

**HOPEWELL BOROUGH
FIRE DISTRICT NO. 1
County of Mercer**

**REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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HOPEWELL BOROUGH FIRE DISTRICT NO. 1
BOARD OF FIRE COMMISSIONERS

Schuyler Morehouse
Chairman

Paul Evans
Treasurer

Greg Davies
Secretary

Mark Bovenizer
Commissioner

Mel Myers
Commissioner

Financial Section

INVERSO & STEWART, LLC

Certified Public Accountants

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American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Hopewell Borough Fire District No. 1
County of Mercer
Hopewell, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Hopewell Borough Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2017, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Hopewell Borough Fire District No. 1, in the County of Mercer, State of New Jersey, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2017 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. My opinion is not modified with respect to this matter.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopewell Borough Fire District No. 1's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules previously referred to 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

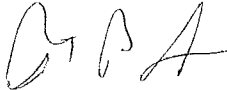
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2018 on my consideration of the Hopewell Borough Fire District No. 1's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Hopewell Borough Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,

INVERSO & STEWART, LLC

Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R P A', is written over the printed name and title of the accountant.

Robert P. Inverso

Certified Public Accountant

Marlton, New Jersey
May 31, 2018

INVERSO & STEWART, LLC

Certified Public Accountants

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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
Hopewell Borough Fire District No. 1
County of Mercer
Hopewell, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 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, and each major fund of Hopewell Borough Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued my report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Hopewell Borough 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 my 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, I do not express an opinion on the effectiveness of the Hopewell Borough 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fire District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

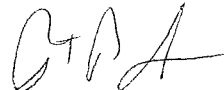
As part of obtaining reasonable assurance about whether the Hopewell Borough Fire District No. 1's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District'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,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant

Marlton, New Jersey
May 31, 2018

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Hopewell Borough Fire District No. 1
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2017**

As management of the Hopewell Borough Fire District No. 1, New Jersey (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the Fire District for the fiscal year ended December 31, 2017.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,983,004.
- Governmental activities have unrestricted net position of \$216,307.
- The total net position of the Fire District increased by \$186,864 or a 10.40% increase from the prior fiscal year-end balance.
- Fund balance of the Fire District's governmental funds increased by \$231,844 resulting in an ending fund balance of \$1,782,744. This increase is due to the results of operations in the General Fund and Capital Projects Fund.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net position* presents information about all of the Fire District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the Fire District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the Fire District that are supported from taxes and intergovernmental revenues (*governmental activities*). Governmental activities consolidate governmental funds including the General Fund, Capital Projects Fund, and Debt Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Fire District are *governmental funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Fire District maintains three individual governmental funds. The major funds are the General Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The Fire District adopts an annual appropriated budget for the General Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

District-wide Financial Analysis

The assets of the Fire District are classified as current assets and capital assets. Cash, investments, and receivables are current assets. These assets are available to provide resources for the near-term operations of the Fire District.

Capital assets are used in the operations of the Fire District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2018.

An investment of \$200,260 in equipment which provides the services to the Fire District's citizens is offset by \$143,397 in related debt obligations. Net position of \$44,500 has been restricted for future capital outlays and \$21,289 is designated for debt service.

Hopewell Borough Fire District No. 1
Net Position
For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 344,704	\$ 356,030
Capital assets	200,260	245,240
Length of Service Award, Net	<u>1,644,045</u>	<u></u>
 Total assets	 <u>2,189,009</u>	 <u>601,270</u>
Liabilities:		
Current Liabilities	206,005	261,133
Noncurrent Liabilities	<u></u>	<u></u>
 Total liabilities	 <u>206,005</u>	 <u>261,133</u>
 Total Net Position	 \$ <u>1,983,004</u>	 \$ <u>340,137</u>
 Net position consists of:		
Net investment in Capital Assets	\$ 56,863	\$ 79,148
Restricted	1,709,834	65,789
Unrestricted	<u>216,307</u>	<u>195,200</u>
 Total Net Position	 \$ <u>1,983,004</u>	 \$ <u>340,137</u>

Governmental Activities

Governmental activities decreased the net position of the Fire District by \$186,864 during the current fiscal year. Key elements of the increase in net position for governmental activities are as follows:

- Net increase of \$231,844 due to results of operation of the Governmental Funds.
- Net decrease of \$44,980 in depreciation expense.

