

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 24, 2026

NEW ISSUE (BOOK-ENTRY ONLY)

RATING: NOT RATED

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. See "TAX MATTERS" herein. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

\$6,029,050
BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$4,774,940 General Improvement Notes
\$1,254,110 Utility Improvement Notes
(NON-CALLABLE) (BANK QUALIFIED)
Coupon: ____% Yield: ____% CUSIP¹: _____

Dated: July 14, 2026

Due: July 13, 2027

The aggregate principal amount of \$6,029,050 Bond Anticipation Notes (the "Notes") are general obligations of the Borough of Hopatcong, in the County of Sussex, State of New Jersey (the "Borough"), for which the full faith and credit of the Borough are pledged. The Notes consist of: (i) \$4,774,940 General Improvement Notes; and (ii) \$1,254,110 Utility Improvement Notes. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Notes will be in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry only form in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Borough).

The Notes shall bear interest and shall mature on the dates set forth above. The Notes shall bear interest at the rate shown above, which interest is payable on July 13, 2027. The Notes will be payable as to principal upon presentation and surrender thereof at the offices of the Borough, acting in the capacity of paying agent (the "Paying Agent") or a hereafter duly designated paying agent. Interest on the Notes will be paid by check, draft or wire transfer, mailed, delivered or transmitted, as applicable, by the Paying Agent to the registered owner thereof as of the Record Date (as defined herein). While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payment to DTC Participants. DTC Direct Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and various bond ordinances of the Borough duly adopted by Borough Common Council on the dates set forth herein, approved by the Mayor and published as required by law. The Notes, together with other available funds of the Borough, are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$4,341,000 on July 16, 2025 and maturing July 15, 2026; (ii) temporarily finance \$2,382,500 in various capital and utility improvements in and for the Borough; and (iii) pay the costs associated with the issuance of the Notes.

The Notes are not subject to redemption prior to maturity. See "DESCRIPTION OF THE NOTES – Redemption" herein.

The Notes are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes. Certain legal matters will be passed on for the Borough by its Solicitor, Michael B. Lavery, Esquire, of the firm Lavery, Selvaggi & Cohen, P.C., Hackettstown, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about July 14, 2026.

PROPOSALS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY PHOENIX ADVISORS, A DIVISION OF FIRST SECURITY MUNICIPAL ADVISORS, INC., ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE BOROUGH ON WEDNESDAY, JULY 1, 2026, EITHER (i) ELECTRONICALLY VIA PARITY[®] OR (ii) BY E-MAIL TRANSMITTAL TO AINVERSO@MUNIADVISORS.COM.

¹ Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for the Note maturity is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Note maturity.

This is a Preliminary Official Statement "deemed final" by the Borough within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities law of any such jurisdiction.

**BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY**

MAYOR AND BOROUGH COUNCIL

Marie Galate, Mayor
Jennifer Johnson, Councilperson
Rachel Rodriguez, Councilperson
Steve Kucevic, Councilperson
Joseph Falconi, Councilperson
Jonathan Taylor, Councilperson
Anthony Bongiovanni, Councilperson

BOROUGH ADMINISTRATOR

Ron Tappan

CHIEF FINANCIAL OFFICER

Judith Curran

BOROUGH CLERK

Shawna Jonach

BOROUGH SOLICITOR

Michael B. Lavery, Esquire
Lavery, Selvaggi & Cohen, P.C.
Hackettstown, New Jersey

INDEPENDENT AUDITORS

Nisivoccia, LLP
Mount Arlington, New Jersey

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

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

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

The information contained herein has been provided by the Borough, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Borough; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Borough, such information is not to be construed as a representation or warranty by the Borough.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or owners of any of the Notes. 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The Borough has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, 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 may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial condition of other affairs of the Borough. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

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

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.

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OFFICIAL STATEMENT
OF
\$6,029,050
BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$4,774,940 General Improvement Notes
\$1,254,110 Utility Improvement Notes

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Hopatcong (the "Borough"), in the County of Sussex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$6,029,050 Bond Anticipation Notes (the "Notes") of the Borough. The Notes consist of: (i) \$4,774,940 General Improvement Notes; and (ii) \$1,254,110 Utility Improvement Notes. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Mayor and Borough Council of the Borough and executed by and on behalf of the Borough by the Chief Financial Officer to be distributed in connection with the sale of the Notes.

This Official Statement contains specific information relating to the Notes including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Notes. This Official Statement should be read in its entirety.

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

DESCRIPTION OF THE NOTES

General Description

The Notes comprise an issue of general obligation bond anticipation notes of the Borough in the aggregate principal amount, which Notes are being issued in anticipation of the issuance of bonds.

The Notes shall be dated and shall bear interest from the dated date, shall mature on the due date and shall bear interest at the rate per annum, which interest is payable at maturity, all as shown on the front cover page. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes (the "Securities Depository"). Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Borough). Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made directly by the Borough as Paying Agent, or some other paying agent as may be designated by the Borough, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Notes is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its Direct Participants and transfers of the interests among its Direct Participants. The Direct Participants and Indirect Participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, 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 Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to Direct Participants, which will in turn remit such payments to the Beneficial owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Notes are not subject to redemption prior to their stated maturity date.

Authorization for the Issuance of the Notes

The Notes have been authorized and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law") and by various bond ordinances duly adopted by the Borough Common Council on the dates set forth in the chart that follows, approved by the Mayor and published as required by law. The bond ordinances were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

Purpose of the Notes

The Notes, along with other funds of the Borough, are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$4,341,000 on July 16, 2025 and maturing July 15, 2026 (the "Prior Notes"); (ii) temporarily finance \$2,382,550 in various capital improvements in and for the Borough; and (iii) pay the costs associated with the issuance of the Notes. A \$694,500 portion of the Prior Notes will be paid from funds budgeted by the Borough.

The purposes for which the Notes are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described in the following tables by ordinance number, description and date of final adoption, and amount of Notes being issued. The bond ordinances are:

General Improvement Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount
09-2017	Various 2017 Capital Improvements, Finally Adopted June 7, 2017	\$332,034
09-2018	Various 2018 Capital Improvements, Finally Adopted May 2, 2018	153,000
09-2019	Various 2019 Capital Improvements, Finally Adopted May 15, 2019	258,808
14-2020	Various Capital Improvements, Finally Adopted on July 1, 2020	321,447
18-2021	Various 2021 General Capital Improvements, Finally Adopted July 7, 2021	693,137
08-2022	Paving and Police Vehicles, Finally Adopted April 6, 2022	334,400
11-2023	Various Capital Improvements, Finally Adopted July 5, 2023	799,564
22-2023	Acquisition of Various Equipment, Finally Adopted October 6, 2023	902,500
10-2024	Various Improvements, Finally Adopted June 5, 2024	515,000
08-2025	Various Capital Improvements, Finally Adopted August 6, 2025	<u>465,050</u>
GENERAL IMPROVEMENT TOTAL		<u>\$4,774,940</u>

Utility Improvement Bond Ordinances

Ordinance Number	Description and Date of Final Adoption	Amount
16-2018	Various 2018 Water Utility Improvements, Finally Adopted on September 5, 2018	\$14,174
03-2022	Various 2022 Water Utility Improvements, Finally Adopted on March 2, 2022	1,000,000
08-2022	Various 2022 Water Utility Improvements, Finally Adopted on April 6, 2022	139,936
08-2025	Various Water Improvements, Finally Adopted August 6, 2025	100,000
UTILITY IMPROVEMENT TOTAL		<u>\$1,254,110</u>
TOTAL		<u>\$6,029,050</u>

SECURITY FOR THE NOTES

The Notes are valid and legally binding general obligations of the Borough for which the full faith and credit of the Borough are irrevocably pledged for the punctual payment of the principal of and interest on the Notes. Unless otherwise paid from other sources, the Borough has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Borough is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF NOTES" herein.

The Notes are not a debt or obligation, legal or otherwise, of the State or any political subdivision thereof, other than the Borough.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Borough as of the date hereof.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Agent, on the payable date 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 is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE AGENT 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 DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

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

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 Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough or Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Borough or Paying Agent for such purposes only upon the surrender thereof to the Borough or Paying Agent together with the duly executed assignment in form satisfactory to the Borough or Paying Agent; and (iii) for every exchange or registration of transfer of Notes, the Borough or 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 Notes. Interest on the Notes will be payable by check or draft, mailed on the Interest Payment Date to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The Borough has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Borough debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Borough is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Borough, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Borough Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Borough.

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

The Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 *et seq.*, as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Borough are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the Borough) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Borough, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. In certain circumstances, the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the Borough is permitted to authorize. The authorized bonded indebtedness of a Borough is limited by the Local Bond Law and other laws to an amount equal to three and one half percent (3½%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Borough for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which

the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Borough and that the proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The Borough has not exceeded its debt limit.

DEBT INFORMATION OF THE BOROUGH

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Borough, the Borough must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Borough Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Borough's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the Borough conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Borough does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Borough, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the

budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Borough's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

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

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

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

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes, including the Notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Borough, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A 40A:4-29 sets limits on the anticipation of delinquent tax collections and provides that, "[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that, "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies - Anticipated Revenues = Cash Required from Taxes to Support Local Municipal Budget and Other Taxes

Cash Required from Taxes to Support Local Municipal Budget and Other Taxes = Amount to be
Prior Year's Percentage of Current Tax Collection (or Lesser %) Raised by
Taxation

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Borough's fiscal year (December 31),

includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Borough Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Borough, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current

assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the Borough, the local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, 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 district.

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

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Director of Law (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

Exclusion of Interest on the Notes From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Notes in order to assure that interest on the Notes will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause interest on the Notes to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible

in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bank Qualification

The Notes constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3)(B) of the Code.

Additional Federal Income Tax Consequences of Holding the Notes

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

Changes in Federal Tax Law Regarding the Notes

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

ADDITIONALLY, EACH PURCHASER OF THE NOTES SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Other Tax Consequences

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

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

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE NOTES.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Notes, and such Notes are authorized security for any and all public deposits.

RISK TO HOLDERS OF NOTES

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

Municipal Bankruptcy

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

The undertakings of the Borough should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs

such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a 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, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

Remedies of Holders of Notes (N.J.S.A. 52:27-1 et seq.)

If the Borough defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Borough in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Borough is so in default. Once a judgment is entered by the Superior Court to the effect that the Borough is in default, the Municipal Finance Commission (the "Commission") would become operative in the Borough. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

CYBER DISCLOSURE

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems.

CLIMATE DISCLOSURE

The State is naturally susceptible to the effects of extreme weather events and natural disasters including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as “climate change”), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the Borough as well as resulting in economic impacts such as loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Borough.

CERTIFICATES OF THE BOROUGH

Upon the delivery of the Notes, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Borough, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Borough from that set forth in or contemplated by this Official Statement. In addition, the respective original purchaser of the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the Notes, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes, as applicable, are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to the respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix C hereto. Certain legal matters with respect to the Notes will be passed on for the Borough by its Solicitor, Michael B. Lavery, Esquire, of the firm Lavery, Selvaggi & Cohen, P.C., Hackettstown, New Jersey (“Borough Attorney”).

LITIGATION

To the knowledge of the Borough Attorney, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes to pay the principal of or the interest on the Notes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. A Certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriter at the closing.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

The Borough has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the SEC Rule 15c2-12 (the "Notices"). The Notices will be filed by the Borough with the Municipal Securities Rulemaking Board and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate (the "Note Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Note Certificate to be delivered concurrently with the delivery of the Notes. This covenant is being made by the Borough to assist the purchaser of the Notes in complying with SEC Rule 15c2-12.

The Borough of Hopatcong has previously entered into secondary market disclosure undertakings in accordance with SEC Rule 15c2-12. The Borough of Hopatcong has engaged Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on MSRB's Electronic Municipal Market Access ("EMMA") website as required under its prior secondary market disclosure undertakings.

