
Special education:					
Autism:					
Salaries of teachers	126,228	1,520	127,748	127,736	12
Total autism	126,228	1,520	127,748	127,736	12
Learning and/or language disabilities:					
General supplies	1,000	1,944	2,944	2,792	152
Total learning and/or language disabilities	1,000	1,944	2,944	2,792	152

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Special education (continued):					
Multiple disabilities:					
Salaries of teachers	\$ 341,612	\$ (72,171)	\$ 269,441	\$ 269,441	
General supplies		994	994	964	\$ 30
Total multiple disabilities	341,612	(71,177)	270,435	270,405	30
Resource room/center:					
Salaries of teachers	4,234,418	83,919	4,318,337	4,318,072	265
Other salaries for instruction	47,109	(21,202)	25,907	25,907	
Other purchased services	1,032		1,032	1,020	12
General supplies	24,875	(1,344)	23,531	21,996	1,535
Textbooks	4,000	(562)	3,438	3,297	141
Total resource room/center	4,311,434	60,811	4,372,245	4,370,292	1,953
Preschool disabilities - part - time					
Salaries of teachers	379,492	(40,743)	338,749	338,736	13
General supplies	6,275	(2,043)	4,232	3,401	831
Total preschool disabilities - part - time	385,767	(42,786)	342,981	342,137	844
Total special education	5,166,041	(49,688)	5,116,353	5,113,362	2,991
Bilingual education:					
Salaries of teachers	70,985	819	71,804	71,789	15
General supplies	500		500	109	391
Total bilingual education	71,485	819	72,304	71,898	406
Basic skills/remedial instruction:					
Salaries of teachers	1,367,832	(289,408)	1,078,424	1,065,620	12,804
General supplies	8,500	(612)	7,888	7,432	456
Textbooks	500		500	500	
Total basic skills/remedial instruction	1,376,832	(290,020)	1,086,812	1,073,552	13,260
School-sponsored cocurricular activities:					
Salaries	146,234	51,347	197,581	191,595	5,986
Purchased services	23,930	674	24,604	23,285	1,319
Supplies and materials	37,086	8,767	45,853	44,600	1,253
Other objects	25,372	35,757	61,129	60,130	999
Total school-sponsored cocurricular activities	232,622	96,545	329,167	319,610	9,557

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
School-sponsored athletics - instruction:					
Salaries	\$ 654,600	\$ 35,407	\$ 690,007	\$ 690,007	
Purchased services	191,219	(49,214)	142,005	142,005	
Supplies and materials	91,600	56,239	147,839	102,170	\$ 45,669
Other objects	19,520	9,123	28,643	28,514	129
Total school-sponsored athletics - instruction	956,939	51,555	1,008,494	962,696	45,798
Total instruction	34,250,516	285,547	34,536,063	34,183,944	352,119
Support services:					
Instruction:					
Tuition to county voc. school dist.-special	65,500		65,500	57,500	8,000
Tuition to CSSD and regional day schools	642,598	(31,098)	611,500	457,179	154,321
Tuition to private school for the disabled - within state	1,806,479	5,884	1,812,363	1,765,488	46,875
Tuition to private school for the disabled and other LEAs-special-outside state	39,943	13,268	53,211	53,211	
Tuition - state facilities	281,532	(15,000)	266,532	136,395	130,137
Total instruction	2,836,052	(26,946)	2,809,106	2,469,773	339,333
Attendance and social work services:					
Salaries	40,752	17,322	58,074	51,500	6,574
Other purchased services	255	4,840	5,095	5,095	
Total attendance and social work service	41,007	22,162	63,169	56,595	6,574
Health services:					
Salaries	593,614	6,110	599,724	599,054	670
Purchased services		11,892	11,892	11,892	
Supplies and materials	12,124	(2,041)	10,083	7,154	2,929
Other objects	1,300		1,300	481	819
Total health services	607,038	15,961	622,999	618,581	4,418
Speech, OT, PT & related services:					
Salaries	759,617	(3,900)	755,717	738,732	16,985
Purchased professional educational services		1,900	1,900	1,900	
Supplies and materials	3,250	(1,267)	1,983	1,162	821
Total speech, OT, PT & related services	762,867	(3,267)	759,600	741,794	17,806



Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Guidance:					
Salaries of other professional staff	\$1,190,199		\$1,190,199	\$ 1,066,774	\$ 123,425
Unused sick and vacation days		\$ 25,345	25,345	25,345	
Salaries of secretarial and clerical assistants	124,283		124,283	81,214	43,069
Other purchased services	853		853	701	152
Supplies and materials	3,100		3,100	1,766	1,334
Total guidance	1,318,435	25,345	1,343,780	1,175,800	167,980
Child study teams:					
Salaries of other professional staff	1,590,527	(88,247)	1,502,280	1,398,677	103,603
Salaries of secretarial and clerical assistants	191,740	4	191,744	186,075	5,669
Purchased professional and educational services	110,000	(5,500)	104,500	62,137	42,363
Other purchased professional and technical services	824,315	(3,415)	820,900	510,862	310,038
Miscellaneous purchased services	29,101	1,847	30,948	25,445	5,503
Supplies and materials	51,483	1,891	53,373	47,562	5,811
Other objects	1,139		1,139	1,101	38
Total child study teams	2,798,305	(93,421)	2,704,884	2,231,859	473,025
Improvement of instructional services:					
Salaries of supervisors of instruction	1,506,514	(20,916)	1,485,598	1,369,633	115,965
Salaries of other professional staff	52,500		52,500	52,500	
Salaries of secretarial and clerical assistants	82,336		82,336	80,125	2,211
Other purchased services	9,100		9,100	2,629	6,471
Supplies and materials	8,500	(159)	8,341	3,678	4,663
Other objects	19,584		19,584	18,941	643
Total improvement of instructional services	1,678,534	(21,075)	1,657,459	1,527,506	129,953
Educational media services/school library:					
Salaries	481,667		481,667	448,639	33,028
Salaries of technology coordinators	467,160	10,000	477,160	454,065	23,095
Purchased professional and technical services	30,000	3,871	33,871	33,871	
Supplies and materials	66,390	(575)	65,815	56,256	9,559
Other objects	1,080	(650)	430	194	236
Total educational media services/school library	1,046,297	12,646	1,058,943	993,025	65,918

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Support services-general administration:					
Salaries	\$ 258,737	\$ 696	\$ 259,433	\$ 234,997	\$ 24,436
Other purchased professional services	228,500	11,117	239,617	183,745	55,872
Architectural/engineering services	200,000	(82,450)	117,550	51,320	66,230
Communications/telephone	211,741	(51,030)	160,711	124,136	36,575
Other purchased services	118,152		118,152	109,495	8,657
General supplies	3,000		3,000	1,273	1,727
Judgments against the district		776,452	776,452	776,452	
Miscellaneous expenditures	48,145	590	48,735	47,530	1,205
Total support services-general administration	1,068,275	655,375	1,723,650	1,528,948	194,702
Support services-school administration:					
Salaries of principals/ assistant principals	1,372,509		1,372,509	1,296,604	75,905
Salaries of secretarial and clerical assistants	755,470		755,470	738,267	17,203
Accrued sick and vacation		9,210	9,210	9,210	
Other purchased services	41,005	(9,543)	31,462	14,033	17,429
Supplies and materials	27,600	(4,485)	23,115	17,036	6,079
Other objects	19,430	(1,500)	17,930	16,741	1,189
Total support services-school administration	2,216,014	(6,318)	2,209,696	2,091,891	117,805
Central services:					
Salaries	865,992	(2,273)	863,719	849,635	14,084
Accrued sick and vacation		2,273	2,273		2,273
Purchased professional services	50,000		50,000	34,706	15,294
Purchased technical services	37,612		37,612	36,660	952
Miscellaneous purchased services	87,495	(10,000)	77,495	71,639	5,856
Supplies and materials	26,520	(5,900)	20,620	17,649	2,971
Miscellaneous expenditures	11,600	1,295	12,895	12,601	294
Total support services-central services	1,079,219	(14,605)	1,064,614	1,022,890	41,724
Administration information technology:					
Salaries	191,584	3,416	195,000	194,997	3
Other purchased services	20,876	(1,014)	19,862	18,426	1,436
Total administration information technology	212,460	2,402	214,862	213,423	1,439
Operation and maintenance of plant services:					
Required maintenance for school facilities:					
Salaries	762,665	11,235	773,900	735,630	38,270
Accrued sick and vacation		18,886	18,886	18,886	
Cleaning, repair and maintenance services	634,072	174,905	808,977	676,213	132,764
General supplies	196,550	71,950	268,500	251,830	16,670
Total required maintenance for school facilities	1,593,287	276,976	1,870,263	1,682,559	187,704