Hopewell Borough Fire District No. 1
Changes in Net Position
For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
General Revenues:		
Property Taxes	\$ 195,394	\$ 185,767
Municipal Assistance	299,589	237,856
Length of Service Award Program	312,037	
Other Revenues	<u>6,614</u>	<u>1,612</u>
Total Revenues	<u>813,634</u>	<u>425,235</u>
Expenses:		
Governmental Activities:		
Administration	35,190	34,460
Cost of Operations	540,710	368,182
Interest on long-term Debt	5,890	6,659
Unallocated	<u>44,980</u>	<u>115,927</u>
Total Expenses	<u>626,770</u>	<u>525,228</u>
Changes in net position	186,864	(99,993)
Net Position, January 1, restated	<u>1,796,140</u>	<u>440,130</u>
Net Position, December 31	<u>\$ 1,983,004</u>	<u>\$ 340,137</u>

Financial Analysis of the Governmental Funds

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

Governmental Funds - The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Fire District's governmental funds reported a combined ending fund balance of \$1,782,744, an increase of \$1,442,607, in comparison with the prior year.

The fund balance for the Fire District at the end of the fiscal year includes a combination of an unreserved fund balance for the General Fund of \$216,307, a deficit of \$143,397 for the Capital Projects Fund, \$21,289 of debt service fund balance reserved for other purposes, \$1,644,045 reserved for Length of Service Award Program, and \$44,500 restricted for future capital outlays.

General Fund Budgetary Highlights

At the end of the current fiscal year, the unassigned fund balance was \$216,307 and the total fund balance of the General Fund was \$260,807. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total General Fund expenditures. Actual expenditures of the General Fund including other financing uses amounted to \$451,905. Unassigned fund balance represents 47.87% of expenditures while total fund balance represents 57.71%.

Capital Asset and Debt Administration

The Fire District's investment in capital assets for its governmental activities as of December 31, 2017, totaled \$200,260 (net of accumulated depreciation). This investment in capital assets includes equipment. The decrease in the District's investment in capital assets for the current fiscal year was \$44,980, or 18.34%.

Capital Asset (net of accumulated depreciation) For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Equipment	\$ <u>200,260</u>	\$ <u>245,240</u>
Total	\$ <u><u>200,260</u></u>	\$ <u><u>245,240</u></u>

Additional information on the Fire District's capital assets can be found in the notes to the basic financial statements (Note 4) of this report.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$6,365,433. The available amount as of December 31, 2017 is \$6,365,433.

Additional information on the Fire District's debt obligations can be found in the notes to the basic financial statements (Note 4) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the Fire District's budget for the 2018 calendar year.

- For the 2018 calendar year the Fire District local tax levy in the General Fund increased by \$5,465 or 2.79% resulting in no increase in the 2018 tax rate. Operating expenses continue to increase; however, the District has managed to control costs. The 2018 Budget is \$12,383 greater than the previous year or a 2.2% increase. The increase is due to the down payment on the new rescue pumper truck.

For the Future

The Hopewell Borough Fire District No. 1 is in good financial condition presently. However, a major concern is the continued growth of Hopewell Township, which comprises approximately 70% of the annual service calls, and the ability to provide quality service at an affordable cost.

In conclusion, the Hopewell Borough Fire District No. 1 has committed itself to financial excellence for many years. In addition, the Fire District's system for financial planning and budgeting are well regarded. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the Fire District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hopewell Borough Fire District No. 1, Board of Fire Commissioners, P.O. Box 141, Hopewell, New Jersey, 08525.

Basic Financial Statements

District-Wide Financial Statements

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 340,700
Accounts receivable	4,004
	<u>344,704</u>
Total Current Assets	
Noncurrent Assets	
Investment in length of service award program	1,572,201
Receivables, net	71,844
	<u>1,644,045</u>
Total noncurrent assets	
Capital assets, net (Note 4)	<u>200,260</u>
Total assets	<u>2,189,009</u>
LIABILITIES:	
Accounts payable	62,608
Noncurrent liabilities:	
Due within one year	143,397
Due beyond one year	
	<u>206,005</u>
Total liabilities	
Net Position	
Net investment in capital assets	56,863
Restricted for:	
Capital projects	44,500
Debt Service	21,289
Investment in length of service award program	1,644,045
Unrestricted	216,307
	<u>2,189,009</u>
Total net position	<u>\$ 1,983,004</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Fund Financial Statements

