

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Financial Statements and Supplementary Information  
For the Year Ended December 31, 2014



# HAMILTON TOWNSHIP FIRE DISTRICT No. 7

Financial Statements and Supplementary Information  
Year Ended December 31, 2014

## Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Roster of Officials .....	1
FINANCIAL SECTION:	
INDEPENDENT AUDITOR’S REPORT.....	2 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
Management’s Discussion and Analysis .....	4 - 10
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet.....	11
Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances .....	12
Statement of Fiduciary Net Assets .....	13
Statement of Changes in Fiduciary Net Assets.....	14
Notes to the Basic Financial Statements.....	15 - 26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	27 - 28
Notes to Required Supplementary Information .....	29
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Supplemental Fire Services Grant Expenditure Report.....	30
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	31 - 32
Schedule of Audit Findings and Recommendations.....	33 - 36



**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Roster of Officials

For the year ended December 31, 2014

**Board of Fire Commissioners**

John Marcucci, President/Chairman

Charles Belmont, Secretary

Frederick J. Zauner, Treasurer

Jered Hafitz, Commissioner

Adam Bendas, Commissioner

**Other Officials**

Genova Burns LLC. , Attorneys-At-Law

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 7  
Hamilton, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 7, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

### Opinions

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 Hamilton Township Fire District No. 7, in the County of Mercer, State of New Jersey, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 27 through 28, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Township Fire District No. 7 basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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 financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of Hamilton Township Fire District No. 7'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* in considering Hamilton Township Fire District No. 7's internal control over financial reporting and compliance.

*DePietto & DePietto, LLC*

Holland, Pennsylvania  
November 9, 2015

REQUIRED SUPPLEMENTARY INFORMATION

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

The discussion and analysis of the Hamilton Township Fire District No. 7's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2014. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The 2013 financial data is shown for comparative purposes only. The amounts were obtained from the financial statements audited by Robert C. Oliveri, Jr., P.C. on which they expressed an unqualified opinion in their report dated March 11, 2014. They have not performed auditing procedures on the financial statements since that date.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

In total, net position decreased \$225,943 from \$1,618,323 in 2013 to \$1,392,380 in 2014, which includes a prior period adjustment to prepaid expenses of \$773.

General revenues accounted for \$3,585,878 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$3,812,594 in expenses including \$118,860 of depreciation for 2014. General revenues (primarily taxes) of \$3,585,878 were not adequate to provide for these programs, resulting in a negative change in net position of \$226,716.

Per Non-GAAP budgetary basis, the District had \$3,707,847 in expenditures and \$3,585,878 of actual revenue which resulted in \$121,969 of a deficiency in revenues over expenditures. Therefore, the District had to utilize \$121,969 of unrestricted fund balance to cover the expenses. This amount was not designated to be used in 2014 in the approved 2014 budget.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hamilton Township Fire District No. 7 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of the following three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

## **Required Financial Statements**

### District-Wide Financial Statements (Statement of Net Position and Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances)

Under GASB 34, any special purpose government entity that has only one major fund (not including fiduciary funds) may show the government-wide and fund financial statements all as part of the basic financial statements. Since the District only has governmental funds the District-wide and fund financial statements are combined in the basic financial statements.

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position and Governmental Funds Balance Sheet includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances identify the District's revenues and expenses for the year ended December 31, 2014.

The District also administers a deferred compensation plan for its employees. The fiduciary fund statements presented provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. This information is not included as part of the government-wide financial statements.

## **Financial Analysis of the District**

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

## Net Position

A summary of the District's Statement of Net Position is presented below.

**Table 1 - Condensed Statement of Net Position**

	<u>Governmental</u> <u>Activities</u> <u>2014</u>	<u>Governmental</u> <u>Activities</u> <u>2013</u>
Current and Other Assets	\$527,959	\$642,941
Capital Assets, net of accumulated depreciation	<u>947,939</u>	<u>1,055,799</u>
Total Assets	<u>\$1,475,898</u>	<u>\$1,698,740</u>
Liabilities and Net Position:		
Total Liabilities	\$ 83,518	\$ 80,417
Net Position:		
Invested in Capital Assets, net of related debt (2014)	884,714	1,055,799
Restricted for Reserve for Compensated Absences	81,859	81,859
Restricted for Post-Retirement Sick Pay Benefits	148,297	0
Unrestricted	<u>277,510</u>	<u>480,665</u>
Total Net Position	<u>1,392,380</u>	<u>1,618,323</u>
Total Liabilities and Net Position	<u>\$1,475,898</u>	<u>\$1,698,740</u>