PREPARATION OF OFFICIAL STATEMENT

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

Nisivoccia, LLP assisted in the preparation of this Official Statement with information obtained from the Borough and other sources, including publicly available sources, considered reliable, but Nisivoccia LLP does not make any warranty or other representation with respect to the accuracy and completeness of such information. Nisivoccia LLP takes responsibility for the audited and unaudited information set forth in Appendix "B" hereto to the extent specified in their Accountants' Compilation Report and Independent Auditors' Report set forth in Appendix "B" hereto.

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

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

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

RATING

The Notes are not rated. The Borough has a long-term rating of "AA+" from S&P Global Ratings assigned to the Borough's General Obligation Refunding Bonds, Series 2016. Such long-term rating is neither assigned nor applicable to the Notes.

FINANCIAL STATEMENTS

Appendix "B" contains certain unaudited financial information of the Borough for fiscal year ending December 31, 2025 and certain audited financial data of the Borough for the fiscal year ended December 31, 2024. The unaudited and audited financial data was prepared by Nisivoccia LLP, Mount Arlington, New Jersey (the "Auditor") to the extent and for the period set forth in their reports appearing in Appendix "B". The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the financial statements appearing in Appendix "B" hereto) and, accordingly, we will express no opinion with respect to thereto.

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Notes (the "Municipal Advisor") and has assisted in matters related to the planning, structuring and terms of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Notes have been purchased from the Borough at a public sale by _____ (the "Underwriter") at a purchase price of \$_____. The Notes are being offered for sale at the yield set forth on the cover of this Official Statement, which yield may be changed from time to time by the purchaser without notice. The Underwriter is obligated to purchase all of the Notes if any Notes are purchased.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough, Judith Curran, Chief Financial Officer, at cfo@hopatcong.org or (973) 770-1200 X 115, or the Municipal Advisor, at ainverso@muniadvisors.com or (609) 291-0130.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. 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 Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

BOROUGH OF HOPATCONG, NEW JERSEY

**Judith Curran,
Chief Financial Officer**

DATED: July __, 2026

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APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC
INFORMATION CONCERNING THE BOROUGH OF HOPATCONG**

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INFORMATION REGARDING THE BOROUGH¹

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

General Information

The Borough was originally incorporated from portions of the Township of Byram, on April 2, 1898. It is located in southeastern Sussex County, abutting Morris County along its southern and eastern borders. The Borough borders Lake Hopatcong to the east and north. In Sussex County, abutting municipalities are the Townships of Byram and Sparta, and the Borough of Stanhope. Abutting Morris County municipalities are the Townships of Jefferson and Roxbury, and the Borough of Mount Arlington.

Aside from its geographic location, the Borough serves as a major focus for Lake Hopatcong State Park and associated tourist attractions. In an attempt to address the substantial impact resulting from the park and development adjacent to the Lake, the Borough is a member of the Lake Hopatcong Regional Planning Board which consists of four (4) municipalities in Sussex and Morris Counties, the two (2) counties themselves, and a representative from the New Jersey Department of Environmental Protection.

The Borough is directly served by county roads and local streets¹ only; no state or interstate highways actually run through the Borough. However, Interstate Route 80, U.S. 46 and New Jersey Routes 10, 15 and 206 are within a five-minute drive of the Borough. These routes serve to connect the Borough to the New York metropolitan area and economic centers in Morris, Essex and Union Counties to the south and east. It is primarily a residential community with its own K-12 school system.

Form of Government

The Borough operates under the borough form of government. The governing body is comprised of the Mayor and a six-member Council. The six members are elected at-large to serve staggered three-year terms, with two seats open for election each year. The Mayor is elected directly by the voters in the Borough to a four-year term. The Borough Council acts as the legislative body and the Mayor presides over the meetings, voting only in an event of a tie.

Pension and Retirement Systems

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

¹ Source: The Borough, unless otherwise indicated.

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

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2025	8,949	8,508	441	4.9%
2024	8,944	8,558	386	4.3%
2023	8,994	8,621	373	4.1%
2022	8,851	8,512	339	3.8%
2021	8,647	8,102	545	6.3%
<u>County</u>				
2025	79,576	75,624	3,952	5.0%
2024	79,565	76,068	3,497	4.4%
2023	79,904	76,618	3,286	4.1%
2022	78,741	75,753	2,988	3.8%
2021	77,227	72,431	4,796	6.2%
<u>State</u>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,899,384	4,672,089	227,295	4.6%
2023	4,879,285	4,668,296	210,989	4.3%
2022	4,771,781	4,586,675	185,106	3.9%
2021	4,674,518	4,361,147	313,371	6.7%

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

Income (as of 2024)

	<u>Borough</u>	<u>County</u>	<u>State</u>	<u>National</u>
Median Household Income	\$115,758	\$116,186	\$103,556	\$80,734
Median Family Income	129,535	137,107	127,025	99,999
Per Capita Income	56,016	57,252	54,253	44,673

Source: US Bureau of the Census, 2024 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	14,750	2.7%	147,444	2.2%	9,500,851	2.3%
2020	14,362	-5.2%	144,221	-3.4%	9,288,994	5.7%
2010	15,147	-4.7%	149,265	3.5%	8,791,894	4.5%
2000	15,888	1.9%	144,166	10.1%	8,414,350	8.9%
1990	15,586	0.4%	130,943	12.8%	7,730,188	5.0%

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2024 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Weldon Quarry Corporation	\$15,005,200	0.60%
PSE&G	6,297,600	0.25%
Heller Property Partners, LP	4,255,600	0.17%
IAT Reinsurance Company	4,161,100	0.17%
Federal National Mortgage Association	3,227,200	0.13%
Durling Realty, LLC	2,615,500	0.10%
RPC Andover	2,491,500	0.10%
BJ Properties	2,377,300	0.10%
Riverstyx Properties, LLC	1,900,000	0.08%
Sheldon H Pressler Rev Trust	<u>1,825,100</u>	<u>0.07%</u>
Total	<u>\$44,156,100</u>	<u>1.77%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>		<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025	U	\$55,336,484	\$54,390,359	98.29%
2024		52,120,422	51,022,842	97.89%
2023		49,907,236	49,139,751	98.46%
2022		48,838,222	48,046,116	98.38%
2021		47,927,264	47,031,547	98.13%

U: Unaudited
Source: 2025 Annual Financial Statement and 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>Delinquent % of Tax Levy</u>
2025	U	\$542,517	\$862,505	\$1,405,022	2.54%
2024		487,320	959,877	1,447,196	2.78%
2023		447,695	692,488	1,140,183	2.28%
2022		722,979	645,768	1,368,747	2.80%
2021		674,965	700,133	1,375,098	2.87%

U: Unaudited
Source: 2025 Annual Financial Statement and Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>		<u>Property Acquired For Taxes</u>
2025	U	\$4,897,600
2024		4,897,600
2023		4,897,600
2022		4,597,000
2021		4,719,200

U: Unaudited
Source: 2025 Annual Financial Statement and 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>General Municipal</u>	<u>Local School</u>	<u>Total County</u>	<u>Total</u>
2025	\$0.582	\$1.179	\$0.453	\$2.214
2024 R	0.536	1.097	0.452	2.085
2023	0.942	1.816	0.741	3.499
2022	0.941	1.767	0.722	3.430
2021	0.941	1.718	0.713	3.372

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

Valuation of Property

<u>Year</u>	<u>Assessed Value of Real Property</u>	<u>True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Public Utility Equip.</u>	<u>Equalized Valuation</u>
2025	\$2,497,065,300	\$2,828,253,823	88.29%	\$0	\$2,828,253,823
2024 R	2,498,489,900	2,615,945,870	95.51%	0	2,615,945,870
2023	1,424,171,500	2,277,945,457	62.52%	0	2,277,945,457
2022	1,421,418,700	2,035,541,601	69.83%	0	2,035,541,601
2021	1,419,153,360	1,816,632,565	78.12%	0	1,816,632,565

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>
2025	\$21,415,800	\$2,340,491,200	\$3,828,600	\$87,866,100	\$41,447,900	\$2,015,700	\$2,497,065,300
2024 R	21,838,200	2,342,186,700	3,865,200	87,653,500	41,447,900	1,498,400	2,498,489,900
2023	13,382,000	1,333,617,500	2,105,500	74,721,000	345,500	0	1,424,171,500
2022	14,435,300	1,330,070,200	2,104,600	74,463,100	345,500	0	1,421,418,700
2021	14,400,100	1,328,353,060	2,104,600	73,950,100	345,500	0	1,419,153,360

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

	Adopted 2022	Adopted 2023	Adopted 2024	Adopted 2025	Introduced 2026
<u>REVENUE</u>					
Fund Balance Utilized	\$1,900,000	\$2,439,726	\$2,500,000	\$1,900,000	\$1,900,000
Miscellaneous Revenues	1,857,020	1,956,196	2,025,768	1,970,337	1,982,841
Municipal Grants	455,281	45,535	508,083	18,654	20,992
Receipts from Delinquent Taxes	700,000	625,000	625,000	650,000	650,000
Amount to be Raised by Taxation	<u>13,385,000</u>	<u>13,417,000</u>	<u>13,408,127</u>	<u>14,546,596</u>	<u>15,963,962</u>
Total Revenue:	<u>\$18,297,301</u>	<u>\$18,483,457</u>	<u>\$19,066,978</u>	<u>\$19,085,588</u>	<u>\$20,517,795</u>
<u>APPROPRIATIONS</u>					
General Purpose (Inside CAP)	\$14,397,770	\$15,073,163	\$15,092,745	\$15,929,777	\$16,914,954
Operations (Outside CAP)	237,700	239,700	302,700	283,760	736,378
Municipal Grants	455,281	45,535	508,083	19,876	22,213
Capital Improvement Fund	900,000	679,500	663,950	363,950	352,250
Municipal Debt Service	606,550	615,559	669,500	658,225	662,000
Deferred Charges	0	130,000	130,000	130,000	130,000
Reserve for Uncollected Taxes	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>
Total Appropriations:	<u>\$18,297,301</u>	<u>\$18,483,457</u>	<u>\$19,066,978</u>	<u>\$19,085,588</u>	<u>\$20,517,795</u>

Source: Municipal Introduced and/or Adopted Budgets

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

Year	Fund Balance	Utilized in Budget of Succeeding Year
2025 U	\$5,151,409	\$1,900,000
2024	5,395,606	1,900,000
2023	6,465,831	2,500,000
2022	6,199,819	2,439,726
2021	5,819,354	1,900,000

U: Unaudited
Source: 2025 Annual Financial Statement and Annual Audit Reports of the Borough

Sewer Utility Operating Fund

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

Fund Balance - Sewer Utility Operating Fund

<u>Year</u>		<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025	U	\$2,212,736	\$347,600
2024		2,341,674	347,600
2023		2,320,739	347,600
2022		2,268,431	447,125
2021		2,738,177	970,500

U: Unaudited
Source: 2025 Annual Financial Statement and 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.