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Assets:					
Current Assets					
Cash and cash equivalents	\$ 319,411	\$ -	\$ -	\$ 21,289	\$ 340,700
Receivables, net	4,004				4,004
Total Current Assets	323,415			21,289	344,704
Noncurrent Assets					
Investment in length of service award program	1,572,201				1,572,201
Receivables, net	71,844				71,844
Total Noncurrent Assets	1,644,045				1,644,045
Total assets	\$ 1,967,460	\$ -	\$ -	\$ 21,289	\$ 1,988,749
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	62,608				\$ 62,608
Bond Anticipation Notes Payable			143,397		143,397
Total liabilities	62,608		143,397		206,005
Fund Balances:					
Restricted Fund Balance:					
Reserved for future capital outlays	44,500				44,500
Investment in length of service award program	1,644,045				1,644,045
Assigned Fund Balance:					
Other purposes				21,289	21,289
Unassigned	216,307		(143,397)		72,910
Total fund balances	1,904,852		(143,397)	21,289	1,782,744
Total liabilities and fund balances	\$ 1,967,460	\$ -	\$ -	\$ 21,289	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,021,899 and the accumulated depreciation is \$1,821,639.

200,260

Net position of governmental activities

\$ 1,983,004

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended December 31, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 166,809	\$ -	\$ -	\$ 28,585	\$ 195,394
Municipal assistance	299,589				299,589
Investment income - length of service award program	312,037				312,037
Miscellaneous	5,613				5,613
Total revenues-local sources	784,048			28,585	812,633
State sources	1,001				1,001
Total revenues	785,049			28,585	813,634
EXPENDITURES:					
Current expense:					
Administration:					
Other expenses	35,190				35,190
Cost of Operations:					
Maintenance and repairs	94,604				94,604
Vehicle Fuel	7,488				7,488
Insurance	69,653				69,653
Building Rent	20,000				20,000
Training	9,989				9,989
Other expenses:					
Computer services	1,886				1,886
Uniforms	18,316				18,316
Ladies Auxiliary	2,000				2,000
Community services	833				833
Volunteer administration	1,284				1,284
Personnel	42,500				42,500
Fire department budget	8,971				8,971
Fire department administration	5,000				5,000
EMU budget	6,968				6,968
Service awards	2,000				2,000
Contingency	4,204				4,204
Purchase of nonbondable assets	9,466				9,466
Length of service award program					
Participant withdrawal	120,370				120,370
Administrative fee	3,625				3,625
Contributions	21,553				21,553
Capital Appropriations	90,000				90,000
Debt service				28,585	28,585
Total expenditures	575,900			28,585	604,485
Excess (deficiency) of revenues over (under) expenditures	209,149				209,149
Other Financing Sources (uses)					
Principal Payments - Bond Anticipation Notes			22,695		22,695
Total Other Financing Sources			22,695		22,695
Net Change in Fund Balances	209,149		22,695		231,844
Fund balances, January 1, unadjusted	239,700		(166,092)	21,289	94,897
Prior period adjustment (Note 13)	1,456,003				1,456,003
Fund balances, January 1, adjusted	1,695,703		(166,092)	21,289	1,550,900
Fund balances, December 31	\$ 1,904,852	\$ -	\$ (143,397)	\$ 21,289	\$ 1,782,744

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

HOPEWELL BOROUGH 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 Fiscal Year Ended December 31, 2017

Total net change in fund balances - governmental funds (from B-2)	\$ 231,844
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, on 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 current fiscal year.	
Depreciation expense	\$ (44,980)
Capital outlay	<u>(44,980)</u>
Change in net position of governmental activities	<u>\$ 186,864</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Borough of Hopewell Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Hopewell Borough Fire District No. 1 is located in Mercer County, New Jersey. It is a political subdivision of the Borough of Hopewell and was formed through the adoption of a Borough ordinance. As of the 2010 United States Census, the Borough's population was 1,924. 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 District charged with the responsibility of providing fire fighting services to the residents within its territorial location. Hopewell Borough Fire District No. 1 has one fire company within its jurisdiction.

Component Units - GASB Statement No. 14 and GASB No. 39, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that meet the criteria established by GASB statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2017, it has been determined by the District that no component units exist.