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operation and maintenance of plant services					
Custodial services:					
Salaries	\$ 1,894,428	\$ (42,486)	\$ 1,851,942	\$ 1,731,881	\$ 120,061
Accrued sick and vacation		3,232	3,232	3,232	
Cleaning, repair and maintenance services		228,070	228,070	168,493	59,577
Other purchased property services	489,429	(228,642)	260,787	208,762	52,025
Insurance	297,155	7,521	304,676	304,676	
Travel	12,750	(6,970)	5,780	2,430	3,350
General supplies	166,500	44,913	211,413	194,093	17,320
Energy (electricity)	1,227,519	(194,817)	1,032,702	1,016,835	15,867
Energy (natural gas)	519,414	(140,874)	378,540	286,675	91,865
Other objects	15,799	646	16,445	9,927	6,518
Total custodial services	4,622,994	(329,407)	4,293,587	3,927,004	366,583
Care & upkeep of grounds:					
Salaries	268,459	(39,056)	229,403	203,579	25,824
Cleaning, repair and maintenance services	14,000		14,000		14,000
General supplies	122,000	(2,000)	120,000	77,660	42,340
Total care & upkeep of grounds	404,459	(41,056)	363,403	281,239	82,164
Security:					
Salaries	185,909		185,909	184,334	1,575
Total security	185,909		185,909	184,334	1,575
Total operations and maintenance of plant	6,806,649	(93,487)	6,713,162	6,075,136	638,026
Student transportation services:					
Salaries of non-instructional aides	224,548	44,994	269,542	267,109	2,433
Salaries for pupil transportation:					
Between home and school - regular	374,444	26,638	401,082	374,654	26,428
Between home and school - special	757,917	5,469	763,386	761,032	2,354
Other than between home and school	39,716	22,036	61,752	61,752	
Management fee - ESC & CTSA trans. program	2,500	5,374	7,874	5,977	1,897
Other purchased professional and technical services	19,575	5,900	25,475	20,156	5,319
Cleaning repair and maintenance services	64,500	32,056	96,556	61,991	34,565
Rental payments - school buses	3,000		3,000		3,000
Lease purchase payments - school buses	122,458	(51,365)	71,093	45,334	25,759
Contracted services:					
Between home and school - vendors	1,454,401	(130,217)	1,324,184	1,324,158	26
Other than between home and school - vendors	298,655	55,189	353,844	295,927	57,917
Between home and school - joint agreements	1,500	11,022	12,522	12,190	332
Special ed stds- vendors	122,871	(81,417)	41,454		41,454
Special ed stds- joint agreements	5,000	(2,000)	3,000		3,000
Special ed stds- ESC & CTSA's	101,740		101,740	100,170	1,570
Aid in lieu of payments	205,531	44,143	249,674	249,674	
Travel	2,750	1,900	4,650	3,740	910
Transportation supplies	324,937	25,000	349,937	192,199	157,738
Other objects	1,250		1,250	400	850
Total student transportation services	4,127,293	14,722	4,142,015	3,776,463	365,552

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule

(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Unallocated benefits - employee benefits:					
Social security contributions	\$ 977,341	\$ (24,518)	\$ 952,823	\$ 918,014	\$ 34,809
Other retirement contributions - PERS	1,027,458	(61,128)	966,330	966,330	
Other retirement contributions - regular	30,000	(2,085)	27,915	22,681	5,234
Unemployment	167,298	(5,062)	162,236	160,801	1,435
Workers' compensation	425,934	(38,693)	387,241	387,241	
Health benefits	9,197,671	(319,191)	8,878,480	8,878,480	
Tuition reimbursement	165,000	36,633	201,633	199,548	2,085
Other employee benefits	90,000	(70,608)	19,392	19,392	
Total unallocated benefits	12,080,702	(484,652)	11,596,050	11,552,487	43,563
On-behalf TPAF pension contributions (non-budgeted)				5,601,577	(5,601,577)
Reimbursed TPAF social security (non-budgeted) contributions				2,801,746	(2,801,746)
Total on-behalf payments				8,403,323	(8,403,323)
Total undistributed expenditures	38,679,147	4,843	38,683,989	44,479,494	(5,795,505)
Total expenditures - current	72,929,663	290,390	73,220,052	78,663,438	(5,443,386)
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Undistributed expenditures - instruction	417,108	(19,731)	397,377	369,948	27,429
Undistributed expenditures - pupil services	15,580		15,580	4,821	10,759
Total equipment	432,688	(19,731)	412,957	374,769	38,188
Facilities acquisition and construction services:					
Construction services	763,000	142,465	905,465	750,102	155,363
Other objects - debt service assessment	101,068		101,068	101,068	
Total facilities acquisition and construction services	864,068	142,465	1,006,533	851,170	155,363
Assets acquired under capital leases (Non-budgeted)				451,635	(451,635)
Total expenditures - capital outlay	1,296,756	122,734	1,419,490	1,677,574	(258,084)

