

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

**MERCER COUNTY,  
NEW JERSEY**

**LENGTH OF SERVICE AWARDS  
PROGRAM**

**FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**

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

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

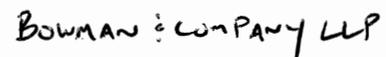
We have reviewed the accompanying statements of net assets available for program benefits for the Township of Hopewell Fire District No. 1, Length of Service Awards Program, as of December 31, 2010 and 2009, and the related statements of changes in net assets available for program benefits for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Fire District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Fire District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



**BOWMAN & COMPANY** LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 29, 2011

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
**LENGTH OF SERVICE AWARDS PROGRAM**  
 Comparative Statements of Net Assets Available for Program Benefits  
 As of December 31, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Investments	\$ 371,153.13	\$ 289,009.17
Receivable:		
Fire District's Contributions	<u>59,734.98</u>	<u>59,086.50</u>
Total Assets	<u>430,888.11</u>	<u>348,095.67</u>
 <b>LIABILITIES AND NET ASSETS:</b>		
Net Assets Available for Program Benefits	<u><u>\$ 430,888.11</u></u>	<u><u>\$ 348,095.67</u></u>

See Independent Accountants' Review Report and accompanying Notes to the Financial Statements.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
**LENGTH OF SERVICE AWARDS PROGRAM**  
 Comparative Statements of Changes in Net Assets Available for Program Benefits  
 For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
INCREASES IN NET ASSETS:		
Additions to Net Assets Attributed to:		
Fire District's Contributions	\$ 54,711.48	\$ 59,086.50
Increase in Investment Value	<u>42,080.42</u>	<u>56,083.19</u>
Total Increases in Net Assets	<u>96,791.90</u>	<u>115,169.69</u>
DECREASES IN NET ASSETS:		
Decreases from Net Assets Attributed to:		
Benefits Paid to Participants	10,630.17	6,042.69
Administration Expenses	2,484.59	2,025.00
Miscellaneous	<u>884.70</u>	<u>24,634.00</u>
Total Decreases in Net Assets	<u>13,999.46</u>	<u>32,701.69</u>
Net Increase (Decrease) in Net Assets	82,792.44	82,468.00
Net Assets, Beginning	<u>348,095.67</u>	<u>265,627.67</u>
Net Assets, Ending	<u>\$ 430,888.11</u>	<u>\$ 348,095.67</u>

See Independent Accountants' Review Report and accompanying Notes to the Financial Statements.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
**LENGTH OF SERVICE AWARDS PROGRAM**  
Notes to Financial Statements  
For the Years Ended December 31, 2010 and 2009

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**Note 1: DESCRIPTION OF THE PLAN**

The following description of the Township of Hopewell Fire District No. 1 ("Fire District") Length of Service Awards Program ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**General**

The Plan, a defined contribution plan, was created by a Fire District Resolution adopted on December 9, 1999 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the Fire District approved the adoption of the Plan at the annual election held on February 19, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency service volunteers, consisting of the volunteer fire department and the first aid organization, 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.

**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 \$463.14 and \$1,526.27 for the year ended December 31, 2010, and \$442.35 and \$1,484.70 for the year ended December 31, 2009, 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 Plan currently offers forty-eight mutual funds, a money market fund, and a fixed investment option.

**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. In accordance with the amendments to Section 457 of the Internal Revenue Code, and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

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. Since the Fire District is not considered to be holding the assets, the Length of Service Awards Program is not presented in the Fire District's financial statements.

**Vesting**

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service. Any volunteer who has already successfully completed five (5) years or more of service as an active member in good standing became one hundred percent (100%) vested at the onset of the program. Any member who has successfully completed four (4) years of service as an active member in good standing will be one hundred percent (100%) vested after one (1) additional year of service, and so forth.

**Note 1: DESCRIPTION OF THE PLAN (CONT'D)****Forfeited Accounts**

For the years ended December 31, 2010 and 2009, no accounts were forfeited.

**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.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The financial statements of the Plan are prepared on the accrual basis of accounting. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The stable value account investment (fixed earnings investment) is presented at contract value, which approximates fair value. Contract value represents contributions received plus interest earned to date, less applicable charges and amounts withdrawn. The interest rate credited to the account is based on the overall rate of return for the entire portfolio.

The assets held in the group annuity contract are actuarially valued as reported by Lincoln Financial Group.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the mutual funds.

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

**Receivables, Payables, and Benefits Paid**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to remain uncollectible. Contributions due from the Fire District are recognized when due, since the Fire District has a legal requirement to make the contribution.

Liabilities for items other than benefits are recognized when incurred. Benefits payable, including accrued benefits and amounts allocated to accounts of vested persons who have elected to withdraw from the Plan, are not recognized until paid. Vested accumulated deferrals shall be paid to the participant in one or more installments as elected by the participant.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Assets**

The difference between Plan assets and Plan liabilities is reported as net assets available for benefits.

**Subsequent Events**

Subsequent events have been evaluated through June 29, 2011, which is the date the financial statements were available to be issued. No additional subsequent event disclosures are required.

**Note 3: INVESTMENTS**

An investment agreement was entered into at the inception of the Plan between the Fire District and the Plan Administrator, whereby the Plan Administrator would have custody of the securities of the Plan and also advises the Fire District as to investment alternatives.

The investments consist of a money market fund, mutual funds and fixed investment options. Each participant may choose his/her allocation from among these investments. The investments are made by the Plan Administrator for benefit of plan participants. The investments are valued at fair value at the end of each year and the increase/decrease is posted to the participant's account.

The fair value of the Plan's investments at December 31, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Money Market Fund	\$ 13,767.22	\$ 12,463.83
Mutual Funds	294,654.46	224,916.90
Fixed Investments	<u>62,731.45</u>	<u>51,628.44</u>
	<u>\$ 371,153.13</u>	<u>\$ 289,009.17</u>

During 2010 and 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$42,080.42 and \$56,083.19 respectively, as follows:

	<u>2010</u>	<u>2009</u>
Money Market Fund	\$ (129.52)	\$ (87.53)
Mutual Funds	40,207.85	54,174.22
Fixed Investments	<u>2,002.09</u>	<u>1,996.50</u>
	<u>\$ 42,080.42</u>	<u>\$ 56,083.19</u>

**Note 4: PLAN TERMINATION**

Although the Fire District has not expressed any intent to do so, a length of service awards program, pursuant to N.J.S.A. 40A:14-187 and N.J.A.C. 5:30-11.08, may be abolished or amended in the same way by which it was created, except in the case of minor amendments. Upon such termination, vested accumulated deferrals will be paid.

**Note 5: RECEIVABLES**

Receivables as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Fire District Contribution Receivable	<u>\$ 59,734.98</u>	<u>\$ 59,086.50</u>

**Note 6: TAX STATUS**

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Fire District has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan administrator and the management of the Fire District believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code.

**Note 7: RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
**LENGTH OF SERVICE AWARDS PROGRAM**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
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For the Year Ended December 31, 2010

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This section identifies any instances of noncompliance with applicable statutes and regulations governing Length of Service Awards Programs disclosed during our review.

None.

**APPRECIATION**

We express our appreciation for the assistance and courtesies rendered by the Fire District officials and the Plan Administrator during the course of this review engagement.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

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Certified Public Accountants  
& Consultants