Basis of Presentation -The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The district's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses are not allocated to programs. Program revenues include charges paid by the recipients of goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level reporting. The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

General Fund - The General Fund is the general operating fund of the Fire District and is used to account for all expendable financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting 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 the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire houses. The financial resources are derived from temporary notes or serial 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 resources that will be used to service principal and interest payments on general long-term liabilities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the statement of Net Position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues and Expenses - Revenues are recorded when they are determined to be available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds

Fire District Taxes - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following 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.

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:14-78.3.

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 the approval of the legal voters. If the voters reject the budget, the Borough Council is required to review and determine the annual budget. Amounts reported under the final budget on Exhibits C-1 and I-3, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Fire District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

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.

The cash management plan adopted by the Fire District requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Inventories and Prepaid Expenses - Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditure during the year of purchase.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position

Capital Assets

These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The Fire District maintains a capitalization threshold of \$5,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not. All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	30 years
Building Improvements	20 years
Machinery and Equipment	5-20 years
Vehicles	5-20 years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mils on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent (2%) of the assessed valuation of property, whichever is larger.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 fund financial statements when due.

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 law or regulations of other governments.

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

It is the Fire District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are 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" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - This 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 (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This 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. 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 imposing the commitment.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Assigned – This 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. The Board of Fire Commissioners has the authority to assign amounts to be used for specific purposes.

Unassigned – This fund balance classification is the residual classification for the General Fund. It 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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the Fire District's policy to spend restricted fund balances first. Likewise, when an expenditure is 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, then unassigned.

Interfunds – 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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State 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.

Recently Issued Accounting Pronouncements - The following GASB Statement became effective for the fiscal year ended December 31, 2017:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67, and Amendments to Certain Provisions of GASB Statement No. 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of the Statement resulted in a prior period adjustment. See Note 13 for additional information.

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017 and will not have any effect on the District's financial reporting.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In March 2016, the GASB issued Statement 82, *Pension Issues*—an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the District's deposits may 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 Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust 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 shown as uninsured and uncollateralized. Of the Fire District's amount on deposit of \$355,088 as of December 31, 2017, \$250,000 was insured under FDIC and the remaining balance of \$105,088 was collateralized under GUDPA.

3. RECEIVABLES

Receivables as of year-end for the Fire District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Other Receivables	\$ 4,004	\$ -	\$ -	\$ 4,004
Total Accounts Receivable	<u>\$ 4,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,004</u>

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2017, was as follows:

	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	\$ 2,021,899			\$ 2,021,899
Totals at historical cost	<u>2,021,899</u>			<u>2,021,899</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	(1,776,659)	\$ (44,980)		(1,821,639)
Totals accumulated depreciation	<u>(1,776,659)</u>	<u>(44,980)</u>		<u>(1,821,639)</u>
Total Capital Assets, being depreciated, net	<u>245,240</u>	<u>(44,980)</u>	---	<u>200,260</u>
Governmental Activities Capital Assets, Net	<u>\$ 245,240</u>	<u>\$ (44,980)</u>	---	<u>\$ 200,260</u>

Depreciation expense in the amount of \$44,980 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Unallocated	\$ 44,980
Total	<u>\$ 44,980</u>

5. LONG-TERM OBLIGATIONS

Serial Bonds Payable - As of December 31, 2017 the District had no serial bonds outstanding.

Capital Leases Payable - As of December 31, 2017 the District had no capital leases outstanding.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

6. SHORT-TERM DEBT

Bond Anticipation Notes Payable

The District issues bond anticipation notes to temporarily fund various capital projects. The term of the notes can not exceed one year from the date of issuance however the notes may be renewed from time to time for a period not to exceed one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes.

As of December 31, 2017, the District had outstanding bond anticipation notes as follows:

<u>Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Self-Contained			
Breathing Apparatus	\$ 30,144	3.50%	December 14, 2018
Fire Truck	\$ 113,253	3.50%	March 21, 2018

7. PENSION PLANS

The District has no employees and therefore does not participate in the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP).

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. The District has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The District maintains commercial insurance for all risks of loss, including property, liability, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. PROPERTY TAXES

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$ <u>.070</u>	\$ <u>.060</u>	\$ <u>.060</u>	\$ <u>.051</u>	\$ <u>.060</u>

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

9. PROPERTY TAXES (Continued)

Assessed Valuation

2017	\$ 318,271,655			
2016		\$ 317,720,355		
2015			\$ 318,551,155	
2014				\$ 342,882,955
2013				\$ 342,882,955

10. FUND BALANCES

The Fire District has classified its fund balances with the following hierarchy:

Nonspendable – The Fire District does not have any nonspendable funds.

