

# **FIRE DISTRICT No. 1 TOWNSHIP OF HOPEWELL**



**MERCER COUNTY,  
NEW JERSEY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**FIRE DISTRICT NO. 1  
TOWNSHIP OF HOPEWELL, NEW JERSEY**

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TOWNSHIP OF HOPEWELL, NEW JERSEY**

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**FIRE DISTRICT NO. 1**  
**TOWNSHIP OF HOPEWELL, NEW JERSEY**  
Roster of Officials and Surety Bonds

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**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
Michael Chipowsky	Chairman	(A)
Joseph Lenarski	Vice Chairman	(A)
Michael F. Cseremsak	Treasurer	(A)
Timothy Lynch	Secretary	(A)
Donald C. Kintzel	Commissioner	(A)

(A) All Commissioners handling funds were covered by the Crime Policy - Excess Public Officials Bond in the amount of \$1,000,000.00 per loss through the First Responder Joint Insurance Fund.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 1  
Township of Hopewell  
Titusville, New Jersey 08560

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fire District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Length of Service Awards Program*

As discussed in note 16 to the financial statements, during the year ended December 31, 2016, the Fire District has reported its length of service awards program in the fiduciary fund as a private-purpose trust fund. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Fire District's proportionate share of the net pension liability, and the schedule of the Fire District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hopewell Fire District No. 1's basic financial statements. The accompanying major fund supporting statements and schedules are presented for purposes of additional analysis, as required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying major fund supporting statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying major fund supporting statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017 on our consideration of the Township of Hopewell Fire District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Hopewell Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
May 17, 2017



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 1  
Township of Hopewell  
Titusville, New Jersey 08560

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated May 17, 2017. Our report on the financial statements included an emphasis of matter paragraph describing the inclusion of the length of service awards program as a fiduciary fund (private-purpose trust fund).

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Hopewell Fire District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Hopewell Fire District No. 1's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Hopewell Fire District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
May 17, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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As management of the Hopewell Township Fire District No. 1 (hereafter referred to as the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

### **FINANCIAL HIGHLIGHTS**

- The net position of the Fire District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, resulted in a deficit of \$212,423.14 at the close of the current year. This deficit is directly attributable to the recognition of long-term liabilities (pensions, compensated absences) that the Fire District is not required to fund in accordance with State budgetary rules and regulations.
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$2,960,192.52, an increase of \$104,776.88, or four percent (4%), in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,980,361.95, approximately a six percent (6%) increase from that of the prior year.
- During the current year, in order to upgrade the current fleet, the Fire District purchased a new ambulance and fire safety vehicle, with a total cost of \$220,064.88. In addition, the Fire District sold a 2003 fire engine, with a historical cost of \$124,520.00.
- During the current year, the Fire District was awarded \$25,000.00 from Bristol-Myers Squibb to provide funding for firefighter and community health and wellness. The Fire District utilized the award to purchase fire safety equipment.

### **USING THIS REPORT OF AUDIT**

This report of audit consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Fire District as a whole and present a longer-term view of the Fire District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. These fund financial statements also report the Fire District's operations in more detail than the government-wide statements by providing information about the Fire District's most significant funds. In addition, the fiduciary fund financial statements provide a view of the Fire District's length of service awards program, which was established to provide tax deferred benefits to volunteers serving in the fire and rescue efforts of the Fire District.

#### **Reporting the Fire District as a Whole**

One of the most important questions asked about the Fire District's finances is, "Is the Fire District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Fire District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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## **USING THIS REPORT OF AUDIT (CONT'D)**

### **Reporting the Fire District as a Whole (Cont'd)**

These two statements report the Fire District's *net position* and changes in it. You can think of the Fire District's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the Fire District's financial health, or *financial position*. Over time, *increases or decreases* in the Fire District's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Fire District's property tax base and the condition of the Fire District's capital assets, to assess the *overall health* of the Fire District.

In the statement of net position and the statement of activities, we classify the Fire District as one kind of activity, that being governmental activities. This is where all of the Fire District's basic services are reported, which include fire-fighting services. Property taxes, uniform fire safety act fees, and state and federal grants primarily finance these activities.

### **Reporting the Fire District's Most Significant Funds**

The fund financial statements provide detailed information about the most significant funds, not the Fire District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains two fund types, governmental and fiduciary.

*Governmental funds* - The operational activities of the Fire District are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Fire District's fund balances by law, creditors, Fire District Board of Commissioners, and the Fire District's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Fire District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

*Fiduciary fund* - The fiduciary fund is used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

**USING THIS REPORT OF AUDIT (CONT'D)**

Reporting the Fire District's Most Significant Funds (Cont'd)

*Fiduciary fund (cont'd)* -The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service. Readers should refer to note 16 of the notes to financial statements for additional information on the Fire District's length of service awards program.

**THE FIRE DISTRICT AS A WHOLE**

During 2016, the Fire District's net position decreased by \$77,553.49, decreasing from a deficit of \$134,869.65 in 2015 to a deficit of \$212,423.14. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 3) of the Fire District's governmental-type activities.

<b>TABLE 1 NET POSITION AS OF DECEMBER 31,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Current and Other Assets	\$ 3,236,696.41	\$ 3,171,835.35
Capital Assets, net	<u>764,351.49</u>	<u>627,553.15</u>
Total Assets	<u>4,001,047.90</u>	<u>3,799,388.50</u>
Deferred Outflows of Resources	<u>1,735,109.00</u>	<u>1,134,105.00</u>
Other Liabilities	572,738.36	579,568.54
Long-Term Liabilities Outstanding	<u>5,211,737.68</u>	<u>4,218,803.61</u>
Total Liabilities	<u>5,784,476.04</u>	<u>4,798,372.15</u>
Deferred Inflows of Resources	<u>164,104.00</u>	<u>269,991.00</u>
Net Investment in Capital Assets	514,351.49	502,553.15
Restricted	665,890.33	635,929.37
Unrestricted (Deficit)	<u>(1,392,664.96)</u>	<u>(1,273,352.17)</u>
Total Net Position (Deficit)	<u>\$ (212,423.14)</u>	<u>\$ (134,869.65)</u>

In total, assets increased by \$201,659.40, deferred outflows of resources increased by \$601,004.00, liabilities increased by \$986,103.89, and deferred inflows of resources decreased by \$105,887.00. The increase in assets was attributable to a more favorable position with cash on deposit at year end compared to that of the previous year end, and from the previously referred to acquisition of capital assets.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**THE FIRE DISTRICT AS A WHOLE (CONT'D)**

The increases in deferred outflows of resources, liabilities, and decrease in deferred inflows of resources, are mainly attributable to the change in the Fire District's proportionate share of its liability associated with the Public Employees' Retirement System and the Police and Firemen's Retirement System (see note 7 of the notes to financial statements).

\$514,351.49 of the Fire District's net position at the end of the current year reflects its net investment in capital assets (i.e., equipment and vehicles). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Fire District uses these assets to provide fire-fighting services to the citizens of the Township of Hopewell; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional component of the Fire District's net position, \$665,890.33, represents resources that are restricted. These amounts consist of amounts restricted for voter-approved capital projects, unemployment compensation benefits, and uniform fire safety.

The third and final component of net position is unrestricted. The unrestricted net position at year-end is a deficit of \$1,392,664.96. This component represents resources and uses that do not meet the criteria of the aforementioned two components of net position. As stated previously, this deficit is directly attributable to the recognition of long-term liabilities, specifically related to pensions, in which the Fire District is not required to fund in accordance with State budgetary rules and regulations, but instead funds on a pay-as-you-go basis via contractual contributions. Table 2 that follows illustrates the impact of the Fire District's unfunded pension liability on its unrestricted net position.

<b>TABLE 2 EFFECT OF NET PENSION LIABILITY ON UNRESTRICTED NET POSITION AS OF DECEMBER 31,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Unrestricted Net Position (before Pension Liability)	\$ 3,333,040.04	\$ 2,339,177.83
Net Pension Liability:		
Public Employees' Retirement System	(531,177.00)	(376,147.00)
Police and Firemen's Retirement System	<u>(4,194,528.00)</u>	<u>(3,236,383.00)</u>
Unrestricted Net Position (Deficit)	<u>\$ (1,392,664.96)</u>	<u>\$ (1,273,352.17)</u>

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

**THE FIRE DISTRICT AS A WHOLE (CONT'D)**

Table 3 that follows illustrates the changes in net position of the Fire District's governmental activities.