Hopewell Valley Regional School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Special schools:					
Summer school - instruction:					
Salaries of teachers	\$ 172,500		\$ 172,500	\$ 164,354	\$ 8,146
Purchased professional educational services	29,230	\$ (2)	29,228		29,228
General supplies	1,500	2	1,502	1,357	145
Total summer school - instruction	203,230	-	203,230	165,711	37,519
Total expenditures	74,429,649	413,124	74,842,772	80,506,723	(5,663,951)
(Deficiency) excess of revenues (under) over expenditures	(1,943,282)	(413,124)	(2,356,405)	1,001,537	3,357,942
Other financing sources:					
Transfers in from Enterprise Fund				362,433	362,433
Transfers in from Capital Projects Fund				254,134	254,134
Capital leases - (non-budgeted)				451,635	451,635
Total other financing sources	-	-	-	1,068,202	1,068,202
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(1,943,282)	(413,124)	(2,356,405)	2,069,739	4,426,144
Fund balances, July 1	7,360,540	-	7,360,540	7,360,540	
Fund balances, June 30	<u>\$ 5,417,259</u>	<u>\$ (413,124)</u>	<u>\$ 5,004,135</u>	<u>\$ 9,430,279</u>	<u>\$ 4,426,144</u>
Recapitulation of fund balance:					
Capital reserve account - restricted				\$ 4,871,220	
Maintenance reserve account - restricted				88,668	
Designated for subsequent year's expenditures - assigned				1,841,569	
Year end encumbrances - assigned				649,065	
Unassigned				<u>1,979,757</u>	
				9,430,279	
Reconciliation to Government Funds statements (GAAP):					
Last state aid payments not recognized on GAAP basis				<u>(215,707)</u>	
Fund balance per Governmental Funds (GAAP)				<u>\$ 9,214,572</u>	

Hopewell Valley Regional School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2016

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Revenues</b>					
State sources	\$ 101,889	\$ 15,241	\$ 117,130	\$ 97,390	\$ (19,740)
Federal sources	870,636	205,846	1,076,482	1,044,015	(32,467)
Local sources		51,010	51,010	26,500	(24,510)
Total revenues	<u>972,525</u>	<u>272,097</u>	<u>1,244,622</u>	<u>1,167,905</u>	<u>(76,717)</u>
<b>Expenditures</b>					
Current expenditures:					
Instruction:					
Salaries of teachers	67,557	44,590	112,147	102,832	9,315
Other purchased services	739,753	163,321	903,074	878,035	25,039
General supplies	9,781	(5,581)	4,200	3,938	262
Textbooks	23,499	(2,200)	21,299	20,895	404
Other Objects	12,254	(12,254)			
Total instruction	<u>852,844</u>	<u>187,876</u>	<u>1,040,720</u>	<u>1,005,700</u>	<u>35,020</u>
Support services:					
Salaries	3,622	2,463	6,085	6,085	
Personal services—employee benefits	5,041	1,289	6,330	6,330	
Purchased professional services	32,628	29,582	62,210	37,700	24,510
Other purchased professional services	78,390	43,941	122,331	105,145	17,186
Supplies and materials		6,946	6,946	6,945	1
Total support services	<u>119,681</u>	<u>84,221</u>	<u>203,902</u>	<u>162,205</u>	<u>41,697</u>
Total expenditures	<u>972,525</u>	<u>272,097</u>	<u>1,244,622</u>	<u>1,167,905</u>	<u>76,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hopewell Valley Regional School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2015

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 81,508,260	\$ 1,167,905
<b>Differences - Budgetary to GAAP:</b>		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		(315)
Prior year		-
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	210,745	
Current year	(215,707)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 81,503,298</u>	<u>\$ 1,167,590</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 80,506,723	\$ 1,167,905
<b>Differences - budgetary to GAAP:</b>		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		(315)
Prior year		-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 80,506,723</u>	<u>\$ 1,167,590</u>

## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION**



\_\_\_\_\_, 2016

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

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Hopewell Valley Regional School District in the County of Mercer, New Jersey (the “Board of Education”) in connection with the issuance by the Board of Education of \$35,855,000 School Bonds dated the date hereof (the “Bonds”). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on August 15, 2016 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on September 27, 2016 and (iii) a resolution duly adopted by the Board of Education on November 14, 2016. The Bonds are secured under the provisions of 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).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes 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.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the “Certificate”) to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive

to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,