Spendable – The Fire District has classified the spendable fund balances as *Restricted*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred. The Fire District currently has no funds classified as *Committed*.

Restricted Items:

General Fund:

Reserve for Future Capital Outlays – As of December 31, 2017, the balance in the Reserve for Future Capital Outlays is \$44,500.

Assigned:

Debt Service Fund:

Other Purposes – At December 31, 2017 the Fire District has \$21,289 of encumbrances outstanding for purchase orders and contracts signed by the Fire District, but not completed, as of the close of the fiscal year.

Unassigned:

General Fund:

The balance at December 31, 2017 is \$216,307.

Capital Projects Fund:

The Fire District has an accumulated deficit of \$143,397 as of December 31, 2017. This deficit is the result of utilizing temporary financing to fund expenditures for certain capital projects. As the Fire District permanently finances these appropriations the Fire district will realize as revenue the proceeds of the financing. This deficit does not indicate that the Fire District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

10. FUND BALANCES (Continued)

The following presents the assigned and unassigned fund balance as of the last five years and the amount utilized in the subsequent year's budget.

<u>Year</u>	<u>Balance</u> <u>Dec. 31,</u>	<u>Utilized In</u> <u>Budget Of</u> <u>Succeeding Year</u>	<u>Percentage</u> <u>Budget of</u> <u>Succeeding Year</u>
2017	\$ 216,307	\$ -0-	-0-%
2016	195,200	-0-	-0-%
2015	218,301	-0-	-0-%
2014	210,317	-0-	-0-%
2013	168,353	-0-	-0-%

11. 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 pursuant to Section 457 (e)(1)(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 the volunteer fire department and the first aid organization.

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 \$477.94 and \$1,601.53 for the year ended December 31, 2017, 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.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2017

11. LENGTH OF SERVICE AWARDS PROGRAM (Continued)

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, 2017, no participants' accounts were forfeited.

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.

12. SUBSEQUENT EVENTS

On March 9, 2018 the District entered into a capital lease agreement with Community First National Bank for the acquisition of a new Rescue Pumper. The lease consists of nine annual payments of \$68,388 totaling \$511,533 beginning on March 1, 2019 and ending on March 1, 2027.

13. PRIOR PERIOD ADJUSTMENT

	<u>Governmental Activities</u>	<u>General Fund</u>
Net position as previously reported on December 31, 2016	\$ 340,137	\$ 239,700
Prior Period Adjustment - implementation of GASB 73: Length of service award program	<u>1,456,003</u>	<u>1,456,003</u>
Net position as restated January 1, 2017	<u><u>\$ 1,796,140</u></u>	<u><u>\$ 1,695,703</u></u>

Required Supplementary Information - Part II

Budgetary Comparison Schedules

HOPEWELL BOROUGH FIRE DISTRICT NO.1
 Budgetary Comparison Schedule
 General Fund
 Fiscal Year Ended December 31, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
District Tax	\$ 166,809	\$ -	\$ 166,809	\$ 166,809	\$ -
Municipal Assist from Adjoining Municipality	359,090		359,090	299,589	(59,501)
Miscellaneous				5,613	5,613
Total local sources	525,899	-	525,899	472,011	(53,888)
State sources:					
Supplemental Fire Services Grant	1,001		1,001	1,001	-
Total state sources	1,001	-	1,001	1,001	-
TOTAL REVENUES	526,900	-	526,900	473,012	(53,888)
EXPENDITURES:					
GENERAL EXPENSE:					
Administration:					
Other Expenses:					
Office expense	9,800	2,000	11,800	10,930	870
Office services	9,000	-	9,000	9,000	-
Reimbursement of expenses	800	-	800	480	320
Advertising	1,000	500	1,500	1,480	20
Professional services	13,300	-	13,300	13,300	-
Total Administration	33,900	2,500	36,400	35,190	1,210