<b>TABLE 3</b>		
<b>CHANGES IN NET POSITION</b>		
<b>FOR THE YEARS ENDED DECEMBER 31,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Expenses:		
Operating Appropriations:		
Administration	\$ 315,494.50	\$ 257,089.77
Cost of Operations and Maintenance	3,122,753.63	2,738,464.89
Operating Appropriations Offset with Revenues	71,343.20	70,416.73
Length of Service Awards Program - Contribution	238,257.24	226,687.81
Interest on Long-Term Debt	11,903.64	11,306.79
Total Program Expenses	<u>3,759,752.21</u>	<u>3,303,965.99</u>
Program Revenues:		
Charges for Services	172,523.31	164,985.89
Operating Grants and Contributions	44,989.00	39,723.00
Capital Grants and Contributions	<u>25,000.00</u>	
Net Program Expenses	<u>3,517,239.90</u>	<u>3,099,257.10</u>
General Revenues:		
Property Taxes:		
Levied for General Purposes	3,193,871.00	2,962,272.97
Levied for Debt Service	148,903.01	154,298.03
Unrestricted Investment Earnings	5,526.44	5,213.63
Restricted Investment Earnings	12.81	14.69
Unrestricted Miscellaneous Income	87,612.12	53,788.83
Restricted Miscellaneous Income	1,407.23	1,302.57
Gain on Sale of Capital Assets	<u>2,353.80</u>	
Total General Revenues	<u>3,439,686.41</u>	<u>3,176,890.72</u>
Change in Net Position	(77,553.49)	77,633.62
Net Position (Deficit), January 1	<u>(134,869.65)</u>	<u>(212,503.27)</u>
Net Position (Deficit), December 31	<u><u>\$ (212,423.14)</u></u>	<u><u>\$ (134,869.65)</u></u>



**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**THE FIRE DISTRICT AS A WHOLE (CONT'D)**

During 2016, the Fire District's revenues increased by \$300,599.11, increasing from \$3,381,599.61 in 2015 to \$3,682,198.72 in 2016. The net increase in revenues is largely attributable to the following:

- amount to be raised by taxation for 2016 increased from 2015 by \$226,203.01, or 7%
- charges for services from the uniform fire safety act increased by \$7,537.42, or 5%
- unrestricted miscellaneous revenues increased by 33,823.29, or 63%, resulting from participant forfeited length of service awards program benefits
- and, the receipt of a \$25,000.00 award from Bristol-Myers Squibb (capital grants and contributions)

Property taxes constituted approximately ninety-one percent (91%) of total revenues for governmental activities for the Fire District for the year 2016. In addition, charges for services, which resulted from uniform fire safety act fees and interlocal agreements for fire protection services, and operating and capital grants and contributions, constituted approximately nine percent (9%) of total revenues for governmental activities.

During 2016, the Fire District's expenses increased by \$455,786.22, increasing from \$3,303,965.99 in 2015 to \$3,759,752.21 in 2016. The increase is largely attributable to the recognition of pension expense of \$43,278.00 for administration (an increase of \$29,396.00 from 2015) and \$441,925.00 for cost of operations and maintenance (an increase of \$206,738.00 from 2015). In addition, salaries related to cost of operations and maintenance increased from 2015 by \$123,423.17 as a result of an increase in full-time personnel and Board-approved salary increases in compensation time buy back.

**THE FIRE DISTRICT'S FUNDS**

As the Fire District completed the year, its governmental funds reported a *combined* fund balance of \$2,960,192.52, which is an increase over last year's total *combined* fund balance of \$2,855,415.64. Of the combined ending fund balances of \$2,960,192.52, approximately sixty-seven percent (67%) constitutes unassigned fund balance in the amount of \$1,980,361.95. The remainder of fund balance is restricted and / or assigned to indicate that it is not available for new spending because of the following: (1) restricted for voter-approved capital projects (\$638,719.74), (2) restricted for the payment of future New Jersey unemployment claims (\$11,802.41), (3) restricted for dedicated fire safety penalties to be utilized in subsequent years' budgets (\$15,368.18), (4) assigned to liquidate contracts and purchase orders of the prior period (\$48,940.24), and (5) assigned to the 2017 budget for subsequent year's expenditures (\$265,000.00).

*General fund* - The general fund is the general operating fund of the Fire District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as fire-fighting and emergency medical apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current year, all of the Fire District's unassigned fund balance resided in the general fund, which totaled \$1,980,361.95.

During the current year, the fund balance of the Fire District's general fund increased by \$280,810.57. The primary factors affecting the fund balance of the general fund are as follows:

- total overall revenues for 2016 increased by \$306,148.96 from 2015, with property taxes (amount to be raised by taxation to support the district budget) increasing by \$231,578.03, non-budgetary revenues increasing by \$29,606.95 resulting from participant forfeited length of service awards program benefits, and proceeds from the sale of capital assets (2003 fire engine) for \$37,115.63.
- and expenditures were \$511,750.08 less than the final estimated budget of \$3,729,008.05.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**THE FIRE DISTRICT'S FUNDS (CONT'D)**

*Special revenue fund* - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Fire District accounted for its award of \$25,000.00 from Bristol-Myers Squibb in this fund. The award was restricted in use to provide funding for firefighter and community health and wellness. The Fire District utilized the award to purchase fire safety equipment.

*Capital projects fund* - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses, firefighting apparatus, and emergency medical equipment. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election. On December 22, 2011, the governing body of the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 18, 2012. The voter-approved ballot question authorized the Fire District to acquire self-contained breathing apparatus and an emergency radio system. The Fire District was approved to expend an amount not to exceed \$379,000.00 for the foregoing acquisition, and on December 18, 2012, issued fire district bonds in the amount of \$205,000.00 to permanently fund the project and canceled \$174,000.00 of the remaining authorization. Expenditures of \$204,937.35 have been incurred to date, thus resulting in a fund balance of \$62.65 at the end of the current year.

On December 27, 2012, the governing body of the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 16, 2013. The voter-approved ballot question authorized the Fire District to acquire an ambulance. The Fire District was approved to expend an amount not to exceed \$175,000.00 for the foregoing acquisition, and on September 19, 2013, issued fire district bonds in the amount of \$175,000.00 to permanently fund the project. Expenditures of \$170,566.68 have been incurred to date, thus resulting in a fund balance of \$4,433.32 at the end of the current year.

Lastly, the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 21, 2015. The voter-approved ballot question authorized the Fire District to acquire an ambulance. The Fire District was approved to expend an amount not to exceed \$175,000.00 for the foregoing acquisition, and on July 15, 2015, issued fire district bonds in the amount of \$175,000.00 to permanently fund the project. Expenditures of \$174,780.34 have been incurred to date, thus resulting in a fund balance of \$219.66 at the end of the current year.

*Debt service fund* - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the current year, the Fire District expended \$129,766.70 and \$19,136.31, representing the payment of principal and interest, respectively.

**Budgetary Highlights**

*General fund* - During the months of November and December of the current year, the Fire District modified its general fund budget through budgetary line item transfers approved by the governing body. The final budgetary basis revenue estimate was \$3,380,487.84, a \$135.16 decrease from the original budget estimate of \$3,380,623.00. This was a result of an allocation of levied property taxes with the debt service fund budget.

The final budgetary basis expenditure appropriation estimate was \$3,729,008.05, which also decrease from the original budget estimate of \$3,729,143.21. The final budget estimate exceeded actual expenditures incurred by \$511,750.08, thus aiding the Fire District in the replenishment of fund balance utilized in previous years' budgets.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**THE FIRE DISTRICT'S FUNDS (CONT'D)**

Budgetary Highlights (Cont'd)

*Special revenue fund* – As previously stated, the Fire District was awarded \$25,000.00 from Bristol-Myers Squibb to provide funding for firefighter and community health and wellness. The Fire District utilized the award to purchase fire safety equipment. These funds were budgeted and expended in the special revenue fund as the funds were restricted in purpose by the contributor.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The Fire District's net investment in capital assets for its governmental activities as of December 31, 2016 amounts to a historical cost of \$2,347,777.21, or \$764,351.49 net of accumulated depreciation (see Table 4). This net investment in capital assets includes equipment and vehicles. The net change in capital assets was attributable to the following:

- the Fire District purchased a new ambulance and fire safety vehicle, with a total cost of \$220,064.88
- the Fire District sold a 2003 fire engine, with a historical cost of \$124,520.00
- depreciation expense for the current year was \$88,028.88

**TABLE 4  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
AS OF DECEMBER 31,**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Equipment	\$ 190,747.64	\$ 170,729.66
Vehicles	<u>573,603.85</u>	<u>456,823.49</u>
Total	<u><u>\$ 764,351.49</u></u>	<u><u>\$ 627,553.15</u></u>

Additional information on the Fire District's capital assets can be found in note 5 of the notes to financial statements.

