

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

**MERCER COUNTY,
NEW JERSEY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2011**



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

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

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

Board of Commissioners

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

(A) The Board of Fire Commissioners was covered by a Crime Policy with American Alternative Insurance Company in the amount of \$250,000.00 for Employee Dishonesty.

(B) Additional Crime Coverage with American Alternative Insurance Company in the amount of \$750,000.00.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hopewell Fire District No. 1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our 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 Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2012 on our consideration of the Township of Hopewell Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hopewell Fire District No. 1's basic financial statements as a whole. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 20, 2012

**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**

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

We have audited the financial statements of the governmental activities, and each major fund, of the Township of Hopewell Fire District No. 1, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Township of Hopewell Fire District No. 1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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This report is intended solely for the information and use of the management of the Fire District, others within the Fire District, and the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 20, 2012

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

As management of the Township of Hopewell Fire District No. 1 (hereafter referred to as the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$1,806,439.65 (net assets).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,223,888.77, an increase of \$104,626.64 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$780,724.78, approximately a fourteen (14%) increase from that of the prior year.
- The Fire District's total debt, which consisted of capital leases, decreased by \$46,882.31 as a result of budgeted debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The Fire District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases 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 Fire District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency medical services, which are provided to the citizens of the Township of Hopewell.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, governmental funds.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Overview of the Financial Statements (Cont'd)

Governmental Funds. All of the Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

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

The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$1,806,439.65 at the close of 2011.

The second largest portion of the Fire District's net assets, thirty-eight percent (38%), reflects its investment in capital assets (i.e., equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Fire District uses these assets to provide fire-fighting and emergency medical services to the citizens of the Township of Hopewell; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from budgeted revenue sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1'S NET ASSETS		
DECEMBER 31, 2011 AND 2010		
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 1,604,460.34	\$ 1,449,450.71
Capital Assets	787,141.91	892,525.96
Total Assets	2,391,602.25	2,341,976.67
Long-term Liabilities Outstanding	218,182.66	258,483.30
Other Liabilities	366,979.94	304,586.24
Total Liabilities	585,162.60	563,069.54
Net Assets:		
Invested in Capital Assets, Net of		
Related Debt	686,387.54	744,889.28
Restricted	153,526.32	147,626.98
Unrestricted	966,525.79	886,390.87
Total Net Assets	\$ 1,806,439.65	\$ 1,778,907.13

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Unaudited) (Cont'd)

An additional portion of the Fire District's net assets, eight percent (8%), represents resources that are subject to external restrictions on how they may be used.

In total, assets of governmental activities increased by \$49,625.58 and liabilities increased by \$22,093.06. The increase in assets was primarily attributable to the increase in cash and cash equivalents. Capital assets decreased by \$105,384.05, which was primarily attributable to the depreciation of the Fire District's capital assets. The increase in liabilities resulted from an increase in accounts payable at year-end.

Governmental Activities. The statement of activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

	<u>2011</u>	<u>2010</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 202,060.16	\$ 174,702.52
Cost of Operations and Maintenance	2,199,866.92	2,297,368.39
Operating Appropriations Offset with Revenues	57,569.26	55,846.74
Length of Service Award Program - Contribution	213,160.00	94,211.48
Interest on Long-Term Debt	6,964.71	9,162.25
	<hr/>	<hr/>
Total Program Expenses	2,679,621.05	2,631,291.38
	<hr/>	<hr/>
Program Revenues:		
Charges for Services	130,302.53	125,286.99
Operating Grants and Contributions	4,321.00	4,009.00
	<hr/>	<hr/>
Net Program Expenses	2,544,997.52	2,501,995.39
	<hr/>	<hr/>
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes	2,414,835.94	2,301,916.25
Taxes Levied for Debt Service	144,611.06	138,521.75
Unrestricted Investment Earnings	5,456.37	7,857.85
Unrestricted Miscellaneous Income	6,571.77	93,321.94
Restricted Miscellaneous Income	1,054.90	1,002.71
	<hr/>	<hr/>
Total General Revenues	2,572,530.04	2,542,620.50
	<hr/>	<hr/>
Increase (Decrease) in Net Assets	27,532.52	40,625.11
	<hr/>	<hr/>
Net Assets, January 1	1,778,907.13	1,738,282.02
	<hr/>	<hr/>
Net Assets, December 31	<u>\$ 1,806,439.65</u>	<u>\$ 1,778,907.13</u>