Fund Balance - Water Utility Operating Fund

<u>Year</u>		<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025	U	\$628,956	\$254,500
2024		581,276	104,500
2023		525,180	104,500
2022		483,260	222,970
2021		404,409	208,749

U: Unaudited
Source: 2025 Annual Financial Statement and Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2025

General Purpose Debt

Serial/Term Bonds	\$0
Bond Anticipation Notes	3,417,390
Bonds and Notes Authorized but Not Issued	2,087,900
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$5,505,290

Local/Regional School District Debt

Serial/Term Bonds	\$9,897,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$9,897,000

Self-Liquidating Debt

Serial/Term Bonds	\$11,595,000
Bond Anticipation Notes	923,610
Bonds and Notes Authorized but Not Issued	568,793
Other Bonds, Notes and Loans	<u>5,895,544</u>
Total:	\$18,982,947

TOTAL GROSS DEBT

\$34,385,237

Less: Statutory Deductions

General Purpose Debt	\$0
Local/Regional School District Debt	9,897,000
Self-Liquidating Debt	<u>18,982,947</u>
Total:	\$28,879,947

TOTAL NET DEBT

\$5,505,290

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2025)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share*</u>
Local School District	\$9,897,000	100.0%	\$9,897,000
County	74,535,760	10.8%	8,071,005
			<hr/>
Net Indirect Debt			\$17,968,005
Net Direct Debt			5,505,290
Total Net Direct and Indirect Debt			<hr/> \$23,473,295 <hr/>

Debt Limit

DEBT LIMIT AND BORROWING CAPACITY

Average Equalized Valuation Basis (2023, 2024, 2025)	\$2,574,048,383
Permitted Debt Limitation (3.50%)	90,091,693
Less: Net Debt	5,505,290
Remaining Borrowing Power	<hr/> \$84,586,403 <hr/>

Percentage of Net Debt to Average Equalized Valuation 0.214%

Gross Debt Per Capita based on 2020 population of 14,362 \$2,394
 Net Debt Per Capita based on 2020 population of 14,362 \$383

Source: Annual Debt Statement and Audit Report of the Borough

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

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH

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BOROUGH OF HOPATCONG
UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2025

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Accountants' Compilation Report

The Honorable Mayor and Members
of the Borough Council
Borough of Hopatcong
Hopatcong, New Jersey

We have compiled the financial statements – *regulatory basis* – of the various funds of the Borough of Hopatcong as of December 31, 2025, and for the year then ended, as listed in the foregoing table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) to demonstrate compliance with the Division’s regulatory basis of accounting and the budget laws of New Jersey.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the Division and for designing implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by the basis of accounting practices prescribed or permitted by the Division. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the financial position and results of operations of the various funds of the Borough of Hopatcong. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mount Arlington, New Jersey
June 15, 2026

Nisivoccia LLP

BOROUGH OF HOPATCONG
BALANCE SHEET - CURRENT FUND
UNAUDITED

December 31, 2025

ASSETS

Regular Fund

Cash and Cash Equivalents	\$ 6,814,391.78
Change Fund	500.00
	<u>6,814,891.78</u>
Receivables and Other Assets with Full Reserves:	
Delinquent Taxes Receivable	862,505.44
Tax Title Liens Receivable	542,516.86
Property Acquired for Taxes at Assessed Valuation	4,897,600.00
Revenue Accounts Receivable	8,872.01
Due from Federal and State Grant Fund	295,109.75
Due from Water Utility Capital Fund	183,674.00
Due from General Capital Fund	33.35
Due from Sewer Utility Operating Fund	44,384.59
Total Receivables with Full Reserves	<u>6,834,696.00</u>
Deferred Charges:	
Overexpenditure of Appropriation	6,520.35
Special Emergency Authorizations (40A:4-53)	260,000.00
	<u>266,520.35</u>
Total Regular Fund	<u>13,916,108.13</u>
Federal and State Grant Fund:	
Cash and Cash Equivalents	412,370.69
Due from Payroll Account	532.51
Grants Receivable	1,538,658.89
Total Federal and State Grant Fund	<u>1,951,562.09</u>
TOTAL ASSETS	<u>\$ 15,867,670.22</u>

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
BALANCE SHEET - CURRENT FUND
UNAUDITED
(Continued)

December 31, 2025

LIABILITIES, RESERVES AND FUND BALANCE

Regular Fund

Appropriation Reserves:	
Encumbered	\$ 198,032.02
Unencumbered	529,576.43
Total Appropriation Reserves	727,608.45
Accounts Payable - Vendors	53,817.76
Prepaid Taxes	424,468.65
County Taxes Payable	16,365.11
Due To State of NJ:	
Department of Community Affairs Training Fees	18,099.00
Senior Citizens & Veterans Deductions	7,363.19
Due to Animal Control Fund	908.72
Due to Water Utility Operating Fund	111,046.32
Due to Other Trust Funds	200,803.78
Due to Open Space Trust Fund	23.25
Reserve for:	
Pending Tax Appeals	302,889.94
Third Party Tax Title Liens	9,836.40
Unidentified Receipts	5,613.12
Revaluation	49,790.00
Appropriated Reserve for:	
Hudson Guild Farm Recreation Donation	1,269.00
Unappropriated Reserve for:	
Hudson Guild Farm Recreation Donation	100.00
	1,930,002.69
Reserve for Receivables	6,834,696.00
Fund Balance	5,151,409.44
Total Regular Fund	13,916,108.13
Federal and State Grant Fund:	
Due to Current Fund	295,109.75
Due to Other Trusts Fund	22,106.32
Appropriated Reserves	1,124,865.52
Unappropriated Reserves	509,480.50
Total Federal and State Grant Fund	1,951,562.09
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 15,867,670.22

BOROUGH OF HOPATCONG
CURRENT FUND
STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE
UNAUDITED

	<u>For the Year Ended December 31, 2025</u>
<u>Revenue and Other Income Realized</u>	
Fund Balance Utilized	\$ 1,900,000.00
Miscellaneous Revenue Anticipated	2,297,678.05
Receipts from:	
Delinquent Taxes	964,444.18
Current Taxes	54,390,358.64
Nonbudget Revenue	187,616.23
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	265,149.80
Interfunds Returned	390,680.05
Total Income	60,395,926.95
<u>Expenditures</u>	
Budget Appropriations:	
Municipal Purposes	17,483,760.23
County Taxes	11,293,503.73
Due County for Added and Omitted Taxes	10,535.58
Local School District Taxes	29,415,495.00
Municipal Open Space Trust Taxes	10,023.25
Prior Year Senior Citizens' and Veterans Deductions Disallowed	3,513.70
Refund of Prior Year Revenue	6,610.85
Interfunds Advanced	523,201.69
Total Expenditures	58,746,644.03
Excess in Revenue	1,649,282.92
Adjustment to Excess Before Fund Balance:	
Expenditures included above which are by Statute	
Deferred Charges to Budget of Succeeding Year	6,520.35
Statutory Excess to Fund Balance	1,655,803.27
<u>Fund Balance</u>	
Balance, January 1	5,395,606.17
	7,051,409.44
Decreased by:	
Utilized as Anticipated Revenue	1,900,000.00
Balance, December 31	\$ 5,151,409.44

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
CURRENT FUND
STATEMENT OF REVENUE
UNAUDITED

	For the Year Ended December 31,	
	2025	
	Budget After Modification	Realized
Fund Balance Anticipated	\$ 1,900,000.00	\$ 1,900,000.00
Miscellaneous Revenue Anticipated	2,080,843.74	2,297,678.05
Receipts from Delinquent Taxes	650,000.00	964,444.18
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes	14,546,596.14	15,360,801.08
Nonbudget Revenue		187,616.23
	<u>\$ 19,177,439.88</u>	<u>\$ 20,710,539.54</u>
Adopted Budget	\$ 19,085,587.52	
Budget Amendments	91,852.36	
	<u>\$ 19,177,439.88</u>	

BOROUGH OF HOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES
UNAUDITED

For the Year Ended December 31, 2025

	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Over- Expended</u>
Operations for Municipal Purposes:					
Salaries and Wages	\$ 6,845,733.00	\$ 6,771,092.93	\$ 78,661.82		\$ 4,021.75
Other Expenses	7,212,878.99	6,762,921.41	450,597.07		639.49
Capital Improvements	363,950.00	363,950.00			
Debt Service	658,225.00	658,225.00			
Deferred Charges and Statutory Expenditures	2,396,652.89	2,397,994.46	317.54	\$ 200.00	1,859.11
Total Operations for Municipal Purposes	<u>17,477,439.88</u>	<u>16,954,183.80</u>	<u>529,576.43</u>	<u>200.00</u>	<u>6,520.35</u>
 Reserve for Uncollected Taxes	 <u>1,700,000.00</u>	 <u>1,700,000.00</u>			
	 <u>\$ 19,177,439.88</u>	 <u>\$ 18,654,183.80</u>	 <u>\$ 529,576.43</u>	 <u>\$ 200.00</u>	 <u>\$ 6,520.35</u>
 Adopted Budget	 \$ 19,085,587.52				
Budget Amendments	<u>91,852.36</u>				
	 <u>\$ 19,177,439.88</u>				

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
BALANCE SHEET - TRUST FUNDS
UNAUDITED

December 31, 2025

ASSETS

Animal Control Fund:

Cash and Cash Equivalents	\$ 177,214.24
Due From Current Fund	908.72
	178,122.96

Other Trust Funds:

Cash and Cash Equivalents	4,292,638.41
Investments	157,593.39
	4,450,231.80
Due from Current Fund	200,803.78
Due from Federal and State Grant Fund	22,106.32
Due from Unemployment Reserve Trust Fund - Payroll Account	3,267.53
U.S. Department of Housing and Urban Development - Housing Preservation Grant	97,498.52
	4,773,907.95

Unemployment Reserve Trust Fund:

Cash and Cash Equivalents	22,346.19
	22,346.19

Municipal Open Space Preservation Trust Funds:

Cash and Cash Equivalents	64,364.67
Due from Current Fund	23.25
	64,387.92

TOTAL ASSETS

\$ 5,038,765.02

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:

Due to State of New Jersey	\$ 36.00
Reserve for Animal Control Expenditures	178,086.96
	178,122.96

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
BALANCE SHEET - TRUST FUNDS
UNAUDITED
(Continued)

December 31, 2025

LIABILITIES, RESERVES AND FUND BALANCE (Cont'd)

Other Trust Funds:

Due to Current Fund - Payroll Account	\$	532.51
Due to Water Utility Operating Fund - Payroll Account		2,858.00
Reserve for:		
Developers' Deposits		900,835.55
Public Defender		10,388.58
Affordable Housing		533,695.53
Fire Safety		37,058.50
Parking Offenses Adjudication Act		614.40
Police Outside Employment		73,672.81
Celebration of Public Events		90,352.61
Storm Recovery		6,481.56
Municipal Alliance		776.14
Housing and Urban Development Programs		434,235.49
Accumulated Sick Leave		22,732.35
Recreation		22,283.54
Landfill Trust		157,593.39
Forfeited Assets		2,104,306.42
Tax Sale Premium		321,200.00
Third Party Liens		38,362.91
Payroll		15,927.66
		4,773,907.95

Unemployment Reserve Trust Fund:

Due to Other Trust Fund - Payroll Account		3,267.53
Reserve for State Unemployment Insurance		19,078.66
		22,346.19

Municipal Open Space Preservation Trust Funds:

Reserve for Open Space Trust Fund		64,387.92
		64,387.92

TOTAL LIABILITIES, RESERVES AND FUND BALANCE

\$ 5,038,765.02

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
BALANCE SHEET - GENERAL CAPITAL FUND
UNAUDITED

December 31, 2025

ASSETS

Cash and Cash Equivalents	\$	879,945.53
Accounts Receivable:		
Department of Transportation Grant Receivable		55,000.00
Deferred Charges to Future Taxation:		
Unfunded		<u>5,301,476.00</u>
<u>TOTAL ASSETS</u>	<u>\$</u>	<u>6,236,421.53</u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes Payable		3,417,390.00
Improvement Authorizations:		
Funded		1,117,998.30
Unfunded		1,611,672.80
Due to Current Fund		33.35
Capital Improvement Fund		3,659.39
Reserve for:		
Improvement - FEMA		7,464.00
Fund Balance		<u>78,203.69</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$</u>	<u>6,236,421.53</u>

BOROUGH OF HOPATCONG
STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
Balance January 1	\$ 50,072.71
Increased by:	
Premium on Bond Anticipation Notes Issued	<u>28,130.98</u>
Balance December 31	<u><u>\$ 78,203.69</u></u>

SEE ACCOUNTANTS REPORT
B-10

BOROUGH OF HOPATCONG
BALANCE SHEET - WATER UTILITY FUND
UNAUDITED

December 31, 2025

ASSETS

Operating Fund:

Cash and Cash Equivalents	\$	894,087.06
Change Fund		50.00
Receivable with Full Reserve:		
Consumer Accounts Receivable and Liens		84,669.96
Due Current Fund		111,046.32
Due Water Utility Capital Fund		10.95
Due Payroll Account		2,858.00

1,092,722.29

Deferred Charges:

Emergency Authorizations		162,250.00
		<u>162,250.00</u>

Total Operating Fund

1,254,972.29

Capital Fund:

Cash and Cash Equivalents		596,863.86
Fixed Capital		6,604,488.36
Fixed Capital Authorized and Uncompleted		5,234,828.12