Debt Administration

*Fire District Bonds.* At the end of the current year, the Fire District had total bonds outstanding of \$300,000.00. On December 18, 2012, the Fire District issued \$205,000.00 of fire district bonds at an interest rate of 2.75% for the acquisition of self-contained breathing apparatus and an emergency radio system. The final maturity of these bonds is December 1, 2017. In addition, on September 19, 2013, the Fire District issued \$175,000.00 of fire district bonds at an interest rate of 3.45% for the acquisition of an ambulance. The final maturity of these bonds is August 1, 2020. Lastly, during the current year, the Fire District issued \$175,000.00 of fire district bonds at an interest rate of 3.25% for the acquisition of an ambulance. The final maturity of these bonds is July 15, 2022. (refer to audit exhibit I-1, schedule of fire district bonds, for more detail).

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONT'D)**

Debt Administration (Cont'd)

*Net Pension Liability.* The Fire District's annual required contribution to the Public Employees' Retirement System and the Police and Firemen's Retirement System are budgeted and paid on an annual basis. For additional details on the net pension liability, see note 7 to the financial statements.

*Compensated Absences.* At the end of the current year, the liability for compensated absences was \$186,032.68. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. Additional information on compensated absences can be found in note 10.

Additional information on the Fire District's debt can be found in note 6 of the notes to financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For the 2016 year, the Fire District was able to sustain its budget through property taxes, uniform fire safety act annual registration fees, interest on investments and deposits, and other miscellaneous revenue sources. Approximately ninety-one percent (91%) of total revenue is from property taxes. The 2017 budget was adopted on January 12, 2017 by the Commissioners, and was subsequently approved by the voters at the annual fire district election on February 18, 2017.

**CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Township of Hopewell Fire District No. 1's finances for all those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Matthew G. Martin, Chief of Emergency Services, at the Township of Hopewell Fire District No. 1, 201 Washington Crossing-Pennington Road, Titusville, New Jersey 08560, or email at [MMartin@hopewelltwpfire.org](mailto:MMartin@hopewelltwpfire.org).

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

## Statement of Net Position

December 31, 2016

## ASSETS:

Cash and Cash Equivalents	\$ 3,217,882.00
Accounts Receivable	7,012.00
Restricted Assets:	
Cash and Cash Equivalents	11,802.41
Capital Assets, net	<u>764,351.49</u>
Total Assets	<u>4,001,047.90</u>

## DEFERRED OUTFLOWS OF RESOURCES:

Related to Pensions	<u>1,735,109.00</u>
---------------------	---------------------

## LIABILITIES:

Accounts Payable:	
Other	213,605.07
Length of Service Awards Program	62,898.82
Pensions	194,965.00
Accrued Liabilities:	
Interest Payable	3,786.47
Pensions	97,483.00
Noncurrent Liabilities:	
Due within One Year	143,776.46
Due beyond One Year	<u>5,067,961.22</u>
Total Liabilities	<u>5,784,476.04</u>

## DEFERRED INFLOWS OF RESOURCES:

Related to Pensions	<u>164,104.00</u>
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## NET POSITION:

Net Investment in Capital Assets	514,351.49
Restricted for:	
Capital Projects	638,719.74
Other Purposes	27,170.59
Unrestricted (Deficit)	<u>(1,392,664.96)</u>
Total Net Position (Deficit)	<u>\$ (212,423.14)</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Statement of Activities  
For the Year Ended December 31, 2016

**Expenses:**

Operating Appropriations:	
Administration	\$ 315,494.50
Cost of Operations and Maintenance	3,122,753.63
Operating Appropriations Offset with Revenues	71,343.20
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	238,257.24
Interest on Long-Term Debt	11,903.64
<b>Total Program Expenses</b>	<b>3,759,752.21</b>
Program Revenues:	
Charges for Services	172,523.31
Operating Grants and Contributions	44,989.00
Capital Grants and Contributions	25,000.00
<b>Net Program Expenses</b>	<b>3,517,239.90</b>
General Revenues:	
Property Taxes:	
Levied for General Purposes	3,193,871.00
Levied for Debt Service	148,903.01
Unrestricted Investment Earnings	5,526.44
Restricted Investment Earnings	12.81
Unrestricted Miscellaneous Income	87,612.12
Restricted Miscellaneous Income	1,407.23
Gain on Sale of Capital Assets	2,353.80
<b>Total General Revenues</b>	<b>3,439,686.41</b>
Change in Net Position	(77,553.49)
Net Position (Deficit), January 1	(134,869.65)
Net Position (Deficit), December 31	\$ (212,423.14)

The accompanying notes to financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Governmental Funds

Balance Sheet

December 31, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 3,224,968.78		\$ 4,715.63		\$ 3,229,684.41
Accounts Receivable	6,745.00				6,745.00
Intergovernmental Accounts Receivable:					
Other	267.00				267.00
Total Assets	<u>\$ 3,231,980.78</u>	<u>-</u>	<u>\$ 4,715.63</u>	<u>-</u>	<u>\$ 3,236,696.41</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 210,666.46				\$ 210,666.46
Payroll Deductions Payable	2,874.36				2,874.36
Interfund Accounts Payable:					
Fiduciary Fund	62,898.82				62,898.82
Intergovernmental Accounts Payable:					
Other	64.25				64.25
Total Liabilities	<u>276,503.89</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,503.89</u>
Fund Balances:					
Restricted:					
Capital Projects	634,004.11		\$ 4,715.63		638,719.74
New Jersey Unemployment Trust Fund	11,802.41				11,802.41
Dedicated Penalties	15,368.18				15,368.18
Assigned:					
Other Purposes	48,940.24				48,940.24
Designated for Subsequent Year's Expenditures	265,000.00				265,000.00
Unassigned	1,980,361.95				1,980,361.95
Total Fund Balances	<u>2,955,476.89</u>	<u>-</u>	<u>4,715.63</u>	<u>-</u>	<u>2,960,192.52</u>
Total Liabilities and Fund Balances	<u>\$ 3,231,980.78</u>	<u>-</u>	<u>\$ 4,715.63</u>	<u>-</u>	

(Continued)

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Governmental Funds

Balance Sheet

December 31, 2016

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	Total Governmental <u>Funds</u>
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of capital assets is \$2,347,777.21 and the accumulated depreciation is \$1,583,425.72.	\$ 764,351.49
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements.	1,571,005.00
Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements.	(292,448.00)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.	(3,786.47)
Long-term liabilities, including bonds payable, pension liability, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,211,737.68)</u>
Net position of governmental activities	<u><u>\$ (212,423.14)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues	\$ 51,719.25				\$ 51,719.25
Operating Grant Revenue		\$ 25,000.00			25,000.00
Miscellaneous Revenues Offset with Appropriations	126,343.31				126,343.31
Amount to be Raised by Taxation to Support the District Budget	3,193,871.00			\$ 148,903.01	3,342,774.01
Non-Budgetary Revenues	89,019.35				89,019.35
	<u>3,460,952.91</u>	<u>25,000.00</u>	<u>-</u>	<u>148,903.01</u>	<u>3,634,855.92</u>
<b>Total Revenues</b>					
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration	272,059.30				272,059.30
Cost of Operations and Maintenance	2,562,082.83		\$ 2,489.70		2,564,572.53
Operating Appropriations Offset with Revenues	83,813.54				83,813.54
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	238,257.24				238,257.24
Capital Appropriations	61,045.06	25,000.00	173,543.99		259,589.05
Debt Service:					
Principal				129,766.70	129,766.70
Interest and Other Charges				19,136.31	19,136.31
	<u>3,217,257.97</u>	<u>25,000.00</u>	<u>176,033.69</u>	<u>148,903.01</u>	<u>3,567,194.67</u>
<b>Total Expenditures</b>					
Excess (Deficiency) of Revenues over Expenditures	<u>243,694.94</u>	<u>-</u>	<u>(176,033.69)</u>	<u>-</u>	<u>67,661.25</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Capital Assets	37,115.63	-	-	-	37,115.63
Net Change in Fund Balances	280,810.57	-	(176,033.69)	-	104,776.88
Fund Balance, January 1	<u>2,674,666.32</u>	<u>-</u>	<u>180,749.32</u>	<u>-</u>	<u>2,855,415.64</u>
Fund Balance, December 31	<u>\$ 2,955,476.89</u>	<u>\$ -</u>	<u>\$ 4,715.63</u>	<u>\$ -</u>	<u>\$ 2,960,192.52</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2016

