

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

**MERCER COUNTY,  
NEW JERSEY**

**LENGTH OF SERVICE AWARDS  
PROGRAM**

**FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013**

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

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**INDEPENDENT ACCOUNTANT'S 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, 2014 and 2013, 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 plan 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  
May 5, 2015

**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, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments	\$ 712,908.43	\$ 631,067.63
Receivable:		
Fire District's Contributions	<u>54,416.94</u>	<u>58,112.80</u>
Total Assets	<u>767,325.37</u>	<u>689,180.43</u>
LIABILITIES AND NET ASSETS:		
Net Assets Available for Program Benefits	<u><u>\$ 767,325.37</u></u>	<u><u>\$ 689,180.43</u></u>

See independent accountant's 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
INCREASES IN NET ASSETS:		
Additions to Net Assets Attributed to:		
Fire District's Contributions	\$ 54,416.94	\$ 58,112.80
Increase in Investment Value	<u>50,799.92</u>	<u>101,316.61</u>
Total Increases in Net Assets	<u>105,216.86</u>	<u>159,429.41</u>
DECREASES IN NET ASSETS:		
Decreases in Net Assets Attributed to:		
Benefits Paid to Participants	23,437.87	23,362.53
Administration Expenses	2,450.00	5,241.87
Miscellaneous	<u>1,184.05</u>	<u>                    </u>
Total Decreases in Net Assets	<u>27,071.92</u>	<u>28,604.40</u>
Net Increase (Decrease) in Net Assets	78,144.94	130,825.01
Net Assets, Beginning	<u>689,180.43</u>	<u>558,355.42</u>
Net Assets, Ending	<u><u>\$ 767,325.37</u></u>	<u><u>\$ 689,180.43</u></u>

See independent accountant's 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, 2014 and 2013

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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 of the Union Fire Company and Rescue Squad, 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 \$517.14 and \$1,634.28 for the year ended December 31, 2014, and \$509.05 and \$1,618.10 for the year ended December 31, 2013, 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.

**Participant Accounts**

Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the years ended December 31, 2014 and 2013, the Fire District elected to pay substantially all of the Plan's administrative costs. 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.

**Note 1: DESCRIPTION OF THE PLAN (CONT'D)****Payment of Benefits**

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

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

**Forfeited Accounts**

For the years ended December 31, 2014 and 2013, no accounts were forfeited.

**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 accounting principles generally accepted in the United States of America 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.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

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.

The Financial Accounting Standards Board (FASB) provides a framework for measuring fair values under generally accepted accounting principles. See note 5 for a discussion of fair value measurements.

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

**Operating Expenses**

In 2014 and 2013, the Fire District elected to pay substantially all of the Plan's administrative costs and did not seek reimbursement from the Plan. The Plan did incur administrative fees of \$2,450.00 and \$5,241.87 in 2014 and 2013, respectively. Investment related expenses are included in net appreciation of fair value of investments.

**Net Assets**

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

**Date of Management's Review**

Subsequent events have been evaluated through May 5, 2015, 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 pooled separate accounts and a fixed annuity contract. 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, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Fixed Annuity Contract	\$ 127,421.63	\$ 110,257.80
Pooled Separate Accounts	<u>585,486.80</u>	<u>520,809.83</u>
	<u>\$ 712,908.43</u>	<u>\$ 631,067.63</u>

The following represents investments at December 31, 2014 and 2013 that represent five (5) percent or more of the Plan's net assets.

	<u>2014</u>	<u>2013</u>
Fixed Annuity Contract	\$ 127,421.63	\$ 110,257.80
Pooled Separate Accounts:		
American Funds Growth Fund	59,961.58	58,060.50
LVIP SSgA S&P 500 Index Fund	194,027.83	156,533.30

**Note 3: INVESTMENTS (CONT'D)**

During 2014 and 2013, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$50,799.92 and \$101,316.61 respectively, as follows:

	<u>2014</u>	<u>2013</u>
Fixed Annuity Contract	\$ 3,109.83	\$ 2,891.88
Pooled Separate Accounts	<u>47,690.09</u>	<u>98,424.73</u>
	<u>\$ 50,799.92</u>	<u>\$ 101,316.61</u>

**Note 4: FIXED ANNUITY CONTRACT**

The Plan has a fixed annuity contract with Lincoln National Life Insurance Company. The funds are maintained by the insurance company in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at fair value, which approximates contract value as reported by the insurance company. Since contract value approximates fair value, there is no adjustment from contract value to fair value. The Fire District believes that any events that may limit the ability of the Plan to transact at contract value with the issuer are probable of not occurring.