Property taxes constituted approximately ninety-five percent (95%) of total revenues for governmental activities for the Fire District for the year 2011. In addition, charges for services, which resulted primarily from fees generated from fire inspections and service billings with adjoining jurisdictions, constituted approximately five percent (5%) of total revenues for governmental activities.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Governmental Activities (Cont'd). Cost of operations and maintenance comprised approximately eighty-two percent (82%) of Fire District expenses, with administration comprising approximately eight percent (8%) of total expenses. The remaining ten percent (10%) of expenses resulted from costs incurred for fire official activities, the length of service awards program, and mandatory debt service (capital lease) interest payments.

Financial Analysis of the Government's Funds

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

Governmental Fund. 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Fire District's governmental funds reported combining ending fund balances of \$1,223,888.77, an increase of \$104,626.64 in comparison with the prior year, all of which is attributable to the general fund.

Of the combined ending fund balances of \$1,223,888.77, sixty-four percent (64%) constitutes unassigned fund balance in the amount of \$780,724.78. Twenty-four percent (24%) constitutes assigned fund balance in the amount of \$289,637.67, to indicate that it is not available for new spending because it has already been assigned as follows: (1) to liquidate contracts and purchase orders of the prior period (\$30,805.67) and (2) designated for subsequent year's expenditures (\$258,832.00). The remaining twelve percent (12%) of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted (1) for future capital expenditures to be made in future years (\$136,004.11), (2) to be utilized for the payment of future New Jersey unemployment claims (\$6,165.19), and (3) for dedicated penalties to be utilized in subsequent years' budgets (\$11,357.02).

General Fund Budgetary Highlights

In November and December of the 2011 year, the Fire District modified its general fund budget by way of approved budget transfers. The net change in the total budget modification primarily resulted from the rollover of the prior year's encumbrances.

The final budgetary basis revenue estimate was \$2,522,103.00, which remained unchanged from the original budgeted estimate.

During the year 2011, the Fire District realized \$2,414,835.94 from property taxes (local tax levy) for general fund operations. The Fire District also realized \$89,782.53 of revenue from uniform fire safety act annual registration fees.

The final budgetary basis expenditure appropriation estimate was \$2,814,015.83 compared to the original estimate of \$2,769,786.00. The difference of \$44,229.83 was a result of the appropriation of prior year encumbrances.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Capital Asset and Debt Administration

Capital Assets. The Fire District's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$787,141.91 (net of accumulated depreciation). This investment in capital assets includes equipment and vehicles.

At the end of the 2011 year, the Fire District had a total cost of \$2,168,761.26 invested in equipment and vehicles.

During the 2011 year, major capital asset events included the following:

- the Fire District purchased a thermal imaging camera for a cost of \$10,307.95.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1'S CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) DECEMBER 31, 2011 AND 2010		
	<u>2011</u>	<u>2010</u>
Equipment	\$ 128,636.71	\$ 130,632.04
Vehicles	<u>658,505.20</u>	<u>761,893.92</u>
Total	<u><u>\$ 787,141.91</u></u>	<u><u>\$ 892,525.96</u></u>

Additional information on the Fire District's capital assets can be found in Note 5.

Long-term Debt

Capital Leases Payable. At the end of the current year, the Fire District had a capital lease outstanding of \$100,754.37. The Fire District is leasing fire apparatus totaling \$420,000.00, for a term of ten years (refer to audit exhibit I-2, schedule of obligations under capital leases, and Note 6 for more detail).

Compensated Absences. At the end of the current year, the liability for compensated absences was \$117,428.29. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. Additional information on compensated absences can be found in Note 9.