Total Capital Fund

12,436,180.34

TOTAL ASSETS

\$ 13,691,152.63

BOROUGH OF HOPATCONG
BALANCE SHEET - WATER UTILITY FUND
UNAUDITED
(Continued)

December 31, 2025

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:

Appropriation Reserves:

Unencumbered

\$ 6,873.24

Encumbered

156,297.58

163,170.82

Reserve for PFOS Settlement

355,232.96

Accounts Payable

2,763.26

Prepaid/Overpaid Water Rents

7,905.98

Accrued Interest on Bonds and Notes

12,273.18

541,346.20

Reserve for Receivables

84,669.96

Fund Balance

628,956.13

Total Operating Fund

1,254,972.29

Capital Fund:

Serial Bonds Payable

770,000.00

Bond Anticipation Notes

923,610.00

Improvement Authorizations:

Funded

260,793.22

Unfunded

688,139.81

Due to Current Fund

183,674.00

Due Water Utility Operating Fund

10.95

Capital Improvement Fund

19,558.34

Reserve for Amortization

7,741,838.36

Deferred Reserve for Amortization

1,795,460.12

Reserve for Debt Service

47,030.13

Fund Balance

6,065.41

Total Capital Fund

12,436,180.34

TOTAL LIABILITIES, RESERVES AND FUND BALANCE

\$ 13,691,152.63

SEE ACCOUNTANTS REPORT
B-12

BOROUGH OF HOPATCONG
WATER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
<u>Revenue and Other Income Realized</u>	
Operating Surplus Anticipated	\$ 104,500.00
Rents	966,102.53
Miscellaneous Revenue Not Anticipated	26,021.58
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	39,343.82
Total Income	<u>1,135,967.93</u>
<u>Expenditures</u>	
Budget Expenditures:	
Operating	737,715.00
Capital Improvements	30,000.00
Debt Service	337,722.58
Deferred Charges and Statutory Expenditures	40,600.00
Total Expenditures	<u>1,146,037.58</u>
Deficit in Revenue	(10,069.65)
Adjustments in Income Before Fund Balance:	
Expenditures included above which are by Statute	
Deferred Charges to Budget of Succeeding Year	<u>162,250.00</u>
Statutory Excess to Fund Balance	152,180.35
<u>Fund Balance</u>	
Balance January 1	<u>581,275.78</u>
	733,456.13
Decreased by:	
Utilized as Anticipated Revenue	<u>104,500.00</u>
Balance December 31	<u><u>\$ 628,956.13</u></u>

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
WATER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
Balance January 1	<u>\$ 6,065.41</u>
Balance December 31	<u><u>\$ 6,065.41</u></u>

BOROUGH OF HOPATCONG
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE
UNAUDITED

For the Year Ended December 31, 2025

	Budget	Realized
Fund Balance Anticipated	\$ 104,500.00	\$ 104,500.00
Rents	879,288.00	966,102.53
	983,788.00	1,070,602.53
Miscellaneous Revenue Not Anticipated		26,021.58
	\$ 983,788.00	\$ 1,096,624.11

BOROUGH OF HOPATCONG
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
UNAUDITED

	For the Year Ended December 31, 2025			Unexpended
	Budget After Modification	Paid or Charged	Reserved	Balances Canceled
Operating:				
Salaries and Wages	\$ 198,650.00	\$ 196,379.86	\$ 2,270.14	
Other Expenses	539,065.00	539,015.25	49.75	
Capital Improvements:				
Capital Improvement Fund	30,000.00	30,000.00		
Debt Service:				
Payment of Bond	140,000.00	140,000.00		
Payment on Bond Anticipation Notes & Capital Notes	169,500.00	169,500.00		
Interest on Bonds	11,223.00	11,223.00		
Interest on Notes	17,000.00	16,999.58		\$ 0.42
Statutory Expenditures:				
Public Employees' Retirement System	20,000.00	19,178.00	822.00	
Contribution to Social Security System (O.A.S.I.)	18,600.00	16,765.41	1,834.59	
Unemployment Compensation Insurance	2,000.00	103.24	1,896.76	
	<u>\$ 1,146,038.00</u>	<u>\$ 1,139,164.34</u>	<u>\$ 6,873.24</u>	<u>\$ 0.42</u>
Adopted Budget	\$ 983,788.00			
Budget Amendments - Emergency Appropriation	<u>162,250.00</u>			
	<u>\$ 1,146,038.00</u>			

BOROUGH OF HOPATCONG
BALANCE SHEET - SEWER UTILITY FUND
UNAUDITED

	<u>December 31, 2025</u>
<u>ASSETS</u>	
Operating Fund:	
Cash and Cash Equivalents	\$ 3,520,094.96
Change Fund	50.00
Receivable with Full Reserve:	
Consumer Accounts Receivable	<u>319,909.00</u>
Total Operating Fund	<u>3,840,053.96</u>
Assessment Trust Fund:	
Assessments Receivable	242,241.86
Due from Sewer Utility Operating Fund	<u>71,778.84</u>
Total Operating Fund	<u>314,020.70</u>
Capital Fund:	
Cash and Cash Equivalents	1,167,376.94
Due Sewer Utility Operating Fund	247,971.59
Fixed Capital	61,321,734.21
Fixed Capital Authorized & Uncompleted	<u>2,858,000.00</u>
Total Capital Fund	<u>65,595,082.74</u>
<u>TOTAL ASSETS</u>	<u>\$ 69,749,157.40</u>

SEE ACCOUNTANTS REPORT
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BOROUGH OF HOPATCONG
BALANCE SHEET - SEWER UTILITY FUND
UNAUDITED

December 31, 2025

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:

Appropriation Reserves:

Unencumbered	\$ 289,773.24
Encumbered	17,290.43

Prepaid/Overpaid Sewer Rents	307,063.67
Overpaid Sewer Rents - Refunds Payable	369,503.16
Accounts Payable	7,720.50
Due to Current Fund	5,467.89
Due Sewer Utility Capital Fund	44,384.59
Due Sewer Utility Assessment Fund	247,971.59
Accrued Interest on Bonds and Loans	71,778.84
	253,518.23

Reserve for Receivables	1,307,408.47
Fund Balance	319,909.00
	2,212,736.49

Total Operating Fund	3,840,053.96
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Assessment Trust Fund:

New Jersey Environmental Infrastructure Loan Payable	193,731.04
Reserve for Assessments and Liens	120,289.11
Fund Balance	0.55

Total Assessment Trust Fund	314,020.70
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Capital Fund:

NJEIT Loans Payable	5,701,813.29
Serial Bonds Payable	10,825,000.00
Improvement Authorizations:	
Funded	679,197.39
Unfunded	331,200.03
Capital Improvement Fund	388,750.00
Down Payments on Improvements	200,000.00
Reserve for Amortization	45,062,215.92
Deferred Reserve for Amortization	2,250,320.00
Fund Balance	156,586.11

Total Capital Fund	65,595,082.74
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<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 69,749,157.40</u>
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SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
<u>Revenue and Other Income Realized</u>	
Operating Surplus Anticipated	\$ 347,600.00
Rents	3,789,848.51
Miscellaneous Revenue Not Anticipated	103,990.44
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	70,824.98
Total Income	<u>4,312,263.93</u>
<u>Expenditures</u>	
Budget Expenditures:	
Operating	1,527,220.00
Capital Improvements	248,000.00
Debt Service	2,266,881.34
Deferred Charges and Statutory Expenditures	51,500.00
Total Expenditures	<u>4,093,601.34</u>
Excess in Revenue	218,662.59
<u>Fund Balance</u>	
Balance January 1	<u>2,341,673.90</u>
	2,560,336.49
Decreased by:	
Utilized as Anticipated Revenue	<u>347,600.00</u>
Balance December 31	<u><u>\$ 2,212,736.49</u></u>

SEE ACCOUNTANTS REPORT
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BOROUGH OF HOPATCONG
SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
Balance January 1	\$ 156,586.11
Balance December 31	<u>\$ 156,586.11</u>

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
UNAUDITED

	<u>For the Year Ended</u> <u>December 31, 2025</u>
Balance January 1	\$ 0.55
Balance December 31	<u>\$ 0.55</u>

SEE ACCOUNTANTS REPORT
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BOROUGH OF HOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
UNAUDITED

	For the Year Ended December 31, 2025	
	Budget	
	Anticipated	Realized
Operating Surplus Anticipated	\$ 347,600.00	\$ 347,600.00
Sewer Rents	3,750,000.00	3,789,848.51
	4,097,600.00	4,137,448.51
Nonbudget Revenue		103,990.44
	\$ 4,097,600.00	\$ 4,241,438.95

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
UNAUDITED

For the Year Ended December 31, 2025

	Anticipated	Realized
Deficit (Sewer Utility Budget)	\$ 10,859.00	\$ 10,859.00
	\$ 10,859.00	\$ 10,859.00

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
UNAUDITED

For the Year Ended December 31, 2025

	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operating:				
Salaries & Wages	\$ 350,000.00	\$ 319,862.07	\$ 30,137.93	
Other Expenses	1,177,220.00	923,833.14	253,386.86	
Capital Improvements:				
Capital Outlay	248,000.00	248,000.00		
Debt Service				
Payment of Bond Principal	1,055,000.00	1,055,000.00		
Interest on Bonds	516,614.00	514,614.59		\$ 1,999.41
Payment of Loan Principal	564,646.00	564,645.91		0.09
Interest on Loans	134,620.00	132,620.84		1,999.16
Statutory Expenditures				
Public Employee's Retirement System	20,000.00	20,000.00		
Social Security System	29,500.00	25,072.48	4,427.52	
Unemployment Compensation	2,000.00	179.07	1,820.93	
	<u>\$ 4,097,600.00</u>	<u>\$ 3,803,828.10</u>	<u>\$ 289,773.24</u>	<u>\$ 3,998.66</u>

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
UNAUDITED

	For the Year Ended December 31, 2025		
	Budget	Paid or Charged	Unexpended Balance Cancelled
Payment of New Jersey Environmental Infrastructure Loan	\$ 10,859.00	\$ 10,858.17	\$ 0.83

BOROUGH OF HOPATCONG
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEET
UNAUDITED

	<u>December 31, 2025</u>
<u>ASSETS</u>	
Land	\$ 27,369,968.02
Buildings and Improvements	9,621,049.00
Equipment	<u>17,260,787.52</u>
<u>TOTAL ASSETS</u>	<u>\$ 54,251,804.54</u>
 <u>RESERVES</u>	
Reserve for Fixed Assets	<u>\$ 54,251,804.54</u>
<u>TOTAL RESERVES</u>	<u>\$ 54,251,804.54</u>

SEE ACCOUNTANTS REPORT

BOROUGH OF HOPATCONG
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2024

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Hopatcong
Hopatcong, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Borough of Hopatcong, in the County of Sussex (the "Borough") as of and for the year ended December 31, 2024, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Borough as of December 31, 2024, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Borough as of December 31, 2024, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the Borough implemented GASB Statement No. 101, *Compensated Absences*, during the year ended December 31, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

The Honorable Mayor and Members
of the Borough Council
Borough of Hopatcong
Page 3

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

March 24, 2025
Mount Arlington, New Jersey

Nisiroccia LLP

BOROUGH OF HOPATCONG
BALANCE SHEET - CURRENT FUND

December 31, 2024

ASSETS

Regular Fund

Cash and Cash Equivalents	\$	7,937,730.78
Change Fund		500.00
		<u>7,938,230.78</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable		959,876.51
Tax Title Liens Receivable		487,319.62
Property Acquired for Taxes - Assessed Valuation		4,897,600.00
Revenue Accounts Receivable		8,872.01
Due from Federal and State Grant Fund		164,240.09
Due from Water Utility Operating Fund		223,229.49
Due from Payroll Account		3,210.47
Total Receivables and Other Assets with Full Reserves		<u>6,744,348.19</u>
Deferred Charges:		
Overexpenditure of Appropriations		133,601.14
Special Emergency Authorization		390,000.00
		<u>523,601.14</u>
Total Regular Fund		<u>15,206,180.11</u>
Federal and State Grant Fund:		
Cash and Cash Equivalents		65,185.03
Grants Receivable		1,570,261.91
Total Federal and State Grant Fund		<u>1,635,446.94</u>
TOTAL ASSETS	\$	<u><u>16,841,627.05</u></u>