As Table 1 indicates, total assets decreased by \$222,842 from \$1,698,740 to \$1,475,898 during the year ended December 31, 2014. This is comprised of a decrease of \$67,220 in cash and cash equivalents, a decrease in capital assets, net of depreciation of \$107,860, and a decrease in prepaid expenses of \$47,762. The net decrease in capital assets is due to posting 2014 depreciation of \$118,860 and reclassifying \$11,000 to the cost of the turnout gear that was originally posted as prepaid warranty costs in 2013. There was also \$257,472 of fully depreciated capital assets written off that were either scrapped or sold in previous years but were never taken off of the accounting books. Total liabilities reflect an increase of \$3,101. This includes an increase of \$18,538 in accounts payable and a decrease of \$15,437 in long-term debt as the District continued to make scheduled payments on the capital lease and notes payable.

Table 1 also indicates that total net position decreased \$225,943 from \$1,618,323 in 2013 to \$1,392,380 in 2014. This decrease is due to \$226,716 of expenses exceeding revenues for the year and adjusting a prior period prepaid expense for \$773. In addition, net position invested in capital assets, net of related debt, decreased by \$171,085 due to an \$118,860 increase in accumulated depreciation, reclassifying \$11,000 from prepaid warranty costs to capital assets and reducing the capital assets by the outstanding long-term debt of \$63,225 related to the purchase of equipment in 2013. There was no change in restricted reserves for compensated absences and an increase of \$148,297 to reserves for post-retirement sick pay to be in compliance with GASB 45, *Other Post Employment Benefits*.

**Table 2**  
**Condensed Statement of Revenues, Expenditures and Changes in Net Position**

	<u>Governmental</u> <u>Activities</u> <u>2014</u>	<u>Governmental</u> <u>Activities</u> <u>2013</u>
<b>REVENUES:</b>		
General Revenues:		
Property Taxes	\$3,453,991	\$3,366,143
Grants – State	14,199	14,199
Fees and other revenue	<u>117,688</u>	<u>176,640</u>
Total Revenues	<u>\$3,585,878</u>	<u>\$3,556,982</u>
<b>EXPENSES:</b>		
Administration	\$ 76,434	\$ 63,866
Cost of Operations and Maintenance	<u>3,736,160</u>	<u>3,563,405</u>
Total Expenses	<u>3,812,594</u>	<u>3,627,271</u>
Increase (Decrease) in Net Position	<u>\$ (226,716)</u>	<u>\$ (70,289)</u>

The Statement of Revenues, Expenditures and Changes in Net Position identifies the various revenue and expense items which affect the change in net position. Table 2 indicates that the District's total revenues increased by \$28,896. The total expenses increased by \$185,323. The majority of the change was due to an increase in salaries and fringe benefits and professional fees.

### **Governmental Activities**

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 96.3% of revenues for governmental activities for Hamilton Township Fire District No. 7 for 2014 and 94.6% in 2013. The District's total revenues were \$3,585,878 for the year ended December 31, 2014 and \$3,556,982 for the year ended December 31, 2013. In 2014, uniform fire safety revenue accounted for 3.2% of revenue, the state grant accounted for .4%, and investment income for .1%. In 2013, uniform fire safety revenue accounted for 4.2% of revenue, the state grant accounted for .4%, other income for .6% and investment income for .1%.

The Statement of Revenues, Expenditures and Changes in Net Position shows the cost of program services and the charges for services and grants offsetting those services.

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

**The District's Funds**

All governmental funds (i.e., general fund and capital projects fund) are accounted for using the modified-accrual basis of accounting. Total revenues were \$3,585,878 and expenditures were \$3,812,594. The change in fund balance for the year in the general fund was a decrease of \$226,716, there was no activity in the capital projects fund, the committed reserves for compensated absences remained at \$81,859 and there was an increase of \$148,297 in committed fund balance for post-retirement sick pay to be in compliance with GASB 45, *Other Post Employment Benefits*.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the General Fund for the year ended December 31, 2014, and the amount of increases and decreases in relation to prior year revenues.