Economic Factors and Next Year's Budget

For the 2011 year, the Fire District was able to sustain its budget through the township tax levy, uniform fire safety revenues, and other miscellaneous revenue sources. Approximately ninety-five percent (95%) of total revenue is from local tax levy, while five percent (5%) of the Fire District's revenue is from uniform fire safety and other miscellaneous revenues. The 2012 annual budget of the Fire District was adopted on January 19, 2012, and subsequently approved by the voters at the annual election held on February 18, 2012. The adopted budget utilized \$279,832.00 of fund balance in the general fund, of which \$21,000.00 represents restricted fund balance and \$258,832.00 represents assigned fund balance.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Statement of Net Assets
December 31, 2011

ASSETS:

Cash and Cash Equivalents	\$ 1,577,925.60
Accounts Receivable (Note 4)	6,230.49
Prepaid Expenses	14,139.06
Restricted Assets:	
Cash and Cash Equivalents	6,165.19
Capital Assets, net (Note 5)	<u>787,141.91</u>
Total Assets	<u>2,391,602.25</u>

LIABILITIES:

Accounts Payable	366,432.51
Accrued Interest Payable	547.43
Noncurrent Liabilities (Note 6):	
Due within One Year	157,128.38
Due beyond One Year	<u>61,054.28</u>
Total Liabilities	<u>585,162.60</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	686,387.54
Restricted for:	
Capital Projects	136,004.11
Other Purposes	17,522.21
Unrestricted	<u>966,525.79</u>
Total Net Assets	<u>\$ 1,806,439.65</u>

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

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Statement of Activities

For the Year Ended December 31, 2011

Expenses:	
Operating Appropriations:	
Administration	\$ 202,060.16
Cost of Operations and Maintenance	2,199,866.92
Operating Appropriations Offset with Revenues	57,569.26
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	213,160.00
Interest on Long-Term Debt	<u>6,964.71</u>
Total Program Expenses	<u>2,679,621.05</u>
Program Revenues:	
Charges for Services	130,302.53
Operating Grants and Contributions	<u>4,321.00</u>
Net Program Expenses	<u>2,544,997.52</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	2,414,835.94
Taxes Levied for Debt Service	144,611.06
Unrestricted Investment Earnings	5,456.37
Unrestricted Miscellaneous Income	6,571.77
Restricted Miscellaneous Income	<u>1,054.90</u>
Total General Revenues	<u>2,572,530.04</u>
Increase (Decrease) in Net Assets	27,532.52
Net Assets, January 1	<u>1,778,907.13</u>
Net Assets, December 31	<u><u>\$ 1,806,439.65</u></u>

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Balance Sheet
Governmental Funds
December 31, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,577,925.60				\$ 1,577,925.60
Accounts Receivable	6,230.49				6,230.49
Restricted Assets:					
Cash and Cash Equivalents	6,165.19				6,165.19
Total Assets	\$ 1,590,321.28	-	-	-	\$ 1,590,321.28
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 257,270.31				\$ 257,270.31
Intergovernmental Accounts Payable:					
Other	109,162.20				109,162.20
Total Liabilities	366,432.51	-	-	-	366,432.51
Fund Balances (Note 12):					
Restricted:					
Future Capital Outlays	136,004.11				136,004.11
New Jersey Unemployment Trust Fund	6,165.19				6,165.19
Dedicated Penalties	11,357.02				11,357.02
Assigned:					
Other Purposes	30,805.67				30,805.67
Designated for Subsequent Year's Expenditures	258,832.00				258,832.00
Unassigned	780,724.78				780,724.78
Total Fund Balances	1,223,888.77	-	-	-	1,223,888.77
Total Liabilities and Fund Balances	\$ 1,590,321.28	-	-	-	

(Continued)

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Balance Sheet
 Governmental Funds
 December 31, 2011

	<u>Total Governmental Funds</u>
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:</p>	
Payments made to vendors for services that will benefit periods beyond year end that are recorded as expenditures at the time of payment in governmental funds.	\$ 14,139.06
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,168,761.26, and the accumulated depreciation is \$1,381,619.35.	787,141.91
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.	(547.43)
Long-term liabilities, including capital leases payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(218,182.66)</u>
Net assets of governmental activities	<u><u>\$ 1,806,439.65</u></u>