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Total Net Change in Fund Balances - Governmental Funds	\$ 104,776.88
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Revenue recognized from non-employer special funding situations with pension plans (long-term liability) is not recognized as revenue in the fund financial statements but is recognized as revenue from contributions in the statement of activities.	44,989.00
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	171,560.17
Depreciation Expense	\$ (88,028.88)
Capital Outlays	<u>259,589.05</u>
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, and donations).	(34,761.83)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	100,000.00
In the statement of activities, certain operating expenses, (e.g., compensated absences, pension, interest on debt), are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).	<u>(464,117.71)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (77,553.49)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Fiduciary Fund

Private-Purpose Trust Fund

Statement of Fiduciary Net Position

December 31, 2016

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	Length of Service Awards Program
ASSETS:	
Investments	\$ 799,170.28
Interfund Accounts Receivable:	
General Fund:	
Fire District's Contributions	<u>62,898.82</u>
Total Assets	<u>862,069.10</u>
NET POSITION:	
Held in Trust for Plan Participants	<u><u>\$ 862,069.10</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Fiduciary Fund  
Private-Purpose Trust Fund  
Statement of Changes in Fiduciary Fund Net Position  
For the Year Ended December 31, 2016

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	Length of Service Awards Program
ADDITIONS:	
Contributions:	
Fire District's Contributions	\$ 62,898.82
Investment Earnings:	
Net Increased (Decrease) in the Fair Value of Investments	<u>53,023.68</u>
Total Additions	<u>115,922.50</u>
DEDUCTIONS:	
Benefits Paid to Participants	12,003.13
Forfeited Investments	31,792.44
Administration Expenses	3,352.41
Miscellaneous	<u>5,771.40</u>
Total Deductions	<u>52,919.38</u>
Change in Net Position	63,003.12
Net Position, July 1	<u>799,065.98</u>
Net Position, June 30	<u><u>\$ 862,069.10</u></u>

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Notes to Financial Statements  
For the Year Ended December 31, 2016

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

The financial statements of the Township of Hopewell Fire District No. 1 (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Description of the Financial Reporting Entity**

The Fire District is a political subdivision of the Township of Hopewell (the "Township"), Mercer County, New Jersey. The Township is comprised of an area of approximately sixty (60) square miles. It is bounded by Hunterdon County to the north, the Delaware River to the west, Lawrence and Ewing Townships to the south and Princeton Township on the east. The Township also surrounds the Boroughs of Hopewell and Pennington. As of the 2010 United States Census, the Township's population was 17,304. The Fire District was formed in February of 1988 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Union Fire Company and Rescue Squad.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

**Component Units**

In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Component Units (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units.

**Government-wide and Fund Financial Statements**

The Fire District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes and intergovernmental revenues. The Fire District has no business-type activities, which rely to a significant extent on fees and charges for support. If the Fire District had business-type activities, such activities would be reported separately from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Fire District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Fire District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes (ad valorem) are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within sixty (60) days of the end of the current year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, reimbursable-type grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the Fire District.

The Fire District reports the following major governmental funds:

**General Fund** - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

**Special Revenue Fund** - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes and general obligation bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

**Budgets / Budgetary Control**

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year-end.

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

The budget, as detailed on exhibit C-1, exhibit C-2, and exhibit I-3, includes all amendments and modifications to the adopted budget as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Encumbrances (Cont'd)**

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at year-end.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

**Inventories**

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any inventory for the year ended December 31, 2016.

**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2016. The Fire District had no prepaid expenses for the year ended December 31, 2016.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Fire District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances.

**Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the Fire District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Fire District's capitalization threshold is \$5,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Equipment	5-25 years
Vehicles	10-25 years

The Fire District does not possess any infrastructure assets.

**Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Fire District's proportion of expenses and liabilities to the pension as a whole, differences between the Fire District's pension contribution and its proportionate share of contributions, and the Fire District's pension contributions subsequent to the pension valuation measurement date.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Compensated Absences**

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The Fire District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

**Pensions**

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

**Net Position**

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

***Net Investment in Capital Assets*** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted*** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position (Cont'd)**

**Unrestricted** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balance**

The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Fire Commissioners. Such formal action consists of an affirmative vote by the Board of Fire Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Fire Commissioners or by the Chief of Emergency Services, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Chief of Emergency Services is established by way of a formal job description for the position, approved by the Board of Fire Commissioners.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Interfund Activity**

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

The Fire District implemented the following GASB Statements for the year ended December 31, 2016:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements during the year ended December 31, 2016 that will become effective for the Fire District in future years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Fire District in the year ending December 31, 2018. Management has determined that this Statement may have an impact on the basic financial statements of the Fire District.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the Fire District in the year ending December 31, 2017. Management has determined that this Statement will not have a material impact on the basic financial statements of the Fire District.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

Of the Fire District's amount on deposit of \$3,255,592.16 as of December 31, 2016, \$250,000.00 was insured under FDIC, \$2,798,993.81 was insured under GUDPA, and the remaining amount of \$206,598.35 was on deposit with the New Jersey Cash Management Fund.

**New Jersey Cash Management Fund** - During the year, the Fire District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2016, the Fire District's deposits with the New Jersey Cash Management Fund were \$206,598.35.

**Restricted Cash and Cash Equivalents** - At December 31, 2016, the government-wide financial statements reported restricted cash and cash equivalents. This amount of \$11,802.41 represents cash and cash equivalents held for the New Jersey unemployment trust fund (note 9).

**Note 3: PROPERTY TAX LEVIES**

Following is a tabulation of Fire District assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2016	\$ 3,953,367,800.00	\$ 3,342,774.00	\$ .085
2015	3,968,357,958.00	3,116,591.00	.079
2014	3,988,204,768.00	3,037,901.00	.077
2013	4,006,497,207.00	2,970,348.00	.074
2012	4,057,775,200.00	2,670,075.01	.066

**Note 4: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 consisted of amounts owed from individuals and businesses located within the jurisdiction of the Fire District for various fees related to uniform fire safety inspections, penalties, and registrations. All receivables are considered collectible.

Accounts receivable as of year-end for the Fire District's individual major funds and fiduciary fund, in the aggregate, is as follows:

	<b>Governmental Fund Types</b>		
	<b>General Fund</b>	<b>Total Governmental Activities</b>	<b>Fiduciary Fund</b>
UFSA Inspection and Registration Fees	\$ 6,745.00	\$ 6,745.00	
Intergovernmental:			
Other	267.00	267.00	
Interfund Receivable:			
Fire District LOSAP Contributions			\$ 62,898.82
Total	<u>\$ 7,012.00</u>	<u>\$ 7,012.00</u>	<u>\$ 62,898.82</u>

**Note 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 is as follows:

	<b>Balance Jan. 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31, 2016</b>
Capital Assets being Depreciated:				
Equipment	\$ 306,854.60	\$ 39,524.17	\$ 8,464.10	\$ 337,914.67
Vehicles	1,914,317.66	220,064.88	124,520.00	2,009,862.54
Total Capital Assets being Depreciated	<u>2,221,172.26</u>	<u>259,589.05</u>	<u>132,984.10</u>	<u>2,347,777.21</u>
Total Capital Assets, Cost	<u>2,221,172.26</u>	<u>259,589.05</u>	<u>132,984.10</u>	<u>2,347,777.21</u>
Less Accumulated Depreciation for:				
Equipment	(136,124.94)	(19,506.19)	8,464.10	(147,167.03)
Vehicles	(1,457,494.17)	(68,522.69)	89,758.17	(1,436,258.69)
Total Accumulated Depreciation	<u>(1,593,619.11)</u>	<u>(88,028.88) *</u>	<u>98,222.27</u>	<u>(1,583,425.72)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>627,553.15</u>	<u>171,560.17</u>	<u>34,761.83</u>	<u>764,351.49</u>
Capital Assets, Net	<u>\$ 627,553.15</u>	<u>\$ 171,560.17</u>	<u>\$ 34,761.83</u>	<u>\$ 764,351.49</u>