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

BOROUGH OF HOPATCONG
BALANCE SHEET - CURRENT FUND
(Continued)

December 31, 2024

LIABILITIES, RESERVES AND FUND BALANCE

Regular Fund

Liabilities:

Appropriation Reserves:

Encumbered	\$ 157,158.35
Unencumbered	703,092.25

Accounts Payable - Vendors	860,250.60
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Prepaid Taxes	40,759.98
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County Taxes Payable	391,108.86
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Local School Taxes Payable	5,829.53
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Due to State of New Jersey:	0.50
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Marriage Licenses	675.00
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Department of Community Affairs Training Fees	1,148.00
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Senior Citizens & Veterans Deductions	5,549.49
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Due to Animal Control Fund	1,263.53
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Due to Other Trust Funds	162,211.09
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Due to Open Space Trust Fund	10,033.87
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Due to Water Utility Capital Fund	64.00
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Due to General Capital Fund	524,896.39
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Due to Sewer Utility Operating Fund	700,943.25
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Reserve for:

Pending Tax Appeals	304,719.54
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Unidentified Receipts	5,613.12
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Revaluation	49,790.00
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Appropriated Reserve for:

Hudson Guild Farm Recreation Donation	1,269.00
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Unappropriated Reserve for:

Hudson Guild Farm Recreation Donation	100.00
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Reserve for Receivables and Other Assets	3,066,225.75
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Fund Balance	6,744,348.19
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Federal & State Grant Fund:

Due to Current Fund	164,240.09
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Due to Other Trusts Fund	3,251.00
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Appropriated Reserves	1,221,248.96
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Unappropriated Reserves	246,706.89
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Total Federal and State Grant Fund	1,635,446.94
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TOTAL LIABILITIES, RESERVES AND FUND BALANCE

\$ 16,841,627.05

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

BOROUGH OF HOPATCONG
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>For the Year Ended</u> <u>December 31, 2024</u>
<u>Revenue and Other Income Realized</u>	
Fund Balance Utilized	\$ 2,500,000.00
Miscellaneous Revenue Anticipated	2,905,708.91
Receipts from:	
Delinquent Taxes	698,985.92
Current Taxes	51,022,841.93
Nonbudget Revenue	11,306.48
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	662,903.44
Interfunds Returned	96,842.00
Total Income	<u>57,898,588.68</u>
 <u>Expenditures</u>	
Budget and Emergency Appropriations:	
Municipal Purposes	17,500,531.85
County Taxes	11,261,472.21
Due County for Added and Omitted Taxes	5,829.53
Local School District Taxes	27,410,848.00
Municipal Open Space Trust Taxes	10,012.89
Prior Year Senior Citizens' and Veterans Deductions Disallowed	1,395.21
Refund of Prior Year Revenue	21,644.86
Interfunds Advanced	390,680.05
Total Expenditures	<u>56,602,414.60</u>
Excess in Revenue	1,296,174.08
Adjustment to Excess Before Fund Balance:	
Expenditures included above which are by Statute	
Deferred Charges to Budget of Succeeding Year	<u>133,601.14</u>
Statutory Excess to Fund Balance	1,429,775.22
 <u>Fund Balance</u>	
Balance, January 1	<u>6,465,830.95</u>
	7,895,606.17
Decreased by:	
Utilized as Anticipated Revenue	<u>2,500,000.00</u>
Balance, December 31	<u>\$ 5,395,606.17</u>

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

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE - CURRENT FUND

	For the Year Ended December 31, 2024	
	Budget After Modification	Realized
Fund Balance Anticipated	\$ 2,500,000.00	\$ 2,500,000.00
Miscellaneous Revenue Anticipated	2,533,850.97	2,905,708.91
Receipts from Delinquent Taxes	625,000.00	698,985.92
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes	13,408,127.00	14,034,679.30
Nonbudget Revenue		11,306.48
	\$ 19,066,977.97	\$ 20,150,680.61

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

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - CURRENT FUND

	For the Year Ended December 31, 2024				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled	Over- Expended
Operations for Municipal Purposes:					
Salaries and Wages	\$ 6,577,795.00	\$ 6,638,998.08	\$ 72,398.06		\$ 133,601.14
Other Expenses	7,169,882.97	6,582,069.55	587,813.42		
Capital Improvements	663,950.00	663,950.00			
Debt Service	669,500.00	669,452.74		\$ 47.26	
Deferred Charges and Statutory Expenditures	2,285,850.00	2,242,969.23	42,880.77		
Total Operations for Municipal Purposes	17,366,977.97	16,797,439.60	703,092.25	47.26	133,601.14
Reserve for Uncollected Taxes	1,700,000.00	1,700,000.00			
	\$ 19,066,977.97	\$ 18,497,439.60	\$ 703,092.25	\$ 47.26	\$ 133,601.14

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

BOROUGH OF HOPATCONG
BALANCE SHEET - TRUST FUNDS

December 31, 2024

ASSETS

Animal Control Fund:

Cash and Cash Equivalents	\$ 130,715.74
Due from Current Fund	1,263.53
Due from Water Utility Operating Fund	261.00
	132,240.27

Other Trust Funds:

Cash and Cash Equivalents	2,116,087.74
Investments	161,985.11
	2,278,072.85
Due from Current Fund	162,211.09
Due from Federal and State Grant Fund	3,251.00
Due from Water Utility Operating Fund - Payroll Account	560.11
Due from Water Utility Capital Fund	2,019,316.18
U.S. Department of Housing and Urban Development - Housing Preservation Grant	150,998.52
	4,614,409.75

Unemployment Reserve Trust Fund:

Cash and Cash Equivalents	65,841.19
	65,841.19

Municipal Open Space Preservation Trust Funds:

Cash and Cash Equivalents	45,314.20
Due from Current Fund	10,033.87
	55,348.07

TOTAL ASSETS

\$ 4,867,839.28

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:

Due to State of New Jersey	\$ 33.00
Reserve for Animal Control Expenditures	132,207.27
	132,240.27

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

BOROUGH OF HOPATCONG
BALANCE SHEET - TRUST FUNDS

December 31, 2024

LIABILITIES, RESERVES AND FUND BALANCE (Cont'd)

Other Trust Funds:	
Due to Current Fund - Payroll Account	\$ 3,210.47
Due to Water Utility Operating Fund	1,442.00
Reserve for:	
Developers' Deposits	486,679.96
Public Defender	10,388.58
Affordable Housing	497,141.66
Fire Safety	37,058.50
Parking Offenses Adjudication Act	614.40
Police Outside Employment	58,363.81
Celebration of Public Events	88,575.98
Storm Recovery	5,985.47
Municipal Alliance	2,325.08
Housing and Urban Development Programs	458,219.49
Accumulated Sick Leave	22,732.35
Recreation	28,014.20
Landfill Trust	161,985.11
Forfeited Assets	2,485,582.14
Tax Sale Premium	222,600.00
Third Party Liens	33,891.89
Payroll	9,598.66
	4,614,409.75
Unemployment Reserve Trust Fund:	
Reserve for State Unemployment Insurance	65,841.19
	65,841.19
Municipal Open Space Preservation Trust Funds:	
Due to General Capital Fund	983.40
Reserve for Open Space Trust Fund	54,364.67
	55,348.07
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	\$ 4,867,839.28

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

BOROUGH OF HOPATCONG
BALANCE SHEET - GENERAL CAPITAL FUND

December 31, 2024

ASSETS

Cash and Cash Equivalents	\$ 702,988.53
Accounts Receivable:	
Department of Transportation Grant Receivable	55,000.00
Due from Current Fund	524,896.39
Due from Open Space Trust Fund	983.40
Deferred Charges to Future Taxation:	
Unfunded	<u>5,361,426.00</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,645,294.32</u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes Payable	\$ 3,142,826.00
Improvement Authorizations:	
Funded	1,389,882.53
Unfunded	2,051,389.69
Capital Improvement Fund	3,659.39
Reserve for:	
Improvement - FEMA	7,464.00
Fund Balance	<u>50,072.71</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 6,645,294.32</u>

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

BOROUGH OF HOPATCONG
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>For the Year Ended December 31, 2024</u>
Balance January 1	\$ 225,531.03
Increased by:	
Premium on Bond Anticipation Notes Issued	<u>11,641.68</u>
	237,172.71
Decrease by:	
Appropriated to Finance Improvement Authorizations	<u>187,100.00</u>
Balance December 31	<u>\$ 50,072.71</u>

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

BOROUGH OF HOPATCONG
BALANCE SHEET - WATER UTILITY FUND

	<u>December 31, 2024</u>
<u>ASSETS</u>	
Operating Fund:	
Cash and Cash Equivalents	\$ 1,125,090.18
Change Fund	50.00
Receivable with Full Reserve:	
Consumer Accounts Receivable and Liens	86,018.14
Due Other Trusts Fund	1,442.00
Total Operating Fund	1,212,600.32
Capital Fund:	
Cash and Cash Equivalents	1,818,953.51
Due Current Fund	64.00
Due Water Utility Operating Fund	168,843.34
Fixed Capital	6,604,488.36
Fixed Capital Authorized & Uncompleted	5,019,828.12
Total Capital Fund	13,612,177.33
<u>TOTAL ASSETS</u>	<u>\$ 14,824,777.65</u>

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

BOROUGH OF HOPATCONG
BALANCE SHEET - WATER UTILITY FUND
(Continued)

	<u>December 31, 2024</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Operating Fund:	
Appropriation Reserves:	
Unencumbered	\$ 61,375.42
Encumbered	22,661.04
	<hr/>
	84,036.46
Due Current Fund	223,229.49
Due Animal Trust Fund	261.00
Due Water Utility Capital Fund	168,843.34
Due Sewer Utility Operating Fund	44,087.39
Due to Other Trust Fund - Payroll Account	560.11
Accounts Payable	1,476.50
Prepaid/Overpaid Water Rents	11,989.24
Accrued Interest on Bonds and Notes	10,822.87
	<hr/>
	545,306.40
Reserve for Receivables	86,018.14
Fund Balance	581,275.78
	<hr/>
Total Operating Fund	1,212,600.32
	<hr/>
Capital Fund:	
Serial Bonds Payable	910,000.00
Bond Anticipation Notes Payable	353,174.00
Improvement Authorizations:	
Funded	239,467.64
Unfunded	819,767.15
Due to Other Trusts Fund	2,019,316.18
Capital Improvement Fund	308.34
Reserve for Amortization	7,570,638.36
Deferred Reserve for Amortization	1,646,410.12
Reserve for Debt Service	47,030.13
Fund Balance	6,065.41
	<hr/>
Total Capital Fund	13,612,177.33
	<hr/>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 14,824,777.65</u>

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

BOROUGH OF HOPATCONG
WATER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>For the Year Ended</u> <u>December 31, 2024</u>
<u>Revenue and Other Income Realized</u>	
Operating Surplus Anticipated	\$ 104,500.00
Rents	984,195.75
Miscellaneous Revenue Not Anticipated	6,215.00
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	44,751.82
Total Income	<u>1,139,662.57</u>
<u>Expenditures</u>	
Budget Expenditures:	
Operating	574,185.00
Capital Improvements	30,000.00
Debt Service	342,486.66
Deferred Charges and Statutory Expenditures	32,200.00
Refund of Prior Year Revenue	195.00
Total Expenditures	<u>979,066.66</u>
Excess in Revenue	160,595.91
<u>Fund Balance</u>	
Balance January 1	525,179.87
	<u>685,775.78</u>
Decreased by:	
Utilized as Anticipated Revenue	104,500.00
Balance December 31	<u><u>\$ 581,275.78</u></u>

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

BOROUGH OF HOPATCONG
WATER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE

	<u>For the Year Ended</u> <u>December 31, 2024</u>
Balance January 1	\$ 6,065.41
Balance December 31	<u>\$ 6,065.41</u>

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

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE - WATER UTILITY OPERATING FUND

