

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

**REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2018**

HOPEWELL BOROUGH FIRE DISTRICT NO. 1

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Introductory Section

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

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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, 2018, 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, 2018, 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.

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 24, 2019 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



Robert P. Inverso

Certified Public Accountant

Marlton, New Jersey
May 24, 2019

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, 2018, 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 24, 2019.

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

A handwritten signature in black ink, appearing to read 'R. Inverso'.

Robert P. Inverso

Certified Public Accountant

Marlton, New Jersey
May 24, 2019

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, 2018**

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, 2018.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,921,833.
- Governmental activities have unrestricted net position of \$236,454.
- The total net position of the Fire District decreased by \$61,171 or a 3.08% increase from the prior fiscal year-end balance.
- Fund balance of the Fire District's governmental funds decreased by \$39,455 resulting in an ending fund balance of \$1,743,289. 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 2019.

An investment of \$706,280 in equipment which provides the services to the Fire District's citizens is offset by \$631,630 in related debt obligations. Net position of \$44,500 has been restricted for future capital outlays and \$5,087 is designated for debt service.

Hopewell Borough Fire District No. 1
Net Position
For the Year Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 348,063	\$ 344,704
Capital assets	706,280	200,260
Length of Service Award, Net	<u>1,561,142</u>	<u>1,644,045</u>
Total assets	<u>2,615,485</u>	<u>2,189,009</u>
Liabilities:		
Current Liabilities	231,064	206,005
Noncurrent Liabilities	<u>462,588</u>	<u></u>
Total liabilities	<u>693,652</u>	<u>206,005</u>
Total Net Position	\$ <u>1,921,833</u>	\$ <u>1,983,004</u>
Net position consists of:		
Net investment in Capital Assets	\$ 74,650	\$ 56,863
Restricted	1,610,729	1,709,834
Unrestricted	<u>236,454</u>	<u>216,307</u>
Total Net Position	\$ <u>1,921,833</u>	\$ <u>1,983,004</u>

Governmental Activities

Governmental activities decreased the net position of the Fire District by \$61,171 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Net decrease of \$39,455 due to results of operation of the Governmental Funds.
- Net decrease of \$73,980 in depreciation expense.

Hopewell Borough Fire District No. 1
Changes in Net Position
For the Year Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
General Revenues:		
Property Taxes	\$ 200,859	\$ 195,394
Municipal Assistance	304,808	299,589
Length of Service Award Program	76,869	312,037
Other Revenues	5,618	6,614
Total Revenues	588,154	813,634
Expenses:		
Governmental Activities:		
Administration	38,805	35,190
Cost of Operations	515,263	540,710
Interest on long-term Debt	21,277	5,890
Unallocated	73,980	44,980
Total Expenses	649,325	626,770
Changes in net position	(61,171)	186,864
Net Position, January 1, restated	1,983,004	1,796,140
Net Position, December 31	\$ 1,921,833	\$ 1,983,004

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 \$1,743,289, a decrease of \$39,455, 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 \$236,454, a deficit of \$120,097 for the Capital Projects Fund, \$21,290 of debt service fund balance reserved for other purposes, \$1,561,142 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 \$236,454 and the total fund balance of the General Fund was \$280,954. 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 \$974,296. Unassigned fund balance represents 24,26% of expenditures while total fund balance represents 28,83%.

Capital Asset and Debt Administration

The Fire District's investment in capital assets for its governmental activities as of December 31, 2018, totaled \$706,280 (net of accumulated depreciation). This investment in capital assets includes equipment. The increase in the District's investment in capital assets for the current fiscal year was \$506,020, or 352.68%.

Capital Asset (net of accumulated depreciation) For the Year Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Equipment	\$ <u>706,280</u>	\$ <u>200,260</u>
Total	\$ <u><u>706,280</u></u>	\$ <u><u>200,260</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 \$6,365,701. The available amount as of December 31, 2018 is \$6,245,604.

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 2019 calendar year.