**Table 3  
Summary of Revenues – General Fund**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) from 2013</u>
<b>Revenue:</b>			
Local Sources:			
Amount to be Raised by Taxation	\$3,453,991	\$3,366,143	\$87,848
Miscellaneous	117,688	176,640	(58,952)
State sources	<u>14,199</u>	<u>14,199</u>	<u>0</u>
Total	<u>\$3,585,878</u>	<u>\$3,556,982</u>	<u>\$28,896</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2014, and the amount of increases and decreases in relation to prior year amounts.

**Table 4  
Summary of Expenditures – General Fund**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) from 2013</u>
<b>Expenditures:</b>			
Administration	\$ 76,434	\$ 63,866	\$ 12,568
Cost of Operations and Maintenance	<u>3,736,160</u>	<u>3,563,405</u>	<u>172,755</u>
Total	<u>\$3,812,594</u>	<u>\$3,627,271</u>	<u>\$185,323</u>

## Capital Assets

At the end of the year 2014, the District had \$947,939 invested in fire apparatus and equipment. Table 5 shows 2014 balances compared to 2013.

**Table 5**  
**Capital Assets (Net of Depreciation)**

	<u>2014</u>	<u>2013</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2013</u>
Leasehold Improvements	\$ 46,955	\$ 64,529	\$ (17,574)
Equipment	165,346	192,716	(27,370)
Trucks and Apparatus	<u>735,638</u>	<u>798,554</u>	<u>(62,916)</u>
Total	<u>\$947,939</u>	<u>\$1,055,799</u>	<u>\$(107,860)</u>

In 2014, capital assets, net of depreciation decreased by \$107,860. The net decrease in capital assets is due to posting 2014 depreciation of \$118,860 and reclassifying \$11,000 to the cost of the turnout gear that was originally posted as prepaid warranty costs in 2013. There was also \$257,472 of fully depreciated capital assets written off that were either scrapped or sold in previous years but were never taken off of the accounting books. There were no capital assets purchased during the year.

## Economic Factors and Next Year's Budgets and Rates

For the 2014 year, the Hamilton Township Fire District No. 7 was able to sustain its budget through the district tax levy, uniform fire safety and other revenue and utilization of its undesignated fund balance. Approximately 96.3% of total revenue in 2014 was from the local tax levy, while the remaining 3.7% was from other sources. The tax rate levy per \$100 of property valuation increased from \$.223 in 2013 to \$.229 in 2014.

The Board of Fire Commissioners approved the 2015 budget on December 15, 2014 and amended and adopted the 2015 budget on January 20, 2015. In February 2015 the budget was approved by the voters. The final budget was adopted by the State of New Jersey, Local Finance Board, in February 2015. The adopted 2015 budget reflects the total revenues of \$3,695,942 which includes an amount to be raised by taxation of \$3,527,743. The tax rate levy per \$100 of property valuation for 2015 is \$.234.

## For the Future

Hamilton Township Fire District No. 7 is presently in good financial condition. The District is proud of its community support.

In conclusion, Hamilton Township Fire District No. 7 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact, Treasurer, at Hamilton Township Fire District No. 7, 200 Mercer Street, Hamilton, New Jersey, 08690.

## BASIC FINANCIAL STATEMENTS

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

## Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2014

	Governmental Funds			Adjustments (Note 13)	Statement of Net Position
	General Fund	Capital Projects Fund	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 527,959	\$ 0	\$ 527,959	\$ 0	\$ 527,959
Capital assets, net of accumulated depreciation (Note 3)	0	0	0	947,939	947,939
Total assets	<u>\$ 527,959</u>	<u>\$ 0</u>	<u>\$ 527,959</u>	<u>\$ 947,939</u>	<u>\$ 1,475,898</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,293	\$ 0	\$ 5,293	0	5,293
Accrued expenses	15,000	0	15,000	0	15,000
Long-term liabilities:					
Due within one year	0	0	0	14,593	14,593
Due after one year	0	0	0	48,632	48,632
Total liabilities	<u>20,293</u>	<u>0</u>	<u>20,293</u>	<u>63,225</u>	<u>83,518</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund balances:					
Unassigned	277,510	0	277,510	(277,510)	0
Assigned					
For post-retirement sick pay benefits	148,297	0	148,297	(148,297)	0
Committed					
For reserves for compensated absences	81,859	0	81,859	(81,859)	0
Total fund balances	<u>507,666</u>	<u>0</u>	<u>507,666</u>	<u>(507,666)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 527,959</u>	<u>\$ 0</u>	<u>\$ 527,959</u>	<u>(444,441)</u>	<u>83,518</u>
Net position:					
Invested in capital assets, net of related debt				884,714	884,714
Restricted for:					
Reserve for compensated absences				81,859	81,859
Post-retirement sick pay benefits				148,297	148,297
Unrestricted				277,510	277,510
Total net position				<u>1,392,380</u>	<u>1,392,380</u>
Total liabilities and net position				<u>\$ 947,939</u>	<u>\$ 1,475,898</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Statement of Revenues, Expenditures and Changes in Net Position  
and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2014