\* Depreciation expense was charged to functions / programs of the Fire District as follows:

Cost of Operations and Maintenance	<u>\$ 88,028.88</u>
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**Note 6: LONG-TERM LIABILITIES**

During the year ended December 31, 2016, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance Jan. 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2016</u>	<u>Due within One Year</u>
Governmental Activities:					
Fire District Bonds Payable:					
Principal	\$ 400,000.00		\$ (100,000.00)	\$ 300,000.00	\$ 100,000.00
Total Bonds Payable	400,000.00	-	(100,000.00)	300,000.00	100,000.00
Other Liabilities:					
Net Pension Liability	3,612,530.00	\$ 2,520,177.00	(1,407,002.00)	4,725,705.00	
Compensated Absences Payable	206,273.61	194,860.33	(215,101.26)	186,032.68	43,776.46
Total Other Liabilities	3,818,803.61	2,715,037.33	(1,622,103.26)	4,911,737.68	43,776.46
Governmental Activity Long-Term Liabilities	\$ 4,218,803.61	\$ 2,715,037.33	\$ (1,722,103.26)	\$ 5,211,737.68	\$ 143,776.46

**Fire District Bonds** - Bonds are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Fire District are to be paid from property taxes. As of December 31, 2016, the Fire District had the following outstanding fire district bonds:

On December 18, 2012, the Fire District issued \$205,000.00 of fire district bonds at an interest rate of 2.75% for the acquisition of self-contained breathing apparatus and an emergency radio system. The final maturity of these bonds is December 1, 2017.

On September 19, 2013, the Fire District issued \$175,000.00 of fire district bonds at an interest rate of 3.45% for the acquisition of an ambulance. The final maturity of these bonds is August 1, 2020.

On July 15, 2015, the Fire District issued \$175,000.00 of fire district bonds at an interest rate of 3.25% for the acquisition of an ambulance. The Final maturity of these bonds is July 15, 2022.

Principal and interest due on the fire district bonds outstanding is as follows:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000.00	\$ 9,700.00	\$ 109,700.00
2018	50,000.00	6,650.00	56,650.00
2019	50,000.00	4,975.00	54,975.00
2020	50,000.00	3,300.00	53,300.00
2021	25,000.00	1,625.00	26,625.00
2022	25,000.00	812.50	25,812.50
Total	\$ 300,000.00	\$ 27,062.50	\$ 327,062.50

**Bonds Authorized but not Issued** - As of December 31, 2016, the Fire District had no authorizations to issue additional debt.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid (general fund). Refer to note 10 for a description of the Fire District's policy.

**Net Pension Liability** - For details on the net pension liability, refer to note 7. The Fire District's annual required contribution to the Public Employees' Retirement System and the Police and Firemen's Retirement System is budgeted and paid from the general fund on an annual basis.

**Note 6: LONG-TERM LIABILITIES (CONT'D)**

**Fire Protection Agreements** - The Board of Fire Commissioners entered into several agreements for fire protection and services with the Hopewell Borough Fire District No. 1 and the Pennington Borough Fire District No. 1. The Boroughs provide fire protection and emergency medical services, and in turn the Township of Hopewell Fire District No. 1 pays an annual fee for such services, which covers a portion of the Boroughs' existing debt service and operating expenses. As a result, a portion of these payments for these services are budgeted in the debt service fund (bond anticipation notes and intergovernmental loans).

**Note 7: PENSION PLANS**

A substantial number of the Fire District's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.nj.gov/treasury/pensions>

**General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System 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. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Fire District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Police and Firemen's Retirement System** - The Police and Firemen's Retirement System 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. The PFRS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Fire District. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

**Note 7: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - The following represents the membership tiers for PERS:

**Tier Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

**Police and Firemen's Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

**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, as defined, 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.

**Note 7: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Fire District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2016 was 11.33% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$15,933.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$14,406.00, which was paid on April 1, 2016. Employee contributions to the Plan during the year ended December 31, 2016 were \$10,030.06.

**Police and Firemen's Retirement System** - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

*Special Funding Situation Component* - 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 is considered to be a *special funding situation* as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to record in the government-wide financial statements or to disclose in the notes to the financial statements of the local participating employer related to this legislation.

The Fire District's contractually required contribution rate for the year ended December 31, 2016 was 25.37% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**Note 7: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$179,032.00, and is payable by April 1, 2017. Based on the PFRS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$157,938.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$71,392.90.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Fire District, for the year ended December 31, 2016 was 1.91% of the Fire District's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2016 is \$13,497.00, and is payable by April 1, 2017. Based on the PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2015 was \$14,774.00, which was paid on April 1, 2016.

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

**Public Employees' Retirement System** - At December 31, 2016, the Fire District's proportionate share of the PERS net pension liability was \$531,177.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Fire District's proportion was .0017934777%, which was an increase of .0001178389% from its proportion measured as of June 30, 2015.

At December 31, 2016, the Fire District's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2016 measurement date was \$57,684.00.

**Police and Firemen's Retirement System** - At December 31, 2016, the Fire District's and State of New Jersey's proportionate share of the PFRS net pension liability was as follows:

Fire District's Proportionate Share of Net Pension Liability	\$ 4,194,528.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Fire District	<u>352,236.00</u>
	<u>\$ 4,546,764.00</u>

**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2016 measurement date, the Fire District's proportion was .0219579402%, which was an increase of .0194301330% from its proportion measured as of June 30, 2015. Likewise, at June 30, 2016, the State of New Jersey's proportion, on-behalf of the Fire District, was .0219579402%, which was an increase of .0025278072% from its proportion, on-behalf of the Fire District, measured as of June 30, 2015.

At December 31, 2016, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2016 measurement date is \$554,874.00.

At December 31, 2016, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of the June 30, 2016 measurement date is \$44,989.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2016, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 9,878.00	\$ -	\$ 9,878.00	\$ -	\$ 27,496.00	\$ 27,496.00
Changes of Assumptions	110,031.00	580,977.00	691,008.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	20,254.00	293,902.00	314,156.00	-	-	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	29,360.00	593,224.00	622,584.00	-	136,608.00	136,608.00
Fire District Contributions Subsequent to the Measurement Date	7,967.00	89,516.00	97,483.00	-	-	-
	<u>\$ 177,490.00</u>	<u>\$ 1,557,619.00</u>	<u>\$ 1,735,109.00</u>	<u>\$ -</u>	<u>\$ 164,104.00</u>	<u>\$ 164,104.00</u>

\$7,967.00 and \$89,516.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2017. These amounts were based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the Fire District's year end of December 31, 2016.



**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2016 measurement date, the Fire District's proportion was .0219579402%, which was an increase of .0194301330% from its proportion measured as of June 30, 2015. Likewise, at June 30, 2016, the State of New Jersey's proportion, on-behalf of the Fire District, was .0219579402%, which was an increase of .0025278072% from its proportion, on-behalf of the Fire District, measured as of June 30, 2015.

At December 31, 2016, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2016 measurement date is \$554,874.00.

At December 31, 2016, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of the June 30, 2016 measurement date is \$44,989.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2016, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 9,878.00	\$ -	\$ 9,878.00	\$ -	\$ 27,496.00	\$ 27,496.00
Changes of Assumptions	110,031.00	580,977.00	691,008.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	20,254.00	293,902.00	314,156.00	-	-	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	29,360.00	593,224.00	622,584.00	-	136,608.00	136,608.00
Fire District Contributions Subsequent to the Measurement Date	7,967.00	89,516.00	97,483.00	-	-	-
	<u>\$ 177,490.00</u>	<u>\$ 1,557,619.00</u>	<u>\$ 1,735,109.00</u>	<u>\$ -</u>	<u>\$ 164,104.00</u>	<u>\$ 164,104.00</u>

\$7,967.00 and \$89,516.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2017. These amounts were based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the Fire District's year end of December 31, 2016.