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

HOPEWELL BOROUGH FIRE DISTRICT NO.1
 Budgetary Comparison Schedule
 General Fund
 Fiscal Year Ended December 31, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Cost of Operations:					
Other Expenses:					
Maintenance & Repairs	\$ 78,500	\$ 19,000	\$ 97,500	\$ 94,604	\$ 2,896
Vehicle Fuel	12,500	(2,500)	10,000	7,488	2,512
Insurance	80,000	(10,000)	70,000	69,653	347
Building Rent	20,000		20,000	20,000	-
Training and Education	18,000	(7,000)	11,000	9,989	1,011
Other Expenses:					
Computer services	1,000	1,000	2,000	1,886	114
Uniforms	17,000	3,000	20,000	18,316	1,684
Ladies Auxiliary	2,000		2,000	2,000	-
Community services	1,000	-	1,000	833	167
Volunteer administration	1,500		1,500	1,284	216
Personnel	44,500	(2,000)	42,500	42,500	-
Fire department budget	9,000	-	9,000	8,971	29
Fire department administration	5,000		5,000	5,000	-
EMU budget	7,000	-	7,000	6,968	32
Service awards	2,000	-	2,000	2,000	-
Contingency	5,000	-	5,000	4,204	796
Purchase of nonbondable assets	14,000	(4,000)	10,000	9,466	534
Total Other Expense	318,000	(2,500)	315,500	305,162	10,338
Total Cost of Operations	318,000	(2,500)	315,500	305,162	10,338
Length of Service Award Program	85,000		85,000	21,553	63,447
Capital Appropriations:					
Rescue Pumper Apparatus	90,000		90,000	90,000	
Total Capital Appropriations	90,000		90,000	90,000	-
Total Expenditures	526,900	-	526,900	451,905	74,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	-		-	21,107	21,107
Fund Balance, January 1	239,700	-	239,700	239,700	-
Fund Balance, December 31	\$ 239,700	\$ -	\$ 239,700	\$ 260,807	\$ 21,107
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserve for Future Capital Outlays				\$ 44,500	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures					
Unassigned Fund Balance				216,307	
Total - budgetary basis				260,807	
Reconciliation to governmental fund statements (GAAP):					
Length of service award program investment balance not recognized on the budgetary basis				1,644,045	
Fund Balance per Governmental Funds (GAAP)				\$ 1,904,852	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Notes to Required Supplementary Information
Budgetary Comparison

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	<u>General Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 473,012
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Investment income related to length of service award program	<u>312,037</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 785,049</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 451,905
Differences - budget to GAAP	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Length of service award program	
Administrative fees	3,625
Participant withdrawals	<u>120,370</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 575,900</u>

Other Supplementary Information

Long-Term Debt Schedules

HOPEWELL BOROUGH FIRE DISTRICT NO.1
 Budgetary Comparison Schedule
 Debt Service Fund
 Fiscal Year Ended December 31, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 28,585	\$ -	\$ 28,585	\$ 28,585	\$ -
Total revenues - local sources	<u>28,585</u>	<u>-</u>	<u>28,585</u>	<u>28,585</u>	<u>-</u>
 Total Revenues	 <u>28,585</u>	 <u>-</u>	 <u>28,585</u>	 <u>28,585</u>	 <u>-</u>
 EXPENDITURES:					
Regular debt service:					
Principal	22,695		22,695	22,695	-
Interest	<u>5,890</u>	<u>-</u>	<u>5,890</u>	<u>5,890</u>	<u>-</u>
Total Expenditures	<u>28,585</u>	<u>-</u>	<u>28,585</u>	<u>28,585</u>	<u>-</u>
 Excess (Deficiency) of revenues over (under) expenditures	 -		 -	 -	
 Fund Balances, January 1	 <u>21,289</u>	 <u>-</u>	 <u>21,289</u>	 <u>21,289</u>	
Fund Balances, December 31	<u>\$ 21,289</u>	<u>\$ -</u>	<u>\$ 21,289</u>	<u>\$ 21,289</u>	<u>\$ -</u>

General Comments and Recommendations

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the reportable conditions, 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 the requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

None.

SUMMARY SCHEDULE OF PRIOR YEAR REPORTABLE CONDITIONS AND OTHER FINDINGS AS PREPARED BY MANAGEMENT

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

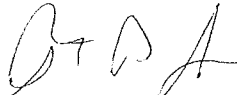
There were no prior year audit findings.

APPRECIATION

I express my appreciation for the assistance and courtesies extended to the audit team by the Fire District Commissioners during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

May 31, 2018