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

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Miscellaneous Anticipated Revenues	\$ 45,976.37				\$ 45,976.37
Miscellaneous Revenues Offset with Appropriations	89,782.53				89,782.53
Amount to be Raised by Taxation to Support the District Budget	2,414,835.94			\$ 144,611.06	2,559,447.00
Non-Budgetary Revenues	6,208.86				6,208.86
Total Revenues	2,556,803.70	-	-	144,611.06	2,701,414.76
EXPENDITURES:					
Operating Appropriations:					
Administration	202,774.59				202,774.59
Cost of Operations and Maintenance	1,978,353.00				1,978,353.00
Operating Appropriations Offset with Revenues	56,628.28				56,628.28
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	213,160.00				213,160.00
Capital Appropriations	17,500.00				17,500.00
Debt Service:					
Principal				128,292.31	128,292.31
Interest and Other Charges				16,318.75	16,318.75
Total Expenditures	2,468,415.87	-	-	144,611.06	2,613,026.93
Excess (Deficiency) of Revenues over Expenditures	88,387.83	-	-	-	88,387.83
OTHER FINANCING SOURCES (USES):					
Budgeted Increase to Reserve for Future Capital Outlays	10,500.00				10,500.00
Cancellation of Accounts Payable	5,738.81				5,738.81
Total Other Financing Sources (Uses)	16,238.81	-	-	-	16,238.81
Net Change in Fund Balances	104,626.64	-	-	-	104,626.64
Fund Balance, January 1	1,119,262.13	-	-	-	1,119,262.13
Fund Balance, December 31	\$ 1,223,888.77	-	-	-	\$ 1,223,888.77

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

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 104,626.64
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	\$ (115,692.00)
Capital Outlays	<u>10,307.95</u>
	(105,384.05)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	
	46,882.31
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
	<u>(18,592.38)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 27,532.52</u></u>

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

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Notes to Financial Statements
For the Year Ended December 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - Fire District No. 1 of the Township of Hopewell ("the Fire District") is a political subdivision of the Township of Hopewell, Mercer County, New Jersey. It was formed in February 1988. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides 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 make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2011, it has been determined by the Fire 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 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 Fire District's accounting policies are described in this Note.

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the government. The statement of net assets presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire 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 Fire District.

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

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire 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 Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire 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. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds - 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 the inflows and outflows its of financial resources. 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 and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses and firefighting apparatus. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

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 assets.

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances 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.

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

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. 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 -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees, and rentals.

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. When both restricted and unrestricted resources are available for use, it is the Fire District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

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

Budgets / Budgetary Control (Cont'd) - Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 and Exhibit I-3 include modifications to the adopted budget that were made during November and December as approved by the Board of Commissioners.

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

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

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

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

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

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

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with 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 full amount of their deposits to the Governmental Units.

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

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

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

Inventories recorded on the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2011, no material amount of inventories existed.

Prepaid Expenses - Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2011.

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 statement of net assets.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land 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>Description</u>	<u>Estimated Lives</u>
Equipment	5-25 Years
Vehicles	10-25 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 mills 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 \$60,000.00, or two percent (2%), of the assessed valuation of property, whichever is larger.

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

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

Compensated Absences (Cont'd) - The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net 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" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

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

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when 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 States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled 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 classified as uninsured and uncollateralized. Of the Fire District's amount on deposit of \$1,689,057.42 as of December 31, 2011, \$250,000.00 was insured under FDIC, \$1,233,852.40 was collateralized under GUDPA, and the remaining balance of \$205,205.02 was on deposit with the New Jersey Cash Management Fund.

New Jersey Cash Management Fund - During the year, the Fire District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as previously defined. At December 31, 2011, the Fire District's deposits with the New Jersey Cash Management Fund were \$205,205.02.

Restricted Cash and Cash Equivalents - The general fund had cash and cash equivalents classified as restricted assets as of December 31, 2011. This amount represents cash and cash equivalents held for the New Jersey unemployment trust fund (\$6,165.19).

Note 3: PROPERTY TAX LEVIES

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2011	\$ 4,183,452,489.00	\$ 2,559,447.00	\$.062
2010	4,341,859,988.00	2,440,438.00	.056
2009	4,489,000,000.00	2,213,433.00	.050
2008	4,550,576,567.00	2,113,332.00	.047
2007	4,558,163,334.00	2,021,249.00	.045

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011 primarily consisted of amounts owed from individuals and businesses located within the jurisdiction of the Fire District for various fees related to uniform fire safety inspections, penalties, and registrations. All receivables are considered collectible.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Other	<u>\$ 6,230.49</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 6,230.49</u>