	For the Year Ended December 31, 2024	
	Budget	Realized
Fund Balance Anticipated	\$ 104,500.00	\$ 104,500.00
Rents	875,000.00	984,195.75
	979,500.00	1,088,695.75
Nonbudget Revenue		6,215.00
	\$ 979,500.00	\$ 1,094,910.75

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

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - WATER UTILITY OPERATING FUND

	For the Year Ended December 31, 2024			Unexpended Balances Canceled
	Budget After Modification	Paid or Charged	Reserved	
Operating:				
Salaries and Wages	\$ 175,500.00	\$ 173,476.05	\$ 2,023.95	
Other Expenses	398,685.00	339,443.44	59,241.56	
Capital Improvements:				
Capital Improvement Fund	30,000.00	30,000.00		
Debt Service:				
Payment of Bond	145,000.00	145,000.00		
Payment on Bond Anticipation Notes & Capital Notes	169,500.00	169,500.00		
Interest on Bonds	13,715.00	13,086.66		\$ 628.34
Interest on Notes	14,900.00	14,900.00		
Statutory Expenditures:				
Public Employees' Retirement System	20,000.00	20,000.00		
Contribution to Social Security System (O.A.S.I.)	12,000.00	12,000.00		
Unemployment Compensation Insurance	200.00	90.09	109.91	
	\$ 979,500.00	\$ 917,496.24	\$ 61,375.42	\$ 628.34

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

BOROUGH OF HOPATCONG
BALANCE SHEET - SEWER UTILITY FUND

	<u>December 31, 2024</u>
<u>ASSETS</u>	
Operating Fund:	
Cash and Cash Equivalents	\$ 2,629,345.38
Change Fund	50.00
Receivable with Full Reserve:	
Consumer Accounts Receivable	405,336.64
Due Current Fund	700,943.25
Due Water Utility Operating Fund	44,087.39
Total Operating Fund	<u>3,779,762.66</u>
Assessment Trust Fund:	
Assessments Receivable	294,420.61
Due from Sewer Utility Operating Fund	40,610.71
Total Assessment Trust Fund	<u>335,031.32</u>
Capital Fund:	
Cash and Cash Equivalents	1,199,868.16
Due Sewer Utility Operating Fund	99,967.17
Fixed Capital	61,321,734.21
Fixed Capital Authorized & Uncompleted	2,673,000.00
Total Capital Fund	<u>65,294,569.54</u>
<u>TOTAL ASSETS</u>	<u>\$ 69,409,363.52</u>

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

BOROUGH OF HOPATCONG
BALANCE SHEET - SEWER UTILITY FUND
(Continued)

	December 31, 2024
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Operating Fund:	
Appropriation Reserves:	
Unencumbered	\$ 148,056.83
Encumbered	20,689.06
	168,745.89
Prepaid/Overpaid Sewer Rents	431,886.55
Overpaid Sewer Rents - Refunds Payable	7,720.50
Accounts Payable	2,594.74
Due Sewer Utility Capital Fund	99,967.17
Due Sewer Utility Assessment Fund	40,610.71
Accrued Interest on Bonds and Loans	281,226.56
	1,032,752.12
Reserve for Receivables	405,336.64
Fund Balance	2,341,673.90
	3,779,762.66
Assessment Trust Fund:	
New Jersey Environmental Infrastructure Loan Payable	204,589.21
Reserve for Assessments and Liens	130,441.56
Fund Balance	0.55
	335,031.32
Capital Fund:	
NJEIT Loans Payable	6,266,459.20
Serial Bonds Payable	11,880,000.00
Improvement Authorizations:	
Funded	802,434.19
Unfunded	155,450.03
Capital Improvement Fund	150,000.00
Down Payments on Improvements	200,000.00
Reserve for Amortization	43,442,570.01
Deferred Reserve for Amortization	2,241,070.00
Fund Balance	156,586.11
	65,294,569.54
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	\$ 69,409,363.52

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

BOROUGH OF HOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>For the Year Ended December 31, 2024</u>
<u>Revenue and Other Income Realized</u>	
Operating Surplus Anticipated	\$ 347,600.00
Rents	3,854,592.45
Miscellaneous Revenue Not Anticipated	17,874.88
Other Credits to Income:	
Cancellation of Prior Years' Accounts Payable	410.35
Unexpended Balance of Appropriation Reserves	212,916.47
	4,433,394.15
 <u>Expenditures</u>	
Budget Expenditures:	
Operating	1,387,370.00
Capital Improvements	348,000.00
Debt Service	2,271,631.33
Deferred Charges and Statutory Expenditures	57,858.17
	4,064,859.50
Excess in Revenue	368,534.65
 <u>Fund Balance</u>	
Balance January 1	2,320,739.25
	2,689,273.90
Decreased by:	
Utilized as Anticipated Revenue	347,600.00
	\$ 2,341,673.90
Balance December 31	\$ 2,341,673.90

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

BOROUGH OF HOPATCONG
SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>For the Year Ended</u> <u>December 31, 2024</u>
Balance January 1	\$ 156,586.11
Balance December 31	<u>\$ 156,586.11</u>

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

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>For the Year Ended</u> <u>December 31, 2024</u>
Balance January 1	\$ 0.55
Balance December 31	<u>\$ 0.55</u>

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

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE - SEWER UTILITY OPERATING FUND

For the Year Ended
December 31, 2024

	Budget	Realized
Operating Surplus Anticipated	\$ 347,600.00	\$ 347,600.00
Sewer Rents	3,750,000.00	3,854,592.45
	4,097,600.00	4,202,192.45
Nonbudget Revenue		17,874.88
	\$ 4,097,600.00	\$ 4,220,067.33

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

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS

For the Year Ended December 31, 2024

	<u>Anticipated</u>	<u>Realized</u>
Deficit (Sewer Utility Budget)	\$ 10,859.00	\$ 10,858.17
	\$ 10,859.00	\$ 10,858.17

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

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - SEWER UTILITY OPERATING FUND

	For the Year Ended December 31, 2024			Unexpended
	Budget After Modification	Paid or Charged	Reserved	Balances Canceled
Operating:				
Salaries and Wages	\$ 344,100.00	\$ 334,100.10	\$ 9,999.90	
Other Expenses	1,043,270.00	907,024.40	136,245.60	
Capital Improvements:				
Capital Outlay	248,000.00	248,000.00		
Down Payments on Improvements	100,000.00	100,000.00		
Debt Service:				
Payment of Bond Principal	1,005,000.00	1,005,000.00		
Interest on Bonds	583,200.00	561,587.50		\$ 21,612.50
Payment of Loan Principal	554,646.00	554,645.91		0.09
Interest on Loans	161,525.00	150,397.92		11,127.08
Deferred Charges and Statutory Expenditures:				
Utility Assessment Deficit	10,859.00	10,858.17		0.83
Statutory Expenditures:				
Public Employees' Retirement System	20,000.00	20,000.00		
Contribution to Social Security System (O.A.S.I.)	25,000.00	25,000.00		
Unemployment Compensation Insurance	2,000.00	188.67	1,811.33	
	\$ 4,097,600.00	\$ 3,916,802.67	\$ 148,056.83	\$ 32,740.50

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

BOROUGH OF HOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES ASSESSMENT TRUST FUND- REGULATORY BASIS

	For the Year Ended December 31, 2024		
	Budget	Paid or Charged	Unexpended Balance Cancelled
Payment of New Jersey Environmental Infrastructure Loan	\$ 10,859.00	\$ 10,858.17	\$ 0.83

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

BOROUGH OF HOPATCONG
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEET

	<u>December 31, 2024</u>
<u>ASSETS</u>	
Land	\$ 27,369,968.02
Buildings and Improvements	9,621,049.00
Equipment	<u>17,260,787.52</u>
<u>TOTAL ASSETS</u>	<u>\$ 54,251,804.54</u>
 <u>RESERVES</u>	
Reserve for Fixed Assets	<u>\$ 54,251,804.54</u>
<u>TOTAL RESERVES</u>	<u>\$ 54,251,804.54</u>

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Hopatcong include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by N.J.S. 40A:5-5. Accordingly, the financial statements do not include the operations of the volunteer fire company or volunteer first aid squad.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds:

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

Trust Fund - Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Water Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned water utilities.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

Sewer Utility Operating, Assessment Trust and Capital Funds – Account for the operations, resources and expenditures for payment of assessment debt and acquisition of capital facilities of the municipally owned sewer utilities.

General Fixed Assets Account Group - Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E - "Basis of Accounting".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when budgeted or authorized through an ordinance; and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value, lease assets and payable as well as the related expense would be recorded for leases for which the Borough is a lessee, lease receivables and deferred lease resources as well as the related revenue would be recorded for leases for which the Borough is a lessor, a financed purchases payable would be recorded for financed purchases agreements under which the Borough acquires and owns a fixed asset and the Borough's and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet can include both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by loans, or by financed purchases agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements 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.

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

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include (Cont'd):

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

General Fixed Assets - In accordance with N.J.A.C. accounting requirements, the Borough has developed a fixed assets accounting and reporting system based on the following:

General fixed assets and buildings are recorded at estimated historical cost, except for land which is recorded at estimated historical cost or assessed value in the year of acquisition. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the general fixed assets account group may also be recorded in the current fund, general capital fund, and water and sewer utility funds. The values recorded in the general fixed assets account group and the current and capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Utility Funds are recorded in the capital account at cost and are not adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Funds do not record depreciation on fixed assets.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for Current, Utility Operating, Sewer Assessment and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2024	2023	2022
<u>Issued</u>			
General:			
Bonds and Notes	\$ 3,142,826.00	\$ 3,218,426.00	\$ 3,079,485.00
Water Utility:			
Bonds, Notes and Loans	1,263,174.00	1,387,610.00	1,758,725.47
Sewer Utility:			
Bonds and Loans	18,146,459.20	19,706,105.11	21,330,271.02
Sewer Assessment:			
Loans	204,589.21	215,447.38	226,305.55
Total Issued	<u>22,757,048.41</u>	<u>24,527,588.49</u>	<u>26,394,787.04</u>
<u>Less:</u>			
Reserve to Pay Debt Service -			
Water Utility Capital Fund	47,030.13	47,030.13	47,030.13
	<u>22,710,018.28</u>	<u>24,480,558.36</u>	<u>26,347,756.91</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	2,218,600.00	2,153,000.00	1,088,400.00
Water Utility:			
Bonds and Notes	1,144,094.00	1,334,158.00	1,334,158.00
Sewer Utility:			
Bonds and Notes	164,635.00	164,635.00	164,635.00
Total Authorized but Not Issued	<u>3,527,329.00</u>	<u>3,651,793.00</u>	<u>2,587,193.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 26,237,347.28</u>	<u>\$ 28,132,351.36</u>	<u>\$ 28,934,949.91</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.232%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 9,897,000.00	\$ 9,897,000.00	
Utility Debt	20,922,951.41	20,922,951.41	
General Debt	5,361,426.00		\$ 5,361,426.00
	\$ 36,181,377.41	\$ 30,819,951.41	\$ 5,361,426.00

Net Debt: \$5,361,426.00 divided by Average Equalized Valuations of \$2,309,810,976 of Real Property = 0.232%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 80,843,384.16
Net Debt	5,361,426.00
Remaining Borrowing Power	\$ 75,481,958.16

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S. 40A:2-45 -

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 984,195.75
Deductions:	
Operating and Maintenance Costs	\$ 606,385.00
Debt Service	342,486.66
	948,871.66
Excess in Revenue	\$ 35,324.09

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45 -

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,854,592.45
Deductions:	
Operating and Maintenance Costs	\$ 1,445,228.17
Debt Service	2,271,631.33
	3,716,859.50
Excess in Revenue	\$ 137,732.95