- For the 2019 calendar year the Fire District local tax levy in the General Fund increased by \$7,350 or 3.65% resulting in no increase in the 2019 tax rate. Operating expenses continue to increase; however, the District has managed to control costs. The 2019 Budget is \$19,832 greater than the previous year or a 3.5% increase. The increase is due to increased costs of operation and maintenance.

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, 2018

	Governmental Activities
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 343,058
Accounts receivable	5,005
	<hr/>
Total Current Assets	348,063
	<hr/>
Noncurrent Assets	
Investment in length of service award program	1,484,273
Receivables, net	76,869
	<hr/>
Total noncurrent assets	1,561,142
	<hr/>
Capital assets, net (Note 4)	706,280
	<hr/>
Total assets	2,615,485
	<hr/>
LIABILITIES:	
Accounts payable	45,819
Accrued interest	16,203
Noncurrent liabilities:	
Due within one year	169,042
Due beyond one year	462,588
	<hr/>
Total liabilities	693,652
	<hr/>
Net Position	
Net investment in capital assets	74,650
Restricted for:	
Capital projects	44,500
Debt Service	5,087
Investment in length of service award program	1,561,142
Unrestricted	236,454
	<hr/>
Total net position	\$ 1,921,833
	<hr/> <hr/>

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

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Statement of Activities
For the Fiscal Year Ended December 31, 2018

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:					
Administration:					
Other expenses	\$ 38,805	\$ -	\$ -	\$ -	\$ (38,805)
Cost of operations:					
Maintenance and repairs	83,920				(83,920)
Vehicle fuel	10,619				(10,619)
Insurance	86,651				(86,651)
Building rent	22,000				(22,000)
Training and education	15,527				(15,527)
Other expenses:					
Computer	645				(645)
Uniforms	25,931				(25,931)
Ladies auxiliary	2,000				(2,000)
Community services	747				(747)
Volunteer administration	1,630				(1,630)
Personnel	45,000				(45,000)
Fire department budget	8,324				(8,324)
Fire department administration	5,000				(5,000)
EMU budget	6,874				(6,874)
Service awards	2,000				(2,000)
Contingency					
Purchase of nonbondable assets	15,562				(15,562)
Length of service award program	182,833				(182,833)
Debt service:					
Interest and other charges	21,277				(21,277)
Unallocated		73,980			(73,980)
Total governmental activities	575,345	73,980			(649,325)
Total primary government	\$ 575,345	\$ 73,980	\$ -	\$ -	\$ (649,325)
General revenues:					
Taxes:					
District taxes, levied for general purposes, net					200,859
Federal and State aid not restricted					1,001
Municipal assistance					304,808
Length of service award program					76,869
Miscellaneous income					4,617
Total general revenues, special items, extraordinary items and transfers					588,154
Change in Net Position					(61,171)
Net Position - January 1					1,983,004
Net Position - December 31					\$ 1,921,833

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, 2018

ASSETS	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Current Assets				
Cash and cash equivalents	\$ 321,768	\$ -	\$ 21,290	\$ 343,058
Receivables, net	5,005			5,005
Total Current Assets	326,773		21,290	348,063
Noncurrent Assets				
Investment in length of service award program	1,484,273			1,484,273
Receivables, net	76,869			76,869
Total Noncurrent Assets	1,561,142			1,561,142
 Total assets	 <u>\$ 1,887,915</u>	 <u>\$ -</u>	 <u>\$ 21,290</u>	 <u>\$ 1,909,205</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	45,819			\$ 45,819
Bond Anticipation Notes Payable		120,097		120,097
Total liabilities	45,819	120,097		165,916
Fund Balances:				
Restricted Fund Balance:				
Reserved for future capital outlays	44,500			44,500
Investment in length of service award program	1,561,142			1,561,142
Assigned Fund Balance:				
Other puposes			21,290	21,290
Unassigned	236,454	(120,097)		116,357
Total fund balances	1,842,096	(120,097)	21,290	1,743,289
Total liabilities and fund balances	<u>\$ 1,887,915</u>	<u>\$ -</u>	<u>\$ 21,290</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,325,129 and the accumulated depreciation is \$1,618,849. 706,280

Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds. (16,203)

The following long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:
 Capital Leases Payable (511,533)

Net position of governmental activities \$ 1,921,833

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, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources:				
Local tax levy	\$ 104,017	\$ -	\$ 96,842	\$ 200,859
Municipal assistance	304,808			304,808
Budget Appropriation- Length of service award program	76,869			76,869
Miscellaneous	4,617			4,617
Total revenues - local sources	490,311		96,842	587,153
State sources	1,001			1,001
Total revenues	491,312		96,842	588,154
EXPENDITURES:				
Current expense:				
Administration:				
Other expenses	38,805			38,805
Cost of operations:				
Maintenance and repairs	83,920			83,920
Vehicle fuel	10,619			10,619
Insurance	86,651			86,651
Building rent	22,000			22,000
Training and education	15,527			15,527
Other expenses:				
Computer services	645			645
Uniforms	25,931			25,931
Ladies auxiliary	2,000			2,000
Community services	747			747
Volunteer administration	1,630			1,630
Personnel	45,000			45,000
Fire department budget	8,324			8,324
Fire department administration	5,000			5,000
EMU budget	6,874			6,874
Service awards	2,000			2,000
Contingency				
Purchase of nonbondable assets	15,562			15,562
Length of service award program:				
Participant withdrawal	77,547			77,547
Administrative fee	3,902			3,902
Decrease in investment value	78,323			78,323
Contributions	23,061			23,061
Capital appropriations	580,000			580,000
Debt service			96,841	96,841
Total expenditures	1,134,068		96,841	1,230,909
Excess (deficiency) of revenues over (under) expenditures	(642,756)		1	(642,755)
Other Financing Sources (uses):				
Proceeds of capital leases	580,000			580,000
Principal payments - Bond Anticipation Notes		23,300		23,300
Total Other Financing Sources	580,000	23,300		603,300
Net Change in Fund Balances	(62,756)	23,300	1	(39,455)
Fund balances, January 1	1,904,852	(143,397)	21,289	1,782,744
Fund balances, December 31	\$ 1,842,096	\$ (120,097)	\$ 21,290	\$ 1,743,289

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, 2018

Total net change in fund balances - governmental funds (from B-2)	\$	(39,455)
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	\$	(73,980)
Fixed asset additions	<u>580,000</u>	506,020
The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.		(580,000)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		(16,203)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		<u>68,467</u>
Change in net position of governmental activities	<u>\$</u>	<u>(61,171)</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, 2018

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, 2018, 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, 2018

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, 2018

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, 2018

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. 17:9-41et 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, 2018

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, 2018

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

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 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.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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 August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. This Statement is designed to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. 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.

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 \$352,414 as of December 31, 2018, \$250,000 was insured under FDIC and the remaining balance of \$102,414 was collateralized under GUDPA.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

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	\$ 5,005	\$ -	\$ -	\$ 5,005
Total Accounts Receivable	<u>\$ 5,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,005</u>

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2018, was as follows:

	<u>Balance December 31, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2018</u>
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	\$ 2,021,899	580,000	(276,770)	\$ 2,325,129
Totals at historical cost	<u>2,021,899</u>	<u>580,000</u>	<u>(276,770)</u>	<u>2,325,129</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	(1,821,639)	\$ (73,980)	276,770	(1,618,849)
Totals accumulated depreciation	<u>(1,821,639)</u>	<u>(73,980)</u>	<u>276,770</u>	<u>(1,618,849)</u>
Total Capital Assets, being depreciated, net	<u>200,260</u>	<u>506,020</u>	<u>---</u>	<u>706,280</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,260</u>	<u>\$ 506,020</u>	<u>---</u>	<u>\$ 706,280</u>

Depreciation expense in the amount of \$73,980 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Unallocated	\$ 73,980
Total	<u>\$ 73,980</u>

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

5. LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2018, the following changes occurred in long-term obligations:

	<u>Principal Outstanding Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding Dec. 31, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Lease Payable	\$ -	\$ 580,000	\$ 68,467	\$ 511,533	\$ 48,945
	<u>\$ -</u>	<u>\$ 580,000</u>	<u>\$ 68,467</u>	<u>\$ 511,533</u>	<u>\$ 48,945</u>

Serial Bonds Payable - As of December 31, 2018 the District had no serial bonds outstanding.