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance Jan. 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2011</u>
Equipment	\$ 201,866.65	\$ 10,307.95		\$ 212,174.60
Vehicles	1,956,586.66			1,956,586.66
Total Capital Assets being Depreciated	<u>2,158,453.31</u>	<u>10,307.95</u>	<u>-</u>	<u>2,168,761.26</u>
Less Accumulated Depreciation:				
Equipment	(71,234.61)	(12,303.28)		(83,537.89)
Vehicles	(1,194,692.74)	(103,388.72)		(1,298,081.46)
Total Accumulated Depreciation	<u>(1,265,927.35)</u>	<u>(115,692.00) *</u>	<u>-</u>	<u>(1,381,619.35)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>892,525.96</u>	<u>(105,384.05)</u>	<u>-</u>	<u>787,141.91</u>
Capital Assets, net	<u>\$ 892,525.96</u>	<u>\$ (105,384.05)</u>	<u>-</u>	<u>\$ 787,141.91</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 115,692.00</u>
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Note 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2011, the following changes occurred in long-term obligations:

	<u>Principal Outstanding Jan. 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding Dec. 31, 2011</u>	<u>Due Within One Year</u>
Obligations under Capital					
Leases	\$ 147,636.68		\$ (46,882.31)	\$ 100,754.37	\$ 49,174.86
Compensated Absences	<u>110,846.62</u>	<u>\$ 151,019.63</u>	<u>(144,437.96)</u>	<u>117,428.29</u>	<u>107,953.52</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 258,483.30</u>	<u>\$ 151,019.63</u>	<u>\$ (191,320.27)</u>	<u>\$ 218,182.66</u>	<u>\$ 157,128.38</u>

Bonds Authorized but not Issued - As of December 31, 2011, the Fire District did not have any authorizations for the issuance of debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

Capital Leases Payable - The Fire District is leasing fire apparatus totaling \$420,000.00 under a capital lease. The fire apparatus includes one (1) Enforcer Rescue Pumper. The capital lease is for a term of ten years, with an interest rate of 4.890%.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2011:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 49,174.86	\$ 4,926.89	\$ 54,101.75
2013	<u>51,579.51</u>	<u>2,522.24</u>	<u>54,101.75</u>
	<u>\$ 100,754.37</u>	<u>\$ 7,449.13</u>	<u>\$ 108,203.50</u>

Fire Protection Agreements - The Board of Fire Commissioners entered into two (2) agreements for fire protection and services with the Hopewell Borough Fire District No. 1 and the Pennington Borough Fire District No. 1. The Boroughs provide fire protection and emergency medical services, and in turn the Township of Hopewell Fire District No. 1 pays an annual fee for such services, which covers a portion of the Boroughs' existing debt service and operating expenses. As a result, a portion of these payments for these services are budgeted in the debt service fund (bond anticipation notes, capital leases, and intergovernmental loans).

Note 7: PENSION PLANS

The Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Note 7: PENSION PLANS (CONT'D)

Public Employees' Retirement System - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Police and Firemen's Retirement System - The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

Public Employees Retirement System

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Paid by Fire District</u>
2011	\$ 3,983.00	\$ 6,347.00	\$ 10,330.00	\$ 785.00	\$ 11,115.00
2010	2,858.00	3,672.00	6,530.00	906.00	7,436.00
2009	2,719.00	3,145.00	5,864.00	729.00	6,593.00

Police and Firemen's Retirement System

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Paid by Fire District</u>
2011	\$ 79,336.00	\$ 71,512.00	\$ 150,848.00	\$ 6,218.00	\$ 157,066.00
2010	62,676.00	52,246.00	114,922.00	5,457.00	120,379.00
2009	57,692.00	47,219.00	104,911.00	4,014.00	108,925.00

Note 7: PENSION PLANS (CONT'D)

As of December 31, 2011, the annual payment for the accrued liability for employees in the Public Employees Retirement System and the Police and Firemen's Retirement System was \$4,974.00 and \$81,609.00, respectively.

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Fire District.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Fire District's contributions were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Funded by Fire District</u>
2011	\$ 94.08	\$ 94.08
2010	70.56	70.56

Note 8: RISK MANAGEMENT

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

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

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

The following is a summary of Fire District contributions, reimbursements to the State for benefits paid and the ending balance of the Fire District's fund for the current and previous two years:

<u>Year Ended Dec. 31,</u>	<u>Contributions *</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 1,067.79	\$ 885.95	\$ 6,165.19
2010	1,017.54	-	5,983.35
2009	1,013.15	-	4,965.81

* includes interest earned on deposits, amounts provided for in the Fire District budget, and applicable employee payroll withholdings.