**Note 7: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Fire District will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
June 30, 2016	5.00	-	5.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2017	\$ 38,528.00	\$ 308,916.00	\$ 347,444.00
2018	38,528.00	308,916.00	347,444.00
2019	43,530.00	379,382.00	422,912.00
2020	36,766.00	263,190.00	299,956.00
2021	12,171.00	43,595.00	55,766.00
	<u>\$ 169,523.00</u>	<u>\$ 1,303,999.00</u>	<u>\$ 1,473,522.00</u>

**Note 7: PENSION PLANS (CONT'D)****Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation	3.08%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

**Note 7: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98% for PERS and 5.55% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates 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 made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS and through 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and through 2050 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 7: PENSION PLANS (CONT'D)****Sensitivity of Fire District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Public Employees' Retirement System (PERS)** - The following presents the Fire District's proportionate share of the net pension liability at June 30, 2016, the Plan's measurement date, calculated using a discount rate of 3.98%, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
Fire District's Proportionate Share of the Net Pension Liability	<u>\$ 650,895.00</u>	<u>\$ 531,177.00</u>	<u>\$ 432,339.00</u>

**Police and Firemen's Retirement System (PFRS)** - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Fire District's annual required contribution. As such, the net pension liability as of June 30, 2016, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 5.55%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
Fire District's Proportionate Share of the Net Pension Liability	\$ 5,408,536.00	\$ 4,194,528.00	\$ 3,204,577.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Fire District	<u>454,182.49</u>	<u>352,236.00</u>	<u>269,104.77</u>
	<u>\$ 5,862,718.49</u>	<u>\$ 4,546,764.00</u>	<u>\$ 3,473,681.77</u>

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description** - The Fire District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2012, the Fire District authorized participation in the SHBP's post-retirement benefit program through resolution number 12-10-04-03. The Fire District pays eighty percent (80%) of the cost of postemployment health care benefits for all firefighters, fire officers, and emergency medical technicians who at the date of retirement have not less than twenty-five (25) years of service credit in a state locally administered retirement system and attained the age of sixty-two prior to retirement or receives disability retirement. Benefits provided include health insurance, prescription coverage, and dental insurance for retirees and their dependents until the age of sixty-five.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/](http://www.state.nj.us/treasury/pensions/).

**Funding Policy** - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Fire District on a monthly basis. The Fire District funds these benefits on a pay-as-you-go basis and, therefore, does not record accrued expenses related to these benefits.

The Fire District did not make any contributions to SHBP for the years ended December 31, 2016, December 31, 2015, or December 31, 2014 as there were no retirees for any of those years.

**Note 9: RISK MANAGEMENT**

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

**Property and Liability Insurance** - The Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

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

**Note 9: RISK MANAGEMENT (CONT'D)**

**New Jersey Unemployment Compensation Insurance (Cont'd)** - The following is a summary of the activity of the Fire District's for the unemployment claims for the current and previous two years:

<u>Year Ended Dec. 31.</u>	<u>Interest Earnings</u>	<u>Employee Contributions</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2016	\$ 12.81	\$ 1,407.23	-	\$ 11,802.41
2015	14.69	1,302.57	-	10,382.37
2014	12.84	1,142.56	-	9,065.11

**Note 10: COMPENSATED ABSENCES**

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

**Union Employees** - Union employees are entitled to twelve paid sick leave days each year that are earned at the rate of one day per month. Sick leave days may be accumulated and carried forward to the following year. Employees are entitled to three personal days per calendar year that are earned at the rate of one day for each four month period. Personal days not used during the year are carried forward to the following year and reclassified as sick leave. Each employee is entitled to vacation leave based on the number of years of continuous service. Up to ten days of unused vacation time may be carried forward to the following year. The vacation time carried forward must be used in the following year or it will be forfeited.

The Fire District compensates employees for unused sick leave upon death or retirement at the current rate of pay. Upon retirement, employees will be paid a lump-sum payment based on fifty percent of the accumulated sick leave on the date of retirement, up to a maximum of \$15,000.00. In the event that an employee dies, the beneficiary will receive a lump-sum payment based on fifty percent of the accumulated sick leave on the date of death, up to a maximum of \$15,000.00. If the employee dies in the line of duty, the beneficiary will receive a lump-sum payment for one hundred percent of the accumulated sick leave upon the date of death, up to a maximum of \$15,000.00. Employees are also compensated at their current rate of pay for unused vacation (up to a maximum of eighty (80) hours) and compensation time (up to a maximum of four hundred and eighty (480) hours) upon termination of employment.

**Non-Union Employees** - Non-union employees are entitled to twelve paid sick leave days each year that is prorated as seven hours for each full month of employment. Sick leave days may be accumulated and carried forward to the following year. Employees are entitled to three personal days per calendar year that are earned at the rate of one day for each four month period. Personal days not used during the year are carried forward to the following year and reclassified as sick leave. Each employee is entitled to vacation leave based on the number of years of continuous service. Up to five days of unused vacation time may be carried forward to the following year. The vacation time carried forward must be used in the following year or it will be forfeited.

The Fire District does not compensate non-union employees for unused sick leave upon death or retirement. Employees are compensated at their current rate of pay for unused vacation (up to a maximum of thirty-five (35) hours) and compensation time (up to a maximum of four hundred and eighty (480) hours) upon termination of employment.

**Note 10: COMPENSATED ABSENCES (CONT'D)**

The Fire District does not compensate non-union employees for unused sick leave upon death or retirement. Employees are compensated at their current rate of pay for unused vacation (up to a maximum of thirty-five (35) hours) and compensation time (up to a maximum of four hundred and eighty (480) hours) upon termination of employment.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2016, the liability for compensated absences reported on the government-wide statement of net position was \$186,032.68.

**Note 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at December 31, 2016 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General		\$ 62,898.82
Fiduciary	\$ 62,898.82	
	<u>\$ 62,898.82</u>	<u>\$ 62,898.82</u>

The interfund receivables and payables above resulted from the Fire District's contribution for the length of service awards program for 2016. The Fire District expects to liquidate this interfund during 2017.

**Note 12: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Fire District expects such amount, if any, to be immaterial.

**Note 13: CONCENTRATIONS**

A significant source of revenue for the Fire District comes from its ability to levy property taxes (see note 1 for detail on property taxes). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

**Note 14: FUND BALANCES APPROPRIATED - GENERAL FUND**

The 2016 annual budget of the Fire District was adopted on January 12, 2017, and subsequently approved by the voters at the annual election held on February 18, 2017. The adopted budget utilized \$265,000.00 of fund balance in the general fund.



**Note 14: FUND BALANCES APPROPRIATED - GENERAL FUND (CONT'D)**

The following presents the total fund balance of the general fund as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2016	\$ 2,955,476.89	\$ 265,000.00
2015	2,674,666.32	253,000.00
2014	2,356,069.75	251,608.00
2013	2,079,468.73	173,471.00
2012	1,586,146.37	141,188.00

**Note 15: FUND BALANCES****RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

**General Fund -**

**Capital Projects (Future Capital Outlays)** - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2016, the balance is \$634,004.11.

**New Jersey Unemployment Trust Fund** - In accordance with the State of New Jersey, Department of Labor, the Board of Fire Commissioners has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method" (see note 9). As a result, there exists at December 31, 2016 a restricted fund balance in the amount of \$11,802.41 for future unemployment claims.

**For Dedicated Penalties** - Pursuant to N.J.A.C. 5:70-2.12A, certain monies collected by the Fire District for violations by property owners must be placed in the general treasury of the Fire District and be subject to separate accounting. These monies are required to fund the cost of firefighter training and / or new firefighting equipment. As of December 31, 2016, such funds collected by the Fire District amount to \$15,368.18.

**Capital Projects Fund -**

On December 22, 2011, the governing body of the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 18, 2012. The voter-approved ballot question authorized the Fire District to acquire self-contained breathing apparatus and an emergency radio system. The Fire District was approved to expend an amount not to exceed \$379,000.00 for the foregoing acquisition, and on December 18, 2012, issued fire district bonds in the amount of \$205,000.00 to permanently fund the project and cancelled \$174,000.00 of the remaining authorization. As of December 31, 2016, the restricted fund balance of this project is \$62.65.

**Note 15: FUND BALANCES (CONT'D)****RESTRICTED (CONT'D)****Capital Projects Fund (Cont'd) -**

On December 27, 2012, the governing body of the Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 16, 2013. The voter-approved ballot question authorized the Fire District to acquire an ambulance. The Fire District was approved to expend an amount not to exceed \$175,000.00 for the foregoing acquisition, and on September 19, 2013, issued fire district bonds in the amount of \$175,000.00 to permanently fund the project. As of December 31, 2016, the restricted fund balance of this project is \$4,433.32.