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023
Serial Bonds:				
Water Utility Capital Fund	\$ 1,200,000.00		\$ 145,000.00	\$ 1,055,000.00
Sewer Utility Capital Fund	13,895,000.00		1,010,000.00	12,885,000.00
Bond Anticipation Notes:				
General Capital Fund	3,079,485.00	\$ 3,218,426.00	3,079,485.00	3,218,426.00
Water Utility Capital Fund	388,100.00	332,610.00	388,100.00	332,610.00
Loans Payable:				
Water Utility Capital Fund	170,625.47		170,625.47	
Sewer Utility Capital Fund	7,435,271.02		614,165.91	6,821,105.11
Sewer Utility Assessment Fund	226,305.55		10,858.17	215,447.38
	<u>\$26,394,787.04</u>	<u>\$ 3,551,036.00</u>	<u>\$ 5,418,234.55</u>	<u>\$24,527,588.49</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2023	Additions	Retirements/ Defeased	Balance 12/31/2024
Serial Bonds:				
Water Utility Capital Fund	\$ 1,055,000.00		\$ 145,000.00	\$ 910,000.00
Sewer Utility Capital Fund	12,885,000.00		1,005,000.00	11,880,000.00
Bond Anticipation Notes:				
General Capital Fund	3,218,426.00	\$ 3,142,826.00	3,218,426.00	3,142,826.00
Water Utility Capital Fund	332,610.00	353,174.00	332,610.00	353,174.00
Loans Payable:				
Sewer Utility Capital Fund	6,821,105.11		554,645.91	6,266,459.20
Sewer Utility Assessment Fund	215,447.38		10,858.17	204,589.21
	<u>\$24,527,588.49</u>	<u>\$ 3,496,000.00</u>	<u>\$ 5,266,540.08</u>	<u>\$22,757,048.41</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 2: Long-Term Debt (Cont'd)

The Borough's debt issued and outstanding on December 31, 2024 is described as follows:

General Capital Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Capital Improvements	07/17/25	4.25%	\$ 192,600.00
Various Capital Improvements	07/17/25	4.25%	492,800.00
Various Road Improvements	07/17/25	4.25%	465,000.00
Various Capital Improvements	07/17/25	4.25%	187,000.00
Various Capital Improvements	07/17/25	4.25%	332,100.00
Various Improvements	07/17/25	4.25%	405,155.00
Various Improvements	07/17/25	4.25%	618,771.00
Various Improvements	07/17/25	4.25%	115,000.00
Various Improvements	07/17/25	4.25%	334,400.00
			<u>\$ 3,142,826.00</u>

Water Utility Capital Serial Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Water Utility Refunding Bonds	09/01/31	1.30%	<u>\$ 910,000.00</u>

Water Utility Capital Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Water Utility Improvements	07/17/25	4.25%	\$ 37,400.00
Improvements to Water Supply	07/17/25	4.25%	31,200.00
Various Water Utility Improvements	07/17/25	4.25%	190,000.00
Various Water Utility Improvements	07/17/25	4.25%	94,510.00
Various Water Utility Improvements	07/17/25	4.25%	64.00
			<u>\$ 353,174.00</u>

Sewer Utility Capital Serial Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Sewer Utility Refunding Bonds	08/01/33	3.00-5.00%	<u>\$ 11,880,000.00</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 2: Long-Term Debt (Cont'd)

Sewer Utility Capital NJ Environmental Infrastructure Trust Loans Payable

Description	Final Maturity	Rate	Amount
Trust Loan - 2015A	08/01/34	4.00-5.00%	\$ 3,320,000.00
Fund Loan - 2015A	08/01/34	0.00%	2,946,459.20
			<u>\$ 6,266,459.20</u>

Sewer Utility Assessment NJ Infrastructure Loan Payable

Description	Final Maturity	Rate	Amount
Trust Loan - 2022	08/01/41	3.50-5.00%	\$ 105,000.00
Fund Loan - 2022	08/01/41	0.00%	99,589.21
			<u>\$ 204,589.21</u>
Total Debt Issued and Outstanding			<u>\$ 22,757,048.41</u>

N.J. Environmental Infrastructure (NJEIT) Loans Payable

The Borough entered into two loan agreements with the State of New Jersey, acting by and through the N.J. Department of Environmental Protection Fund (the "Fund") and the N.J. Environmental Infrastructure Trust (the "Trust") which are recorded in the Hopatcong Sewer Utility Capital Fund. The loan agreements were obtained to finance a portion of the cost of wastewater treatment system projects.

As of December 31, 2024, the Borough has borrowed or "drawn down" all of the \$10,780,449.62 Loan funds necessary to complete the improvements to the Hopatcong Sewer wastewater treatment systems. Principal payment to the Fund for the loan will continue on a semiannual basis until August 1, 2034 at zero interest. Principal payment to the Trust for the loan will continue on an annual basis until August 1, 2034. Also, an administrative fee of fifteen on hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

The Borough entered into one loan agreement with the State of New Jersey, acting by and through the N.J. Department of Environmental Protection Fund (the "Fund") and the N.J. Environmental Infrastructure Trust (the "Trust") which is recorded in the Hopatcong Sewer Utility Assessment Trust Fund. The loan agreement was obtained to finance a portion of the cost of wastewater treatment system projects.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 2: Long-Term Debt (Cont'd)

N.J. Environmental Infrastructure (NJEIT) Loans Payable (Cont'd)

As of December 31, 2024, the Borough has borrowed or “drawn down” all of the \$230,211.00 Loan funds necessary to complete the improvements to the Hopatcong Sewer wastewater treatment systems. Principal payment to the Fund for the loan will continue on a semiannual basis until August 1, 2041 at zero interest. Principal payment to the Trust for the loan will continue on an annual basis until August 1, 2041. Also, an administrative fee of fifteen on hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

Schedule of Annual Debt Service for Principal and Interest for the Next Five
Years and Thereafter for Bonds and Loans Issued and Outstanding

Calendar Year	Water Utility Capital		Sewer Utility Capital	
	Principal	Interest	Principal	Interest
2025	\$ 140,000.00	\$ 11,830.00	\$ 1,619,645.91	\$ 670,625.00
2026	135,000.00	10,010.00	1,679,645.91	604,375.00
2027	130,000.00	8,255.00	1,734,645.91	531,125.00
2028	130,000.00	6,565.00	1,789,645.91	466,125.00
2029	130,000.00	4,875.00	1,874,645.91	418,175.00
2030-2034	245,000.00	4,745.00	9,448,229.65	943,100.00
Total	<u>\$ 910,000.00</u>	<u>\$ 46,280.00</u>	<u>\$ 18,146,459.20</u>	<u>\$ 3,633,525.00</u>

Calendar Year	Sewer Utility Assessment		Total
	Principal	Interest	
2025	\$ 10,858.17	\$ 4,318.76	\$ 2,457,277.84
2026	10,858.17	4,068.76	2,443,957.84
2027	10,858.17	3,818.76	2,418,702.84
2028	10,858.17	3,568.76	2,406,762.84
2029	10,858.17	3,318.76	2,441,872.84
2030-2034	54,290.85	12,843.80	10,708,209.30
2035-2039	64,290.85	7,662.52	71,953.37
2040-2041	31,716.66	1,050.00	32,766.66
Total	<u>\$ 204,589.21</u>	<u>\$ 40,650.12</u>	<u>\$ 22,981,503.53</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 3: Fund Balances Appropriated

As of the date of this report the budget for 2025 has not been introduced. Thus the amount of fund balance at December 31, 2024, which will be included in the Current Fund budget for the fiscal year ending December 31, 2025 is not known at this time.

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Borough has not elected to defer school taxes.

Note 5: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

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

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

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Borough contributions to PERS amounted to \$611,842 for 2024. During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$19,957 to the PERS for normal pension benefits on behalf of the Borough

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

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities and Pension Expense

At June 30, 2023, the Borough's liability was \$6,399,438 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2023, the Borough's proportion was .0443%, which was an increase of 0.0005% from its proportion measured as of June 30, 2022. The Borough has rolled forward the net pension liability as of June 30, 2023 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2023 pension information in the Notes to the Financial Statements as the June 30, 2024 pension information has not been released as of the date of this audit.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2023.

For the year ended December 31, 2024, the Borough recognized actual pension expense in the amount of \$611,842.

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2023) 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 expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2023 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's proportionate share of the Net Pension Liability	\$ 8,330,706	\$ 6,399,438	\$ 4,755,673
<u>Pension Plan Fiduciary Net Position</u>			

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

B. Police and Firemen's Retirement System (PFRS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service. The following represents the membership tiers for PFRS:

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided (Cont'd)

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2023, the State contributed an amount more than the actuarially determined amount

The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation are considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. 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 collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Borough contributions to PFRS amounted to \$1,049,849 for the year ended December 31, 2024. During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$176,587 to the PFRS for normal pension benefits on behalf of the Borough, which is more than the contractually required contribution of \$175,639.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2023, the Borough's liability for its proportionate share of the net pension liability was \$8,379,987. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2023, the Borough's proportion was 0.0758%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2022. The Borough has rolled forward the net pension liability as of June 30, 2023 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2023 information in the Notes to the Financial Statements as the June 30, 2024 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$1,544,110 as of June 30, 2023. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2023, the State's proportion was 0.0758%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2022 which is the same proportion as the Borough's.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense

Borough's Proportionate Share of the Net Pension Liability	\$ 8,379,987
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>1,544,110</u>
Total Net Pension Liability	<u>\$ 9,924,097</u>

For the year ended December 31, 2024, the Borough recognized a total pension expense of \$1,049,849.

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 – 16.25% based on years of service
Thereafter	Not Applicable
Investment Rate of Return	7.00%

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2023) 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 expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2023 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2023 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate (Cont'd)

	June 30, 2023		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 13,827,491	\$ 9,924,097	\$ 6,673,502
<u>Pension Plan Fiduciary Net Position - PFRS</u>			

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the Borough recognized pension expense of \$3,275.19 for the year ended December 31, 2024. Employee contributions to DCRP amounted to \$4,596.01 for the year ended December 31, 2024.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 6: Accrued Sick Benefits

The Borough permits employees to accrue a limited amount of unused sick pay and compensatory time, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$464,826.27 at December 31, 2024. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Accumulated Sick Leave of \$22,732.35 reflected on the Other Trust Funds' balance sheet as of December 31, 2024.

Balance at December 31, 2023 (Restated)	\$	196,245.72
Net Change		268,580.55
Balance at December 31, 2024	\$	464,826.27

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	2024	2023	2022
<u>Tax Rate</u>	\$ 2.085	\$ 3.499	\$ 3.430
<u>Apportionment of Tax Rate</u>			
Municipal	0.536	0.942	0.941
County	0.452	0.741	0.722
Local School	1.097	1.816	1.767
<u>Assessed Valuations</u>			
2024	* \$ 2,498,489,900		
2023		\$ 1,424,171,500	
2022			\$ 1,421,418,700

* Revaluation

Comparison of Tax Levies and Collections Currently

Year	Tax Levy	Currently Cash Collections	Currently Percentage of Collection
2024	\$ 52,120,422.35	\$ 51,022,841.93	97.89%
2023	49,907,235.93	49,139,751.23	98.46%
2022	48,838,221.98	48,046,116.00	98.37%

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 7: Selected Tax Information (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents and Investments

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

Investments are stated at cost. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

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

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following pages.

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

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2024, cash and cash equivalents and investments of the Borough consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Investments</u>	<u>Totals</u>
Current	\$ 500.00	\$ 7,937,730.78		\$ 7,938,230.78
Grant Fund		65,185.03		65,185.03
Animal Control		130,715.74		130,715.74
Other Trust		2,116,087.74	\$ 161,985.11	2,278,072.85
Unemployment Trust		65,841.19		65,841.19
Open Space Trust		45,314.20		45,314.20
General Capital		702,988.53		702,988.53
Water Utility:				
Operating	50.00	1,125,090.18		1,125,140.18
Capital		1,818,953.51		1,818,953.51
Sewer Utility:				
Operating	50.00	2,629,345.38		2,629,395.38
Capital		1,199,868.16		1,199,868.16
	<u>\$ 600.00</u>	<u>\$ 17,837,120.44</u>	<u>\$ 161,985.11</u>	<u>\$ 17,999,705.55</u>

The Borough has \$161,985.11 of investments in the form of certificates of deposits as of the year ended December 31, 2024. The carrying amount of the Borough's cash and cash equivalents and investments at December 31, 2024, was \$17,999,705.55 and the bank balance was \$20,367,442.89.