Interest is credited daily at an interest rate not less than the guaranteed minimum interest rate included in the contract. The interest crediting rate is declared on a quarterly basis. The contract is guaranteed against loss of principal, minus all withdrawals, including charges and adjustments.

**Note 5: FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
  - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Note 5: FAIR VALUE MEASUREMENTS (CONT'D)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

*Pooled Separate Accounts:* Valued at the net asset value (NAV) of the participation units held by the plan at year end. The NAV, as reported by the insurance company, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying mutual fund held in the subaccounts, minus the fund's liabilities, which are the contract charges imposed by the insurance company, divided by the number of participating units outstanding.

*Fixed Annuity Contract:* Valued at the contract's contract value as reported by the insurance company, which approximates fair value.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2014 and 2013:

	<b>Assets at Fair Value as of December 31, 2014</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Annuity Contract	-	\$ 127,421.63	-	\$ 127,421.63
Pooled Separate Accounts:				
Large-Cap Value		35,255.80		35,255.80
Large-Cap Blend		229,801.42		229,801.42
Large-Cap Growth		85,405.32		85,405.32
Mid-Cap Growth		57,019.47		57,019.47
Small-Mid-Cap Value		2,376.09		2,376.09
Small-Cap Value		15,761.88		15,761.88
Small-Cap Blend		4,805.77		4,805.77
Small-Cap Growth		25,269.81		25,269.81
Other-Fund Specialty / Sector		55,395.58		55,395.58
Other Fund Risk-Based		29,168.07		29,168.07
Other Fund Target-Date		8,251.00		8,251.00
Other Fund Alternative Asset		2,799.10		2,799.10
Fixed-Income High Moderate		18,101.74		18,101.74
Fixed-Income High Limited		16,075.75		16,075.75
Total Pooled Separate Accounts	-	585,486.80	-	585,486.80
Total Assets at Fair Value	-	\$ 712,908.43	-	\$ 712,908.43

**Note 5: FAIR VALUE MEASUREMENTS (CONT'D)**

	<u>Assets at Fair Value as of December 31, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Annuity Contract	-	\$ 110,257.80	-	\$ 110,257.80
Pooled Separate Accounts:				
Large-Cap Value		29,822.31		29,822.31
Large-Cap Blend		194,161.01		194,161.01
Large-Cap Growth		79,498.22		79,498.22
Mid-Cap Value		5,606.81		5,606.81
Mid-Cap Growth		51,025.56		51,025.56
Small-Mid-Cap Value		2,486.13		2,486.13
Small-Cap Value		14,382.45		14,382.45
Small-Cap Blend		4,200.97		4,200.97
Small-Cap Growth		23,269.65		23,269.65
Other-Fund Specialty / Sector		45,756.73		45,756.73
Other Fund Risk-Based		28,998.27		28,998.27
Other Fund Target-Date		8,095.95		8,095.95
Other Fund Alternative Asset		1,808.86		1,808.86
Fixed-Income High Moderate		16,225.87		16,225.87
Fixed-Income High Limited		15,471.04		15,471.04
Total Pooled Separate Accounts	-	520,809.83	-	520,809.83
Total Assets at Fair Value	-	\$ 631,067.63	-	\$ 631,067.63

**Note 6: 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 7: RECEIVABLES**

Receivables as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Fire District Contribution Receivable	<u>\$ 54,416.94</u>	<u>\$ 58,112.80</u>

**Note 8: 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.

The Plan is generally subject to routine audits by the Internal Revenue Service, for three years. There are currently no audits in progress.

**Note 9: 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, 2014**

**TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1**  
**LENGTH OF SERVICE AWARDS PROGRAM**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2014

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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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