The Fire District adopted a resolution proposing a capital ballot question that was presented to the voters, and approved, at the annual election held on February 21, 2015. The voter-approved ballot question authorized the Fire District to acquire an ambulance. The Fire District was approved to expend an amount not to exceed \$175,000.00 for the foregoing acquisition, and on July 15, 2015, issued fire district bonds in the amount of \$175,000.00 to permanently fund the project. As of December 31, 2016, the restricted fund balance of this project is \$219.66.

As of December 31, 2016, total fund balance of the capital projects fund is \$4,715.63.

**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

**General Fund**

**For Subsequent Year's Expenditures** - The Fire District has appropriated and included as an anticipated revenue for the year ending December 31, 2017, \$265,000.00 of general fund balance at December 31, 2016.

**Other Purposes** - As of December 31, 2016, the Fire District had \$48,940.24 of encumbrances outstanding for purchase orders and contracts signed by the Fire District, but not completed, as of the close of the year.

**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

**General Fund** - As of December 31, 2016, \$1,980,361.95 of general fund balance was unassigned.

**Note 16: LENGTH OF SERVICE AWARDS PROGRAM**

The Fire District's length of service awards program ("LOSAP"), which is reported in the Fire District's fiduciary fund as a private-purpose trust, was created by a Fire District Resolution adopted on December 9, 1999 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the Fire District approved the adoption of the LOSAP at the general election held on February 19, 2000, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2000. The LOSAP provides tax deferred income benefits for emergency service volunteers of the Union Fire Company and Rescue Squad, consisting of the volunteer fire department and the first aid organization.

**Note 16: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

The tax deferred income benefits for emergency service volunteers come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**Contributions** - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute between \$519.59 and \$1,639.18 for the year ended December 31, 2016, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Fire District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

**Participant Accounts** - Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the Fire District's creditors until distributed as benefit payments, are not available for funding the operations of the Fire District.

Lincoln National Life Insurance Company ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

**Vesting** - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

**Payment of Benefits** - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

**Forfeited Accounts** - For the year ended December 31, 2016, \$31,792.44 of participants' accounts were forfeited. The Fire District realized these forfeitures as non-budgetary revenue in the general fund.

**Investments** - The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

**Plan Information** - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Municipal Assistance (N.J.S.A. 40A:14-34)	\$ 4,321.00		\$ 4,321.00		\$ (4,321.00)
Interest on Investments and Deposits	3,835.00		3,835.00	\$ 5,539.25	1,704.25
Other Revenue	78,462.00		78,462.00	46,180.00	(32,282.00)
Total Miscellaneous Anticipated Revenues	86,618.00	-	86,618.00	51,719.25	(34,898.75)
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	100,000.00	-	100,000.00	126,343.31	26,343.31
Amount to be Raised by Taxation to Support the District Budget	3,194,005.00	\$ (135.16)	3,193,869.84	3,193,871.00	1.16
Total Anticipated Revenues	3,380,623.00	(135.16)	3,380,487.84	3,371,933.56	(8,554.28)
Non-Budgetary Revenues:					
Miscellaneous				89,019.35	89,019.35
Total Non-Budgetary Revenues	-	-	-	89,019.35	89,019.35
Total Revenues	3,380,623.00	(135.16)	3,380,487.84	3,460,952.91	80,465.07

(Continued)

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	\$ 20,625.00	\$ 0.12	\$ 20,625.12	\$ 20,625.12	
Administrative Assistant	54,286.00		54,286.00	50,604.28	\$ 3,681.72
Administrative Assistant - Overtime	2,000.00		2,000.00	335.58	1,664.42
Fringe Benefits	41,977.00	(0.12)	41,976.88	36,453.43	5,523.45
Other Expenses:					
Computer and Office Supplies	8,502.54		8,502.54	7,830.27	672.27
Printing / Duplication / Newsletter	11,812.00		11,812.00	10,517.67	1,294.33
Training and Travel	1,375.00	(284.00)	1,091.00	916.75	174.25
Memberships and Subscriptions	325.00	284.00	609.00	609.00	
Clothing	350.00	(93.28)	256.72		256.72
Fire Prevention Materials	1,650.00	367.53	2,017.53	2,017.53	
Postage and Shipping	3,500.00	(274.25)	3,225.75	2,120.61	1,105.14
Computer and Radio Maintenance	32,140.00		32,140.00	26,773.81	5,366.19
Building Maintenance	28,350.00	6,874.36	35,224.36	21,093.62	14,130.74
Specialized Services	1,000.00		1,000.00		1,000.00
Contractual Services	147,002.50	(4,470.00)	142,532.50	86,674.49	55,858.01
Advertising / Legal Notices	1,500.00		1,500.00	994.68	505.32
Election Expenses	5,025.00	(135.16)	4,889.84	4,492.46	397.38
Total Administration	361,420.04	2,269.20	363,689.24	272,059.30	91,629.94

(Continued)

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance:					
Salary and Wages:					
Emergency Service Specialists	\$ 576,222.00	\$ (903.75)	\$ 575,318.25	\$ 556,305.19	\$ 19,013.06
LT's - Hopewell Valley Emergency Services	183,174.00	(288.75)	182,885.25	181,403.93	1,481.32
Chief - Hopewell Valley Emergency Services	68,724.00		68,724.00	68,724.00	
Salaries Per Diem	95,000.00		95,000.00	84,820.08	10,179.92
Regular Overtime	80,000.00		80,000.00	77,430.23	2,569.77
Special Duty Wages	2,500.00	1,192.50	3,692.50	3,692.50	
Fringe Benefits	537,349.00	(13,470.95)	523,878.05	420,691.69	103,186.36
Other Expenses:					
Insurance	68,450.00		68,450.00	64,547.00	3,903.00
Materials and Supplies	10,874.75	(1,726.92)	9,147.83	7,120.71	2,027.12
Gasoline, Fuels and Chemicals	29,750.00	(2,402.52)	27,347.48	17,299.72	10,047.76
Drugs and Medical Supplies	20,000.00		20,000.00	16,314.87	3,685.13
Training and Travel	49,494.89	(2,903.91)	46,590.98	33,151.46	13,439.52
Memberships and Subscriptions	3,460.00	(239.19)	3,220.81	2,972.00	248.81
Clothing	51,233.10	(7,433.39)	43,799.71	40,517.66	3,282.05
Laundry Services	3,600.00	(1,599.35)	2,000.65	771.65	1,229.00
Equipment and Property Rental	279,840.00	11,904.00	291,744.00	289,641.83	2,102.17
Safety Equipment	10,398.23	(598.76)	9,799.47	5,266.67	4,532.80
Computer and Radio Maintenance	1,000.00	(406.00)	594.00	594.00	
Small Equipment Maintenance	18,150.00	(3,652.08)	14,497.92	11,204.83	3,293.09
Automotive Supplies and Maintenance	60,607.05	16,525.40	77,132.45	69,932.21	7,200.24
Utilities	33,350.00	68.06	33,418.06	22,676.12	10,741.94
Contracted Services - Fire	429,356.00		429,356.00	429,355.24	0.76
Contracted Services - Medical	77,728.00	5,000.00	82,728.00	80,148.00	2,580.00

(Continued)

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Specialized Services	\$ 12,500.00	\$ 2,403.08	\$ 14,903.08	\$ 14,856.02	\$ 47.06
OSHA Mandate / Injury Protection	2,000.00		2,000.00	1,644.24	355.76
Other Assets - Non-Bondable, HVES	81,431.49	6,585.61	88,017.10	87,585.40	431.70
Other Assets - Non-Bondable, Union Fire	40,045.66	4,588.22	44,633.88	34,460.64	10,173.24
Other Assets - Non-Bondable, Union Rescue	2,700.00	(2,700.00)			
Total Cost of Operations and Maintenance	2,828,938.17	9,941.30	2,838,879.47	2,623,127.89	215,751.58
Operating Appropriations Offset with Revenues:					
Salary and Wages:					
Fire Official - Hopewell Valley Bureau of Fire Safety	60,550.00	5,986.18	66,536.18	66,536.18	
Fringe Benefits	22,546.00	(1,427.84)	21,118.16	17,277.36	3,840.80
Other Expenses:					
Other Expense	16,904.00	(16,904.00)			
Total Operating Appropriations Offset with Revenues	100,000.00	(12,345.66)	87,654.34	83,813.54	3,840.80
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	238,785.00	-	238,785.00	238,257.24	527.76
Capital Appropriations:					
Reserve for Future Capital Outlays	200,000.00	-	200,000.00	-	200,000.00