As of December 31, 2011, it is estimated that unreimbursed payments on behalf of the Fire District are \$94.09.

Note 9: COMPENSATED ABSENCES

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

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2011, the liability for compensated absences in the governmental fund types was \$117,428.29.

Note 10: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of December 31, 2011, no interfund receivables or payables existed. In addition, there were no transfers among the funds during the year.

Note 11: FUND BALANCES APPROPRIATED - GENERAL FUND

The 2012 annual budget of the Fire District was adopted on January 19, 2012, and subsequently approved by the voters at the annual election held on February 18, 2012. The adopted budget utilized \$279,832.00 of fund balance in the general fund, of which \$21,000.00 represents restricted fund balance and \$258,832.00 represents assigned fund balance.

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2011	\$ 1,223,888.77	\$ 279,832.00
2010	1,119,262.13	247,683.00
2009	1,083,417.78	169,776.00
2008	1,127,348.06	292,144.00
2007	1,273,998.34	185,500.00

Note 12: FUND BALANCES**RESTRICTED**

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

General Fund -

Future Capital Outlays - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2011, the balance is \$136,004.11.

New Jersey Unemployment Trust Fund - In accordance with the State of New Jersey, Department of Labor, the Board of Fire Commissioners has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method" (see Note 8). As a result, there exists at December 31, 2011 a restricted fund balance in the amount of \$6,165.19 for future unemployment claims.

For Dedicated Penalties - Pursuant to N.J.A.C. 5:70-2.12A, certain monies collected by the Fire District for violations by property owners must be placed in the general treasury of the Fire District and be subject to separate accounting. These monies are required to fund the cost of firefighter training and / or new firefighting equipment. As of December 31, 2011, such funds collected by the Fire District amount to \$11,357.02.

ASSIGNED

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

General Fund -

Other Purposes - As of December 31, 2011, the Fire District had \$30,805.67 of encumbrances outstanding for purchase orders and contracts signed by Fire District, but not completed, as of the close of the year.

Designated for Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2012, \$258,832.00 of general fund balance at December 31, 2011.

UNASSIGNED

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

General Fund - As of December 31, 2011, \$780,724.78 of general fund balance was unassigned.

Note 13: LENGTH OF SERVICE AWARDS PROGRAMS

The Fire District's Length of Service Awards Program (LOSAP) 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 Township of Hopewell Fire District No. 1 approved the adoption of the Plan at the annual election held on February 19, 2000, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 2000. The Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.49, the Fire District must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Note 14: SUBSEQUENT EVENTS

Capital Referendum - On December 22, 2011, the governing body of the Fire District adopted a resolution providing for a ballot question at the annual election held on February 18, 2012, which was approved by the voters. The voter-approved ballot question authorizes the Fire District to (1) purchase self-contained breathing apparatuses and an emergency radio system in order to interact with the County of Mercer and other entities; (2) to appropriate \$750,000.00 for such acquisitions funded, in part, by a \$371,000.00 grant for the emergency radio system from the "Federal Emergency Management Agency" (commonly known as "FEMA"); and (3) to issue bonds of the Fire District in the principal amount of \$379,000.00 for such purposes.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 8,480.00		\$ 8,480.00	\$ 5,456.37	\$ (3,023.63)
Other Revenue	39,125.00		39,125.00	40,520.00	1,395.00
Total Miscellaneous Anticipated Revenues	47,605.00	-	47,605.00	45,976.37	(1,628.63)
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	60,364.00		60,364.00	89,782.53	29,418.53
Amount to be Raised by Taxation to Support the District Budget	2,414,134.00	-	2,414,134.00	2,414,835.94	701.94
Total Anticipated Revenues	2,522,103.00	-	2,522,103.00	2,550,594.84	28,491.84
Non-Budgetary Revenues:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)				4,321.00	4,321.00
Miscellaneous				1,887.86	1,887.86
Total Non-Budgetary Revenues	-	-	-	6,208.86	6,208.86
Total Revenues	2,522,103.00	-	2,522,103.00	2,556,803.70	34,700.70

