

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**

**December 31, 2017**

**BEDARD, KUROWICKI & CO., CPA'S, PC  
CERTIFIED PUBLIC ACCOUNTANTS**

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**

**For the Year Ended December 31, 2017**

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Certified Public Accountants, PC

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## Independent Auditors' Report

Board of Fire Commissioners  
Pennington Borough Fire District No. 1  
Pennington, New Jersey

We have audited the accompanying financial statements of the governmental activities of the Pennington Borough Fire District No. 1, in the County of Mercer, State of New Jersey, as of December 31, 2017 and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Pennington Borough Fire District No. 1's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Pennington Borough Fire District No. 1, as of December 31, 2017, and the respective changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Budget vs. Actual Revenues and Expenses, and Schedule of Officials and Surety Bond identified 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 an essential part of the financial reporting for placing the basic financial statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basis 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.

### Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Pennington Borough Fire District No. 1 internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennington Borough Fire District No. 1's internal controls over financial reporting and compliance.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**

May 15, 2018  
Flemington, New Jersey

**BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
BOROUGH OF PENNINGTON  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

Our discussion and analysis of the financial performance of Pennington Borough Fire District No. 1 (the District) provides an overview of the District's financial activities for the year ended December 31, 2017. Please review it in conjunction with the District's basic financial statements which begin on page 6.

**Financial Highlights**

Total net position increased \$100,531 which represents 5.8 percent increase from 2016. The excess revenue over expenditures after considering other financing sources of a capital lease was \$29,985 plus accrued interest on notes receivable of \$26,012, less accrued interest on debt totaling \$21,790 accounting for the increase in unrestricted net position of \$34,207. The increase in net position reserved for capital projects was \$118,162 and the decrease in net position invested in capital assets was \$51,838.

The amount raised by taxation was \$204,412 or 37.3 percent of all revenue and other funding sources. Funds from an adjoining municipality, transfers from the Capital Fund and interest totaled \$343,741 or 62.7 percent of all revenue and other funding sources.

Total expenditures have increased \$46,209 or 11.5 percent. Expenditures for capital projects were \$905,990 and \$11,046 in 2017 and 2016, respectively.

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 6 and 7) provide information about the activities of the District as a whole. Fund financial statements start on page 8. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

**Reporting the District as a Whole**

The Statement of Net Position and the Statement of Activities

The financial statements of the District as a whole begin on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are considered regardless of when cash is received or paid. These two statements report the District's *net position* and changes to them.

**BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
BOROUGH OF PENNINGTON  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

The financial statements of the District's major funds begin on page 8. The fund financial statements provide detailed information about the most significant funds - not the District as a whole.

General Fund - Most of the District's basic services are reported in the General Fund, which focuses on how money flows in and out of the funds and the balances left at year-end that are available for spending. The General Fund Statements provide a detailed *short-term view* of the District's general operations and the basic services it provides. General Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Capital Fund - The Capital Fund represents money allocated for future capital expenditures.

**The District as a Whole**

The District's total net position increased \$100,531 to \$1,841,535 or 5.8 percent. Details of the changes are reflected on page 7.

**Original versus Final Budget**

Page 18 reflects the variances between the original and final budgeted amounts.

**Final Budget versus Actual Results**

As reflected on page 18, the District operated within budgetary constraints. Actual revenues were over the final budget by \$42,954 while actual expenses were under the final budget by \$15,552. Revenues increased due to reimbursements for fixed assets and an increase in contributions from an adjoining municipality. Expenses were down primarily due to a decrease in the costs of the items budgeted for in fire-fighting equipment and vehicle repairs.

**Capital Assets**

At year-end, the District had \$3,936,258 at cost in total capital assets - a net increase of \$905,990 from 2016. The increase is attributable to the acquisition of a new vehicle in 2017.

**BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
BOROUGH OF PENNINGTON  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Condensed Comparative Information**

	2017	2016	Increase (Decrease)
Net position			
Current and other assets	\$ 2,423,236	\$ 1,357,781	\$ 1,065,455
Capital assets	1,382,565	563,026	819,539
Total assets	<u>\$ 3,805,801</u>	<u>\$ 1,920,807</u>	<u>\$ 1,884,994</u>
Liabilities and deferred inflows of resources	<u>\$ 1,964,266</u>	<u>\$ 179,803</u>	<u>\$ 1,784,463</u>
Unreserved	\$ 814,194	\$ 779,987	\$ 34,207
Reserved for capital purchases	516,153	397,991	118,162
Investment in capital assets	511,188	563,026	(51,838)
	<u>\$ 1,841,535</u>	<u>\$ 1,741,004</u>	<u>\$ 100,531</u>
Revenue and expenditures			
Revenue	\$ 548,153	\$ 482,571	\$ 65,582
Expenditures	447,622	401,413	46,209
Change in net position	<u>\$ 100,531</u>	<u>\$ 81,158</u>	<u>\$ 19,373</u>

**Economic Factors and Next Year's Budget and Rates**

The District's governing body considers many factors when setting the 2018 budget and tax rates including the economy, the rate of inflation and planned future capital projects. The tax rate will remain \$ .04 per \$100 of assessed valuation.

**Contacting the District's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. This discussion and analysis is based upon information that was available as of May 15, 2018.

If you have questions about this report or need additional financial information, contact the Board Clerk at P.O. 387, Pennington, NJ 08534.

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

**ASSETS**

Assets	
Current assets	
Cash and cash equivalents	\$ 706,882
Due from municipalities	341,735
Notes receivable from neighboring fire district - current	56,556
Accrued interest receivable	26,012
Cash and cash equivalents - restricted	401,417
Total current assets	<u>1,532,602</u>
Non-current assets	
Notes receivable from neighboring fire district - non-current	890,634
Capital assets, net of accumulated depreciation	1,382,565
Total non-current assets	<u>2,273,199</u>
Total assets	<u><u>\$ 3,805,801</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

Liabilities	
Current liabilities	
Accrued expenses	\$ 123,909
Lease payable - current	75,140
Accrued interest on debt	21,790
Total current liabilities	<u>220,839</u>
Long term liabilities	
Lease payable - non-current	796,237
Deferred inflows of resources	
Unearned revenue	947,190
Total liabilities and deferred inflows of resources	<u>1,964,266</u>
Net position	
Unrestricted	814,194
Restricted for capital asset purchases	516,153
Net investment in capital assets	511,188
Total net position	<u>1,841,535</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 3,805,801</u></u>

See accompanying notes to the financial statements.



**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Statement of Activities and Change in Net Position**  
**For the Year Ended December 31, 2017**

Revenue	
District taxes	\$ 204,412
Adjoining municipality taxes	289,439
Interest	28,611
Other income	25,691
Total revenue	<u>548,153</u>
Expenses	
Operating and maintenance	339,381
Depreciation	86,451
Interest	21,790
Total expenses	<u>447,622</u>
Change in net position	100,531
Net position - beginning of year	<u>1,741,004</u>
Net position - end of year	<u><u>\$ 1,841,535</u></u>

See accompanying notes to the financial statements.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Balance Sheet - Governmental Funds**  
**December 31, 2017**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 706,882	\$ -	\$ -	\$ 706,882
Due from municipalities	341,735	-	-	341,735
Due from general fund	-	114,736	(114,736)	-
Notes receivable from neighboring fire district	947,190	-	-	947,190
Cash and cash equivalents - restricted	-	401,417	-	401,417
Total assets	<u>\$ 1,995,807</u>	<u>\$ 516,153</u>	<u>\$ (114,736)</u>	<u>\$ 2,397,224</u>
<b>Liabilities</b>				
Accrued expenses	\$ 123,909	\$ -	\$ -	\$ 123,909
Due to capital fund	114,736	-	(114,736)	-
Total liabilities	<u>238,645</u>	<u>-</u>	<u>(114,736)</u>	<u>123,909</u>
<b>Deferred inflows of resources</b>				
Unearned revenue	<u>947,190</u>	<u>-</u>	<u>-</u>	<u>947,190</u>
Total liabilities and deferred inflow of resources	1,185,835	-	(114,736)	1,071,099
<b>Fund balances</b>				
Unrestricted	809,972	-	-	809,972
Restricted for capital asset purchases	-	516,153	-	516,153
Total fund balances	<u>809,972</u>	<u>516,153</u>	<u>-</u>	<u>1,326,125</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,995,807</u>	<u>\$ 516,153</u>	<u>\$ (114,736)</u>	<u>\$ 2,397,224</u>

See accompanying notes to the financial statements.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Reconciliation of Governmental Fund Position**  
**to the District-Wide Statement of Net Position**  
**December 31, 2017**

Amounts reported in the governmental activities in the Statement of Net Position (Page 6) are different because:

District-wide, government fund, net position	\$ 1,326,125
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$3,936,258 and the accumulated depreciation is \$2,553,693.	1,382,565
Long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(871,377)
Interest on notes receivable is accrued regardless of when due. In the governmental funds, interest is recorded when due. The accrued interest is a reconciling item.	26,012
Interest on long-term debt is accrued regardless of when due. In the governmental funds, interest is recorded when due. The accrued interest is a reconciling item.	(21,790)
Total net position	<u>\$ 1,841,535</u>

See accompanying notes to the financial statements.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Statement of Revenue, Expenses and Changes in Fund Balance**  
**For the Year Ended December 31, 2017**

	General Fund	Capital Fund	Eliminations	Total
<b>Revenue</b>				
District taxes	\$ 204,412	\$ -	\$ -	\$ 204,412
Adjoining municipality	289,439	-	-	289,439
Interest	2,078	521	-	2,599
Other income	25,691	-	-	25,691
Transferred to (from) general fund	-	117,641	(117,641)	-
Total revenue	<u>521,620</u>	<u>118,162</u>	<u>(117,641)</u>	<u>522,141</u>
<b>Expenses</b>				
Operating and maintenance	339,381	-	-	339,381
Transfer to (from) capital fund	117,641	-	(117,641)	-
Capital outlay	34,613	871,377	-	905,990
Total expenses	<u>491,635</u>	<u>871,377</u>	<u>(117,641)</u>	<u>1,245,371</u>
Excess (deficiency) of revenues over (under) fund balance	<u>29,985</u>	<u>(753,215)</u>	<u>-</u>	<u>(723,230)</u>
<b>Other financing sources (uses)</b>				
Capital lease	-	871,377	-	871,377

See accompanying notes to the financial statements.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Statement of Revenue, Expenses and Changes in Fund Balance (continued)**  
**For the Year Ended December 31, 2017**

	General Fund	Capital Fund	Eliminations	Total
Increase in fund balance	\$ 29,985	\$ 118,162	\$ -	\$ 148,147
Fund balance - beginning of year	779,987	397,991	-	1,177,978
Fund balance - end of year	\$ 809,972	\$ 516,153	\$ -	1,326,125

Amounts reported in the governmental activity in the Statement of Activities is different because:

Cumulative difference between fund balance and net position from governmental activity through December 31, 2016.	563,026
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$905,990) exceeded depreciation (\$86,451) in the current year.	819,539
Long-term liabilities, including capital leases payable are not due and payable in the current period and therefore not reported as liabilities in the funds.	(871,377)
Interest on notes receivable is not accrued in governmental funds, but rather is recognized as revenue when due.	26,012
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(21,790)
Net fund balance of governmental activity	\$ 1,841,535

See accompanying notes to the financial statements.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

Nature of activities

The Pennington Borough Fire District No. 1 (the District) is a political subdivision of the Borough of Pennington, New Jersey. A five-member Board governs the District. Members are elected annually on a rotating basis to three-year terms. The District provides fire protection, prevention, safety and education services to the Borough of Pennington and to surrounding local communities.

Financial reporting/principles of accounting

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental Units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The implementation of GASB has created additional statements, schedules, reports and notes disclosures as follows:

- Financial statements are prepared using full accrual accounting methods, including recording of depreciation on capital assets and recording those assets net of accumulated depreciation.
- The basic financial statements include District-wide Statements and Fund Financial Statements, as explained in the following note disclosures:

*District-wide Statements:* The Statement of Net Position and the Statement of Activities display information about the District. The District activities are financed through taxes and funds from an adjoining municipality. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the cash flows take place.

*Fund Financial Statements:* The fund financial statements provide information about the District's activities, which are reported in the General Fund and the Capital Fund. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. Expenditures are recorded when the related fund liabilities are incurred. General capital asset acquisitions are reported as expenditures in Governmental Funds.

*General Fund:* This is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in other funds.