(Continued)



**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Required Supplementary Information - Part II

General Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Total Expenditures	\$ 3,729,143.21	\$ (135.16)	\$ 3,729,008.05	\$ 3,217,257.97	\$ 511,750.08
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(348,520.21)</u>	<u>-</u>	<u>(348,520.21)</u>	<u>243,694.94</u>	<u>592,215.15</u>
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets				37,115.63	37,115.63
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,115.63</u>	<u>37,115.63</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (348,520.21)</u>	<u>-</u>	<u>\$ (348,520.21)</u>	<u>280,810.57</u>	<u>\$ 629,330.78</u>
Fund Balance, January 1				<u>2,674,666.32</u>	
Fund Balance, December 31				<u>\$ 2,955,476.89</u>	
Recapitulation:					
Restricted				\$ 661,174.70	
Assigned				313,940.24	
Unassigned				<u>1,980,361.95</u>	
				<u>\$ 2,955,476.89</u>	

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Required Supplementary Information - Part II

Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Operating Grant Revenue:					
Bristol-Myers Squibb Philanthropy Grant		\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	
Total Revenues		25,000.00	25,000.00	25,000.00	-
EXPENDITURES:					
Operating Appropriations:					
Cost of Operations and Maintenance:					
Other Expenses:					
Safety Equipment					
Grant Share		10,250.00	10,250.00	10,250.00	
Other Assets - Non-Bondable, HVES					
Grant Share		14,750.00	14,750.00	14,750.00	
Total Expenditures	-	25,000.00	25,000.00	25,000.00	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1				-	
Fund Balance, December 31				-	

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**

Required Supplementary Information - Part II

Budgetary Comparison Schedule

Note to Required Supplementary Information

For the Year Ended December 31, 2016

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule(s).	<u>\$ 3,460,952.91</u>	<u>\$ 25,000.00</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2).	<u><u>\$ 3,460,952.91</u></u>	<u><u>\$ 25,000.00</u></u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule(s).	<u>\$ 3,217,257.97</u>	<u>\$ 25,000.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2).	<u><u>\$ 3,217,257.97</u></u>	<u><u>\$ 25,000.00</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
*Last Four Years*

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	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0017934777%	0.0016756388%	0.0016087132%	0.0015912840%
Fire District's Proportionate Share of the Net Pension Liability	\$ 531,177.00	\$ 376,147.00	\$ 301,195.00	\$ 304,126.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 125,068.00	\$ 114,464.00	\$ 110,648.00	\$ 89,124.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	424.71%	328.62%	272.21%	341.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Contributions  
 Public Employees' Retirement System (PERS)  
*Last Four Years*

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	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 15,933.00	\$ 14,406.00	\$ 13,262.00	\$ 11,990.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(15,933.00)</u>	<u>(14,406.00)</u>	<u>(13,262.00)</u>	<u>(11,990.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire District's Covered Payroll (Calendar Year)	\$ 140,666.00	\$ 125,164.00	\$ 115,069.00	\$ 111,988.00
Fire District's Contributions as a Percentage of its Covered Payroll	11.33%	11.51%	11.53%	10.71%

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**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability  
 Police and Firemen's Retirement System (PFRS)  
*Last Four Years*

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0219579402%	0.0194301330%	0.0158918000%	0.0178918560%
Fire District's Proportionate Share of the Net Pension Liability	\$ 4,194,528.00	\$ 3,236,383.00	\$ 1,999,041.00	\$ 2,378,561.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	<u>352,236.00</u>	<u>283,820.00</u>	<u>215,263.00</u>	<u>221,711.00</u>
Total	<u>\$ 4,546,764.00</u>	<u>\$ 3,520,203.00</u>	<u>\$ 2,214,304.00</u>	<u>\$ 2,600,272.00</u>
Fire District's Covered Payroll (Plan Measurement Period)	\$ 658,636.00	\$ 572,392.00	\$ 456,628.00	\$ 514,108.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	636.85%	565.41%	437.78%	462.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.31%	62.41%	58.70%

*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Schedule of the Fire District's Contributions  
 Police and Firemen's Retirement System (PFRS)  
*Last Four Years*

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	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 179,032.00	\$ 157,938.00	\$ 122,060.00	\$ 130,535.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(179,032.00)</u>	<u>(157,938.00)</u>	<u>(122,060.00)</u>	<u>(130,535.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire District's Covered Payroll (Calendar Year)	\$ 705,617.00	\$ 644,451.00	\$ 569,727.00	\$ 502,883.00
Fire District's Contributions as a Percentage of its Covered Payroll	25.37%	24.51%	21.42%	25.96%

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*This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*



**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Required Supplementary Information - Part III  
 Notes to Required Supplementary Information - Part III  
 For the Year Ended December 31, 2016

Public Employees' Retirement System (PERS)

*Changes in Benefit Terms -* None

*Changes in Assumptions -* For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Police and Firemen's Retirement System (PFRS)

*Changes in Benefit Terms -* None

*Changes in Assumptions -* For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

## **OTHER SUPPLEMENTARY INFORMATION**

## **CAPITAL PROJECTS FUND**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
 Capital Projects Fund  
 Summary Statement of Project Expenditures - Budgetary  
 For the Year Ended December 31, 2016

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Net Appropriation</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance Dec. 31, 2016</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Purchase of Self-Contained Breathing Apparatuses and an Emergency Radio System	02/18/12	\$ 205,000.00	\$ 204,937.35		\$ 62.65
Purchase of an Ambulance	02/16/13	175,000.00	169,313.33	\$ 1,253.35	4,433.32
Purchase of an Ambulance	02/21/15	<u>175,000.00</u>	<u></u>	<u>174,780.34</u>	<u>219.66</u>
		<u>\$ 555,000.00</u>	<u>\$ 374,250.68</u>	<u>\$ 176,033.69</u>	<u>\$ 4,715.63</u>

**LONG-TERM DEBT**

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Schedule of Fire District Bonds  
For the Year Ended December 31, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
			Date	Amount				
Fire District Bonds, 2012	12/18/12	\$ 205,000.00	12/01/17	\$ 50,000.00	2.75%	\$ 100,000.00	\$ 50,000.00	\$ 50,000.00
Fire District Bonds, 2013	09/19/13	175,000.00	08/01/17	25,000.00	3.45%	125,000.00	25,000.00	100,000.00
			08/01/18	25,000.00				
			08/01/19	25,000.00				
			08/01/20	25,000.00				
Fire District Bonds, 2015	07/15/15	175,000.00	07/15/17	25,000.00	3.25%	175,000.00	25,000.00	150,000.00
			07/15/18	25,000.00				
			07/15/19	25,000.00				
			07/15/20	25,000.00				
			07/15/21	25,000.00				
			07/15/22	25,000.00				
						\$ 400,000.00	\$ 100,000.00	\$ 300,000.00

## TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Debt Service Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	<u>\$ 148,769.00</u>	<u>\$ 135.16</u>	<u>\$ 148,904.16</u>	<u>\$ 148,903.01</u>	<u>\$ (1.15)</u>
EXPENDITURES:					
Principal Payments:					
Bond Anticipation Notes	24,938.00		24,938.00	24,937.54	0.46
Intergovernmental Loans	4,694.00	135.16	4,829.16	4,829.16	
Other Bonds or Notes Payable	<u>100,000.00</u>		<u>100,000.00</u>	<u>100,000.00</u>	
Total Principal Payments	<u>129,632.00</u>	<u>135.16</u>	<u>129,767.16</u>	<u>129,766.70</u>	<u>0.46</u>
Interest Payments:					
Bond Anticipation Notes	6,387.00		6,387.00	6,386.31	0.69
Other Bonds or Notes Payable	<u>12,750.00</u>		<u>12,750.00</u>	<u>12,750.00</u>	
Total Interest Payments	<u>19,137.00</u>	<u>-</u>	<u>19,137.00</u>	<u>19,136.31</u>	<u>0.69</u>
Total Expenditures	<u>148,769.00</u>	<u>135.16</u>	<u>148,904.16</u>	<u>148,903.01</u>	<u>1.15</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, January 1				<u>-</u>	
Fund Balance, December 31				<u>-</u>	

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2016

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None.

**APPRECIATION**

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