(Continued)

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	\$ 20,625.00	\$ 739.93	\$ 21,364.93	\$ 21,364.83	\$ 0.10
Administrative Assistant	32,951.00	(739.93)	32,211.07	27,099.26	5,111.81
Fringe Benefits	39,192.00	(464.54)	38,727.46	28,283.33	10,444.13
Other Expenses:					
Computer and Office Supplies	7,725.00	999.70	8,724.70	5,864.42	2,860.28
Photography Supplies	200.00	(200.00)			
Printing / Duplication / Newsletter	1,080.00	(414.00)	666.00	336.00	330.00
Training and Travel	550.00	237.15	787.15	694.88	92.27
Memberships and Subscriptions	350.00		350.00	310.00	40.00
Clothing	200.00		200.00		200.00
Fire Prevention Materials	1,500.00	15.64	1,515.64	1,514.50	1.14
Postage and Shipping	2,000.00		2,000.00	1,907.43	92.57
Computer and Radio Maintenance	21,525.00		21,525.00	16,604.80	4,920.20
Building Maintenance	6,000.00		6,000.00	1,516.68	4,483.32
Specialized Services	1,000.00		1,000.00		1,000.00
Contractual Services	125,943.00	(100.08)	125,842.92	91,611.71	34,231.21
Advertising / Legal Notices	1,350.00	873.33	2,223.33	1,925.14	298.19
Election Expenses	4,200.00	(320.20)	3,879.80	3,741.61	138.19
Total Administration	266,391.00	627.00	267,018.00	202,774.59	64,243.41

(Continued)

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance:					
Salary and Wages:					
Emergency Service Specialist	\$ 412,034.00		\$ 412,034.00	\$ 392,060.13	\$ 19,973.87
LT's - Hopewell Valley Emergency Services	156,194.00	\$ (27,863.36)	128,330.64	72,448.64	55,882.00
Chief - Hopewell Valley Emergency Services	75,880.00		75,880.00	75,880.00	
Salaries Per Diem	60,000.00	20,553.75	80,553.75	80,553.75	
Regular Overtime	32,000.00	7,309.61	39,309.61	39,309.61	
Special Duty Wages	2,500.00		2,500.00	1,330.00	1,170.00
Fringe Benefits	404,153.00	(2,237.72)	401,915.28	339,934.45	61,980.83
Other Expenses:					
Insurance	60,750.00	(699.74)	60,050.26	56,280.52	3,769.74
Materials and Supplies	7,755.00	409.30	8,164.30	5,570.89	2,593.41
Gasoline, Fuels and Chemicals	30,775.00		30,775.00	23,981.62	6,793.38
Drugs and Medical Supplies	18,500.00	(481.90)	18,018.10	12,785.63	5,232.47
Training and Travel	26,775.00	(414.75)	26,360.25	15,626.17	10,734.08
Memberships and Subscriptions	2,160.00		2,160.00	1,966.50	193.50
Clothing	30,590.00	1,122.75	31,712.75	21,461.74	10,251.01
Laundry Services	3,400.00	(100.00)	3,300.00	1,636.20	1,663.80
Equipment and Property Rental	270,210.00		270,210.00	253,476.54	16,733.46
Safety Equipment	3,950.00	1,140.82	5,090.82	1,056.82	4,034.00
Computer and Radio Maintenance	1,500.00		1,500.00	833.40	666.60
Small Equipment Maintenance	16,075.00	(1,061.62)	15,013.38	10,279.72	4,733.66
Automotive Supplies and Maintenance	51,210.00	7,378.97	58,588.97	42,822.90	15,766.07
Utilities	23,300.00	1,319.34	24,619.34	23,129.92	1,489.42

(Continued)