Capital Leases Payable – The District has entered into the following capital lease agreements as of December 31, 2018:

<u>Equipment</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
Pumper Fire Truck	March 9, 2018	3.8874%	\$ 580,000

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2018:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 48,945	\$ 19,443	\$ 68,388
2020	50,405	17,983	68,388
2021	52,365	16,023	68,388
2022	54,401	13,987	68,388
2023	56,515	11,873	68,388
2024	58,712	9,676	68,388
2025	60,995	7,393	68,388
2026	63,366	5,022	68,388
2027	65,829	2,559	68,388
	<u>\$ 511,533</u>	<u>\$ 103,959</u>	<u>\$ 615,492</u>

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.

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

6. SHORT-TERM DEBT (Continued)

As of December 31, 2018, 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	\$ 24,115	3.50%	December 14, 2019
Fire Truck	\$ 95,982	3.50%	March 21, 2019

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$.070	\$.070	\$.060	\$.060	\$.051

Assessed Valuation

2018	\$ 317,835,055				
2017		\$ 318,271,655			
2016			\$ 317,720,355		
2015				\$ 318,551,155	
2014					\$ 342,882,955

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

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, 2018, the balance in the Reserve for Future Capital Outlays is \$44,500.

Investment in Length of Service Award Program – As of December 31, 2018, the balance in Investment in Length of Service award Program is \$1,561,142.

Assigned:

Debt Service Fund:

Other Purposes – At December 31, 2018 the Fire District has \$21,290 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, 2018 is \$236,454.

Capital Projects Fund:

The Fire District has an accumulated deficit of \$120,097 as of December 31, 2018. 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.

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>
2018	\$ 236,454	\$ -0-	-0-%
2017	216,307	-0-	-0-%
2016	195,200	-0-	-0-%
2015	218,301	-0-	-0-%
2014	210,317	-0-	-0-%

Hopewell Borough Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2018

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)(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 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, 2018, 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.

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

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
District Tax	\$ 101,591	\$ -	\$ 101,591	\$ 104,017	\$ 2,426
Municipal Assist from Adjoining Municipality	366,008		366,008	304,808	(61,200)
Miscellaneous				4,617	4,617
Total local sources	467,599	-	467,599	413,442	(54,157)
State sources:					
Supplemental Fire Services Grant	1,001		1,001	1,001	-
Total state sources	1,001	-	1,001	1,001	-
TOTAL REVENUES	468,600	-	468,600	414,443	(54,157)
EXPENDITURES:					
GENERAL EXPENSE:					
Administration:					
Other Expenses:					
Office expense	11,300	1,700	13,000	11,673	1,327
Office services	9,500	-	9,500	9,500	-
Reimbursement of expenses	1,200	-	1,200	1,070	130
Advertising	1,500	-	1,500	1,262	238
Professional services	15,500	(200)	15,300	15,300	-
Total Administration	39,000	1,500	40,500	38,805	1,695