Note 9: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough is a member of both the Morris County Municipal Joint Insurance Fund ("MCMJIF") and the North Jersey Municipal Employee Benefits Fund ("NJMEBF"). These funds are both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by the MCMJIF to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 9: Risk Management (Cont'd)

The following health benefit coverages are offered by the NJMEBF to its members:

- a.) Medical
- b.) Prescription
- c.) Dental

As a member of these Funds, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of these Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. There is a very narrow possibility that the MCMJIF will impose supplemental assessments. In the history of the MCMJIF, a supplemental assessment has never been declared.

The Funds can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Select summarized financial information for the MCMJIF and the NJMEBF as of December 31, 2024 were not available as of the date of the report. Selected summarized financial information as of December 31, 2023 is as follows:

	Morris County Municipal Joint Insurance Fund	North Jersey Municipal Employee Benefits Fund
Total Assets	\$ 38,605,475	\$ 18,604,219
Net Position	\$ 14,033,264	\$ 11,915,533
Total Revenue	\$ 25,319,250	\$ 52,081,686
Total Expenses	\$ 21,461,784	\$ 51,448,063
Change in Net Position	\$ 3,533,220	\$ (1,357,786)
Members Dividends	\$ 324,246	\$ 1,991,409

Financial statements for these funds are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund

9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

North Jersey Municipal Employee Benefits Fund

9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years:

Year	Borough Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2024	\$ -0-	\$ 6,040.46	\$ -0-	\$ 43,846.69	\$ 65,841.19
2023	-0-	12,293.01	-0-	14,906.69	103,647.42
2022	-0-	8,127.59	-0-	15,648.21	106,261.10

Note 10: Open Space Trust Fund

The funds collected are used to acquire and maintain open space property in the Borough. The 2024 Open Space tax rate is \$0.001. As of December 31, 2024, the balance in the Open Space Trust Fund was \$54,364.67.

Note 11: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2024:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 390,680.05	\$ 1,399,412.13
Federal and State Grant		167,491.09
Animal Control	1,524.53	
Other Trust Fund	2,184,778.27	1,442.00
Open Space Trust Fund	10,033.87	983.40
General Capital	525,879.79	
Water Utility Operating	1,442.00	436,981.33
Water Utility Capital	168,907.34	2,019,316.18
Sewer Utility Operating Fund	745,030.64	140,577.88
Sewer Utility Capital Fund	99,967.17	
Sewer Utility Assessment Fund	40,610.71	
Payroll Account	560.11	3,210.47
	<u>\$ 4,169,414.48</u>	<u>\$ 4,169,414.48</u>

The interfund receivable in the Current Fund represents expenses paid on behalf of the Federal and State Grant Fund, Water Utility Operating Fund and the Other Trusts Funds Reserve for Payroll. The interfund receivable in the Other Trust Fund represents funds collected in Current Fund for police outside employment and third party liens not turned over, as well as a DEA grant received in Water Utility Operating Fund that was not turned over and Payroll Expenses paid in the Other Trust Funds Reserve for Payroll.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 11: Interfund Receivables and Payables (Cont'd)

The interfund receivable in the Open Space Trust Fund represents the 2023 open space added and omitted tax owed to the Open Space Trust Fund, as well as the 2024 open space tax levy as well as the 2024 added and omitted taxes. The interfund receivable in the General Capital Fund is primarily due to bond anticipation note proceeds received in Current Fund and not turned over as well as funds due from the Open Space Trust Fund for the funding of an improvement authorization, net of improvement authorization expenditures paid by the Open Space Trust Fund. The interfund receivable in the Water Utility Operating Fund is to cover expenses paid in Water Utility Operating Fund for Other Trust Funds as well to cover payroll expenses. The interfund receivable in the Water Utility Capital Fund is to cover expenses paid in Water Utility Operating Fund and Current Fund on behalf of Water Utility Capital Fund. The interfund receivable in the Sewer Utility Operating Fund is to cover expenses paid in Current Fund and Water Utility Operating Fund, and to Payroll Fund to cover payroll expenses for Other Trust Fund. The interfund receivable in the Sewer Utility Assessment Trust Fund represents a budget appropriation for the deficit due from the Sewer Utility Operating Fund. The interfund receivable in Sewer Utility Capital Fund is to cover expenses paid in Sewer Utility Operating Fund.

Note 12: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Various tax appeals have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals has not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has recorded a reserve for pending tax appeals as of December 31, 2024 in the amount of \$304,719.54 and feels that amount is adequate to fund any potential reductions in assessments and taxes.

Note 13: Economic Dependency

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

Note 14: Deferred Compensation Plans

The Borough offers its employees deferred compensation plans (the "plans") created in accordance with Section 457 of the Internal Revenue Code. The plans, which are administered by National Life Group and Lincoln Financial, are available to all Borough employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 15: Tax Abatements

GASB requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

As of December 31, 2024, The Borough provides a tax abatement to a residential townhome development entity in the Borough pursuant to N.J.S.A. 15A:1-1 (the "Law") and an ordinance of the governing body dated September 5, 2018 and an agreement dated September 6, 2018. In consideration of the full abatement of taxes, the entity is required to pay to the Borough an annual service charge. The annual service charge will be calculated on a tax phase-in basis for the improvements completed at the property as detailed in the tax abatement agreement. In 2024, 4 townhomes were at the tax phase-in calculated at 60% and the remaining 5 townhomes were at the tax phase-in calculated at 20%. The tax abatement provided under the agreement shall be terminated when the entity or its successors and the development cease to remain subject to the provisions of the Law or a period of not more than 5 years from the effective date of the tax exemption, whichever event occurs first.

The Borough recognized revenue in the amount of \$60,014.11 from this annual service charge or payment in lieu of taxes which is recorded as an anticipated revenue in the Current Fund. The taxes which would have been paid on this property for 2024 without the abatement would have been \$96,156.02 of which \$25,887.10 would have been for the local municipal tax.

Note 16: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2024 and 2023:

	Balance Dec. 31, 2023	Additions	Deletions	Balance Dec. 31, 2024
Land	\$ 26,930,146.52	\$ 439,821.50		\$ 27,369,968.02
Buildings and Improvements	9,583,754.00	37,295.00		9,621,049.00
Equipment	15,760,593.16	1,500,194.36		17,260,787.52
	<u>\$ 52,274,493.68</u>	<u>\$ 1,977,310.86</u>	<u>\$ -0-</u>	<u>\$ 54,251,804.54</u>
	Balance Dec. 31, 2022	Additions	Deletions	Balance Dec. 31, 2023
Land	\$ 26,633,218.00	\$ 767,328.52	\$ 470,400.00	\$ 26,930,146.52
Buildings and Improvements	9,509,949.00	73,805.00		9,583,754.00
Equipment	12,175,554.02	3,585,039.14		15,760,593.16
	<u>\$ 48,318,721.02</u>	<u>\$ 4,426,172.66</u>	<u>\$ 470,400.00</u>	<u>\$ 52,274,493.68</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Contributions

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. 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 collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The Borough has rolled forward the net OPEB liability as of June 30, 2023 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2023 OPEB information in the Notes to the Financial Statements as the June 30, 2024 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense (Cont'd)

The State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2023 was \$9,392,639. At June 30, 2023, the State's proportion related to the Borough was 0.2692%. This is the percentage of the total State Share of the net OPEB liability of the Plan. During the year ended June 30, 2023, the State of New Jersey's OPEB benefit related to the Borough was \$1,703,069.

Actuarial Assumptions and Other Inputs

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

Salary Increases*:

Public Employees' Retirement System (PERS)

Rate for all future years 2.75% - 6.55% based on years of service

Police and Firemen's Retirement System (PFRS)

Rate for all future years 3.25% to 16.25% based on years of service

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

Mortality:

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

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

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

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 17: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% for fiscal year 2023 and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend rate is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 18: Leases

The Borough entered into a lease agreement for the lease of space on the Borough's property for wireless communication including the structure, equipment and related facilities. The initial term of the lease shall be 5 years commencing in October 2003. The lessee can extend the lease for four renewal terms of five years each. The existing lease was assigned in February 2018 with the inclusion of subleases and a revenue sharing agreement. The initial annual lease payment was \$20,000 and the annual lease payment will be increased by 15% each renewal term. In 2024, the annual lease payment and revenue share was \$125,530.57. The Borough entered into a lease agreement for the lease of space on the Borough's property for a solar facility. The initial term of the lease shall be 5 years commencing in 2018. The lessee can extend the lease for two renewal terms of five years each. The initial annual lease payment was \$15,500 per megawatt and the annual lease payment for the remaining years will be increased by 1.75% each year. In 2024, the annual lease payment was \$28,117.25.

Note 19: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2024, the Borough had the following deferred charge:

	Balance Dec. 31, 2024	To be Raised in 2025 Budget	Balance to Succeeding Years' Budgets
Current Fund:			
Overexpenditures of Appropriations	\$ 133,601.14	\$ 133,601.14	
Special Emergency Authorization	390,000.00	130,000.00	\$ 260,000.00
	\$ 523,601.14	\$ 263,601.14	\$ 260,000.00

The amount in the 2025 budget will not be less than that required by statute.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

(Continued)

Note 20: Prior Year Adjustment

GASB 101, *Compensated Absences*, was implemented during the year ended December 31, 2024. As required by the standard, the Township made a prior period adjustment to the estimated compensated absences liability as of December 31, 2023 as disclosed in Note 6.

	Balance At 12/31/23 as Previously Reported	Retroactive Adjustments	Balance At 12/31/23 as Restated
	<u> </u>	<u> </u>	<u> </u>
Compensated Absences	\$ 268,568.97	\$ (72,323.25)	\$ 196,245.72
	<u> </u>	<u> </u>	<u> </u>

APPENDIX C

FORM OF APPROVING LEGAL OPINION

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ATTORNEYS AT LAW
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July __, 2026

Mayor and Common Council of the
Borough of Hopatcong
Hopatcong, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Common Council of the Borough of Hopatcong, in the County of Sussex, State of New Jersey (the "Borough"), and other proofs submitted to us relative to the issuance and sale of the

\$6,029,050
BOND ANTICIPATION NOTES
Consisting of:
\$4,774,940 General Improvement Notes
\$1,254,110 Utility Improvement Notes

BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX
STATE OF NEW JERSEY

DATED: JULY 14, 2026

The \$6,029,050 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the Borough are dated July 14, 2026, mature July 13, 2027 and bear interest at the rate of _____ and _____ hundredths percentum (____%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry only form in denominations of \$5,000, or multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the Borough). So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and

interest on the Notes will be made by the Borough or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to various bond ordinances of the Borough, having been in all respects duly adopted by the Common Council, approved by the Mayor, and published as required by law. The Notes, together with other available funds of the Borough, are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Borough issued in the aggregate principal amount of \$4,341,000 on July 16, 2025 and maturing July 15, 2026; (ii) temporarily finance \$2,382,550 in various capital improvements in and for the Borough; and (iii) pay the costs associated with the issuance of the Notes.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, (ii) the Notes are valid and legally binding obligations of the Borough, and (iii) all the taxable property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The Borough has covenanted in its tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Borough with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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

We are further of the opinion that the Notes constitute a "qualified tax-exempt obligation" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

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

We have examined the form of the unexecuted Note and, in our opinion, the form is regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Notes and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Notes) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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**CERTIFICATE OF COMPLIANCE WITH
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, JUDITH CURRAN, Chief Financial Officer of the Borough of Hopatcong, in the County of Sussex, New Jersey (the "Borough"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY to _____, _____, _____, the purchaser (the "Purchaser") of \$6,029,050 aggregate principal amount of Bond Anticipation Notes of the Borough dated July 14, 2026 and maturing July 13, 2027 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Borough will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation (as defined below) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borough, any of which affect security holders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

Whenever the Borough (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the Borough shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The Borough's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the Borough fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the Borough's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the Borough, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the
Borough this ____ day of July, 2026.

BOROUGH OF HOPATCONG, NEW JERSEY

JUDITH CURRAN,
Chief Financial Officer

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