*Capital Fund:* This fund accounts for expenditures for capital assets.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Budget and budgetary accounting

The District adopts an annual budget for the General Fund. The budget is approved by the Division of Local Government Services, Department of Community Affairs, and the State of New Jersey. The budget is then voted upon by the public. Budget amendments are passed on an as-needed basis, and a balanced budget is required. Appropriations lapse at the end of the year, unless encumbered.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost. It is the District's policy to capitalize assets with costs in excess of \$1,000 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Fire apparatus	10 years
Fire-fighting equipment	5 - 10 years
Other equipment	3 - 10 years
Trucks	10 - 20 years

Income taxes

The District is a subdivision of the Borough of Pennington and is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Note 2 - Deposits and cash equivalents and investments

Cash and cash equivalents consist of cash in the bank and money market funds. As of December 31, 2017, the District had no investments.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 2 - Deposits and cash equivalents and investments (continued)

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

N.J.S.A. 17:9-41 e.t. 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 savings and loan institutions, banks (both state and national banks) and saving banks 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.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition

As of December 31, 2017, the District's bank balances were exposed to custodial credit risk as follows:

Deposits insured by the FDIC	\$ 250,000
Deposits insured by the GUDPA	<u>871,481</u>
Total bank balances	<u>\$ 1,121,481</u>

The District's carrying (Statement of Net Position) cash balances include \$706,882 in unrestricted cash and \$401,417 in restricted cash totaling \$1,108,299.



**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 3 - Capital assets

A summary of changes in capital assets and accumulated depreciation at December 31, 2017 is as follows:

Capital assets	Beginning Balance	Additions	Dispositions	Ending Balance
Fire apparatus	\$ 1,144,931	\$ -	\$ -	\$ 1,144,931
Fire-fighting equipment	823,925	4,346	-	828,271
Other equipment	117,412	34,613	4,346	147,679
Truck - deposit	300,000	-	300,000	-
Trucks	644,000	1,171,377	-	1,815,377
<b>Total</b>	<b>3,030,268</b>	<b>1,210,336</b>	<b>304,346</b>	<b>3,936,258</b>
<b>Accumulated depreciation</b>				
Fire apparatus	1,144,931	-	-	1,144,931
Fire-fighting equipment	672,760	44,021	-	716,781
Other equipment	97,216	648	-	97,864
Truck	552,335	41,782	-	594,117
<b>Total</b>	<b>2,467,242</b>	<b>86,451</b>	<b>-</b>	<b>2,553,693</b>
Transfers	-	(304,346)	(304,346)	-
<b>Capital assets, net</b>	<b>\$ 563,026</b>	<b>\$ 819,539</b>	<b>\$ -</b>	<b>\$ 1,382,565</b>

Depreciation expense was \$86,451 for the year ended December 31, 2017.

As detailed in Note 4, the District entered into a loan agreement with KS StateBank to provide financing for a new truck totaling \$871,377.

Note 4 - Long-term debt

At December 31, 2017, long-term debt consisted of the following:

On March 1, 2017, the District entered into a lease agreement bearing interest at 3.25% with KS StateBank to finance the purchase of a new truck totaling \$871,377. The District will pay 10 annual installments between the amounts of \$103,459 and \$103,460 including interest beginning on March 24, 2018. The lease is collateralized by the truck.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 4 - Long-term debt (continued)

The debt service requirements as of December 31, 2017, including interest, are as follows:

	Principal	Interest	Total
2018	\$ 75,140	\$ 28,320	\$ 103,460
2019	77,582	25,878	103,460
2020	80,103	23,356	103,459
2021	82,707	20,753	103,460
2022	85,394	18,065	103,459
2023 - 2027	470,451	46,846	517,297
	\$ 871,377	\$ 163,218	\$ 1,034,595

Note 5 - Notes receivable

The District has two outstanding note receivables with the Hopewell Township Fire District No. 1 to provide funding for equipment. The first note dated July 11, 2013 was issued for \$99,934 and is due to the District over a period of ten years at an interest rate of 2.396 percent. The second note dated August 24, 2017 was issued for \$894,306 and is due to the District over a period of fifteen years at an interest rate of 3.410 percent. The note balances are offset by deferred outflows of resources-unearned revenue.

The notes receivable as of December 31, 2017, including interest, are as follows:

	Principal	Interest	Total
2018	\$ 56,556	\$ 31,763	\$ 88,319
2019	58,385	29,935	88,320
2020	60,273	28,046	88,319
2021	62,223	26,096	88,319
2022	65,191	24,082	89,273
2023 - 2027	295,328	90,432	385,760
2028 - 2032	349,234	36,525	385,759
	\$ 947,190	\$ 266,879	\$ 1,214,069

Note 6 - Levied taxes

The total tax levied by the Borough of Pennington to fund the operations of the District was \$204,412. The tax rate per \$100 of assessed valuation is \$.042, based on the assessed valuation of \$496,694,101.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Notes to the Financial Statements**

Note 7 - Interfund receivable and payable

The composition of interfund balances as of December 31, 2017 is as follows:

	Receivable	Payable
General Fund	\$ -	\$ 114,736
Capital Fund	114,736	-
Total	\$ 114,736	\$ 114,736

The balance due from the General Fund to the Capital Fund represents the net budgeted appropriations that were not transferred by year end.