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Contracted Services - Fire	\$ 373,370.00		\$ 373,370.00	\$ 373,370.00	
Contracted Services - Medical	65,900.00		65,900.00	57,030.00	\$ 8,870.00
Specialized Services	12,500.00	\$ (59.77)	12,440.23	11,519.00	921.23
OSHA Mandate / Injury Protection	1,000.00	78.77	1,078.77	1,078.77	
Other Assets - Non-Bondable	69,890.00	37,208.38	107,098.38	62,930.08	44,168.30
	<u>2,212,371.00</u>	<u>43,602.83</u>	<u>2,255,973.83</u>	<u>1,978,353.00</u>	<u>277,620.83</u>
Total Cost of Operations and Maintenance					
Operating Appropriations Offset with Revenues:					
Salary and Wages:					
Fire Official - Hopewell Valley Bureau of Fire Safety	29,220.00		29,220.00	29,060.39	159.61
Fringe Benefits	31,144.00		31,144.00	27,567.89	3,576.11
	<u>60,364.00</u>	<u>-</u>	<u>60,364.00</u>	<u>56,628.28</u>	<u>3,735.72</u>
Total Operating Appropriations Offset with Revenues					
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)					
	<u>213,160.00</u>		<u>213,160.00</u>	<u>213,160.00</u>	<u>-</u>
Capital Appropriations:					
Capital Improvements (N.J.S 40A:14-84):					
Hopewell Borough SS Unit	7,000.00		7,000.00	7,000.00	
Reserve for Future Capital Outlays	10,500.00	-	10,500.00	10,500.00	-
	<u>17,500.00</u>	<u>-</u>	<u>17,500.00</u>	<u>17,500.00</u>	<u>-</u>
Total Capital Appropriations					

(Continued)

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
Total Expenditures	\$ 2,769,786.00	\$ 44,229.83	\$ 2,814,015.83	\$ 2,468,415.87	\$ 345,599.96
Excess (Deficiency) of Revenues Over (Under) Expenditures	(247,683.00)	(44,229.83)	(291,912.83)	88,387.83	380,300.66
OTHER FINANCING SOURCES (USES):					
Budgeted Increase to Reserve for Future Capital Outlays				10,500.00	10,500.00
Cancellation of Accounts Payable				5,738.81	5,738.81
Total Other Financing Sources (Uses)	-	-	-	16,238.81	16,238.81
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(247,683.00)	(44,229.83)	(291,912.83)	104,626.64	<u>\$ 396,539.47</u>
Fund Balance, January 1				1,119,262.13	
Fund Balance, December 31				<u>\$ 1,223,888.77</u>	
Recapitulation:					
Restricted				\$ 153,526.32	
Assigned				289,637.67	
Unassigned				780,724.78	
				<u>\$ 1,223,888.77</u>	

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1

Required Supplementary Information
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Year Ended December 31, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 2,556,803.70	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 2,556,803.70</u></u>	<u><u>-</u></u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 2,468,415.87	-
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.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u><u>\$ 2,468,415.87</u></u>	<u><u>-</u></u>

OTHER SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Schedule of Obligations under Capital Leases
 For the Year Ended December 31, 2011

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2011 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2011 (a)</u>
			<u>Principal</u>	<u>Interest</u>					
2004 Pierce Enforcer Rescue Pumper	11/21/03	10 Years	\$ 420,000.00	\$ 121,017.50	4.890%	\$ 147,636.68	-	\$ 46,882.31	\$ 100,754.37

(a) Future Interest Payments Removed from Carrying Value of Leases.

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 145,313.00	-	\$ 145,313.00	\$ 144,611.06	\$ (701.94)
EXPENDITURES:					
Principal Payments:					
Bond Anticipation Notes (Note 6)	30,100.00		30,100.00	30,100.00	
Capital Leases (Note 6)	45,220.00		45,220.00	45,220.00	
Non-Qualified Capital Leases	46,883.00		46,883.00	46,882.31	0.69
Intergovernmental Loans (Note 6)	6,090.00		6,090.00	6,090.00	
Total Principal Payments	128,293.00	-	128,293.00	128,292.31	0.69
Interest Payments:					
Bond Anticipation Notes (Note 6)	9,800.00	-	9,800.00	9,099.31	700.69
Capital Leases	7,220.00	-	7,220.00	7,219.44	0.56
Total Interest Payments	17,020.00	-	17,020.00	16,318.75	701.25
Total Expenditures	145,313.00	-	145,313.00	144,611.06	701.94
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1				-	
Fund Balance, December 31				-	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF HOPEWELL FIRE DISTRICT NO. 1
Schedule of Findings and Recommendations
For the Year Ended December 31, 2011

Schedule of Financial Statement Findings

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

None.

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

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

None.

APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