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, 2018

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Cost of Operations:					
Other Expenses:					
Maintenance & Repairs	\$ 86,000	\$ 5,350	\$ 91,350	\$ 83,920	\$ 7,430
Vehicle Fuel	12,500	(1,200)	11,300	10,619	681
Insurance	85,000	2,300	87,300	86,651	649
Building Rent	22,000	-	22,000	22,000	-
Training and Education	18,000	(2,200)	15,800	15,527	273
Other Expenses:					
Computer services	1,600	(350)	1,250	645	605
Uniforms	28,000	(1,600)	26,400	25,931	469
Ladies Auxiliary	2,000	-	2,000	2,000	-
Community services	1,000	-	1,000	747	253
Volunteer administration	1,500	200	1,700	1,630	70
Personnel	45,000	-	45,000	45,000	-
Fire department budget	9,000	(600)	8,400	8,324	76
Fire department administration	5,000	-	5,000	5,000	-
EMU budget	7,000	-	7,000	6,874	126
Service awards	2,000	-	2,000	2,000	-
Contingency	5,000	(5,000)	-	-	-
Purchase of nonbondable assets	14,000	1,600	15,600	15,562	38
Total Other Expense	344,600	(1,500)	343,100	332,430	10,670
Total Cost of Operations	344,600	(1,500)	343,100	332,430	10,670
Length of Service Award Program	85,000	-	85,000	23,061	61,939
Capital Appropriations:					
Assets acquired under capital lease (non-budgeted):					
Pumper Fire Truck	-	-	-	580,000	(580,000)
Total Capital Appropriations	-	-	-	580,000	(580,000)
Total Expenditures	468,600	-	468,600	974,296	(505,696)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(559,853)	(559,853)
Other Financing Sources:					
Proceeds from capital lease	-	-	-	580,000	580,000
Total other financing sources	-	-	-	580,000	580,000
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources	-	-	-	20,147	20,147
Fund Balance, January 1	260,807	-	260,807	260,807	-
Fund Balance, December 31	\$ 260,807	\$ -	\$ 260,807	\$ 280,954	\$ 20,147
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				236,454	
Total - budgetary basis				280,954	
Reconciliation to governmental fund statements (GAAP):					
Length of service award program investment balance not recognized on the budgetary basis				1,561,142	
Fund Balance per Governmental Funds (GAAP)				\$ 1,842,096	

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	\$ 414,443
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Budget appropriation related to length of service award program	<u>76,869</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 491,312</u></u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 974,296
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	3,902
Decrease in Investment Value	78,323
Participant withdrawals	<u>77,547</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,134,068</u></u>

Other Supplementary Information

Long-Term Debt Schedules

HOPEWELL BOROUGH FIRE DISTRICT NO.1
General Long-Term Debt Account Group
Schedule of Capital Leases Payable
December 31, 2018

<u>Purpose</u>	<u>Dated</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance January 1, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2018</u>
Pumper Fire Truck	3/9/2018	3.8874%	\$ 580,000	\$ -	\$ 580,000	\$ 68,467	\$ 511,533
			Total	\$ -	\$ 580,000	\$ 68,467	\$ 511,533

HOPEWELL BOROUGH FIRE DISTRICT NO.1
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended December 31, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 99,268	\$ -	\$ 99,268	\$ 96,842	\$ (2,426)
Total revenues - local sources	<u>99,268</u>	<u></u>	<u>99,268</u>	<u>96,842</u>	<u>(2,426)</u>
 Total Revenues	 <u>99,268</u>	 <u></u>	 <u>99,268</u>	 <u>96,842</u>	 <u>(2,426)</u>
 EXPENDITURES:					
Regular debt service:					
Principal	71,193	21,187	92,380	92,380	-
Interest	<u>28,075</u>	<u>(21,187)</u>	<u>6,888</u>	<u>4,461</u>	<u>2,427</u>
Total Expenditures	<u>99,268</u>	<u></u>	<u>99,268</u>	<u>96,841</u>	<u>2,427</u>
 Excess (Deficiency) of revenues over (under) expenditures	 -		 -	 1	 1
Fund Balances, January 1	<u>21,289</u>	<u></u>	<u>21,289</u>	<u>21,289</u>	<u></u>
Fund Balances, December 31	<u>\$ 21,289</u>	<u>\$ -</u>	<u>\$ 21,289</u>	<u>\$ 21,290</u>	<u>\$ 1</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 24, 2019