All interfund balances are expected to be liquidated within one year.

Note 8 - Retirement plan

The District has a Length of Service Award Program (LOSAP). Members qualify based on various criteria determined by the District. LOSAP expenditures for the year ended December 31, 2017 were \$85,818.

Note 9 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 10 - Economic dependency

The District receives substantial support from an adjoining municipality in addition to the amount received from the Borough of Pennington annual tax levy. A significant reduction in the level of support, if this were to occur, may have an effect on the District's operations.

Note 11 - Subsequent events

The District's management has determined that one material event or transaction occurred subsequent to December 31, 2017 and through May 15, 2018, the date of the District's financial statement issuance, which require additional disclosure in the District's financial statements.

The District entered into an agreement with the Hopewell Township Fire District, where the Hopewell Township Fire District would reimburse the District for costs relating to a capital project. The reimbursements would occur over a three-year period where the District would receive \$18,404 annually in principal and interest.

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Schedule of Budget vs. Actual Revenues and Expenses - General Fund**  
**For the Year Ended December 31, 2017**

	Unaudited Original Budget	Unaudited Final Budget	Actual	Under (over) Final Budget
<b>Revenues</b>				
Fund balance utilized				
Unrestricted fund balance anticipated	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Restricted fund balance anticipated	68,000	68,000	68,000	-
Total fund balance utilized	<u>96,000</u>	<u>96,000</u>	<u>96,000</u>	<u>-</u>
<b>Operating revenues</b>				
District taxes	204,412	204,412	204,412	-
Adjoining municipality	274,775	274,775	289,439	14,664
Interest	-	-	2,599	2,599
Other income	-	-	25,691	25,691
Total operating revenues	<u>479,187</u>	<u>479,187</u>	<u>522,141</u>	<u>42,954</u>
Total revenue and other financing sources	575,187	575,187	618,141	42,954
<b>Expenditures</b>				
Fire-fighting equipment	49,691	49,691	36,347	13,344
Rent	55,872	55,872	55,872	-
Insurance	61,811	61,811	62,787	(976)
Professional services	33,500	33,500	37,558	(4,058)
Office	9,984	9,984	8,394	1,590
Elections	500	500	500	-
Training and education	11,900	11,900	11,327	573
Diesel and gas	12,000	12,000	8,430	3,570
Equipment and repairs	19,788	19,788	20,222	(434)
Vehicle repairs	51,000	51,000	38,158	12,842
Medical	1,000	1,000	-	1,000
Contingency	2,000	2,000	-	2,000
LOSAP	71,000	71,000	85,818	(14,818)
Awards	2,500	2,500	2,400	100
Telephone	7,000	7,000	6,181	819
Reserve for capital outlays	185,641	185,641	185,641	-
Total expenditures	<u>575,187</u>	<u>575,187</u>	<u>559,635</u>	<u>15,552</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,506</u>	<u>\$ 58,506</u>

See independent auditors' report

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Schedule of Officials and Surety Bond**  
**December 31, 2017**

NAMES OF BOARD  
OF COMMISSIONERS

AMOUNT OF SURETY BOND

Mark Blackwell	}	
William B. Meytrott, Jr.	}	
Brian Hofacker	}	\$75,000 total coverage per loss
Robert M. Di Falco	}	
Eugene M. Schooley, Jr.	}	

See independent auditors' report



Certified Public Accountants, PC

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**Independent Auditors' 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  
Pennington Borough Fire District No. 1  
Pennington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Pennington Borough Fire District No. 1, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Pennington Borough Fire District No. 1's basic financial statements, and have issued our report thereon dated May 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pennington Borough Fire District No. 1's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstance 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennington Borough Fire District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. The report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**

May 15, 2018  
Flemington, New Jersey

**PENNINGTON BOROUGH FIRE DISTRICT NO. 1**  
**Schedule of General Comments and Recommendations**

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, and State of New Jersey.

**Significant Deficiencies**

None noted.

**Material Weaknesses**

None noted.

**Recommendations**

No recommendations have been developed as a result of this audit.

**Status of Prior Year's Audit Findings / Recommendations**

There were no prior year recommendations.

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We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the District officials and employees during the course of the examination.

Respectfully submitted,

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**