	<u>Governmental Funds</u>				<u>Statement of</u>
		<u>Capital</u>		<u>Adjustments</u>	<u>Revenues,</u>
	<u>General Fund</u>	<u>Projects</u>	<u>Total</u>	<u>(Note 13)</u>	<u>Expenditures</u>
		<u>Fund</u>			<u>and Changes</u>
					<u>in Net</u>
					<u>Position</u>
Expenditures/expenses:					
Fire protection - administration	\$ 76,434	\$ 0	\$ 76,434	\$ 0	\$ 76,434
Fire protection - operations	3,736,160	0	3,736,160	0	3,736,160
Total expenditures/expenses	3,812,594	0	3,812,594	0	3,812,594
General revenues:					
Taxes	3,453,991	0	3,453,991	0	3,453,991
Uniform fire safety act revenues	113,391	0	113,391	0	113,391
Grants - State of New Jersey	14,199	0	14,199	0	14,199
Investment earnings	4,297	0	4,297	0	4,297
Transfers - internal activities	0	0	0	0	0
Total general revenues and transfers	3,585,878	0	3,585,878	0	3,585,878
Deficit of revenues and transfers in over expenditures and transfers out	(226,716)	0	(226,716)	226,716	0
Changes in net position/fund balance	0	0	0	(226,716)	(226,716)
Fund balance/net position:					
Beginning of the year	1,618,323	0	1,618,323	0	1,618,323
Prior period adjustment - prior year prepaids	773	0	773	0	773
End of the year	<u>\$ 1,392,380</u>	<u>\$ 0</u>	<u>\$ 1,392,380</u>	<u>\$ 0</u>	<u>\$ 1,392,380</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 December 31, 2014

	Deferred Compensation Trust
<b>ASSETS</b>	
Investments with fiscal agents	\$ 555,850
Receivables - participants' contributions	<u>1,450</u>
<b>TOTAL CURRENT ASSETS</b>	<u><u>\$ 557,300</u></u>
<b>NET ASSETS</b>	
Held in trust for deferred compensation	<u><u>\$ 557,300</u></u>

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2014

	Deferred Compensation Trust
<b>ADDITIONS TO NET ASSETS</b>	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	\$ 26,869
Interest income	<u>4,517</u>
Net investment earnings (losses)	31,386
Contributions:	
Participants'	<u>18,240</u>
<b>TOTAL ADDITIONS TO NET ASSETS</b>	<b>49,626</b>
<b>DEDUCTIONS FROM NET ASSETS</b>	
Distributions:	
Participants'	<u>0</u>
<b>TOTAL DEDUCTIONS FROM NET ASSETS</b>	<u>0</u>
Net increase prior to interfund transfers	49,626
Interfund transfers	<u>0</u>
<b>NET INCREASE</b>	<b>49,626</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	
<b>BEGINNING OF YEAR</b>	<u>507,674</u>
<b>END OF YEAR</b>	<u><u>\$ 557,300</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hamilton Township Fire District No. 7 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are described below.

#### **Reporting Entity**

Hamilton Township Fire District No. 7 is a political subdivision of the Township of Hamilton, County of Mercer, New Jersey. The District was formed through the adoption of a Township ordinance, to provide fire prevention and suppression services to the residents of Hamilton Township. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

The fire district is governed by N.J.S.A. 40A:14-70 et al. and is organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territory. The Fire District has one fire company within its jurisdiction, the Nottingham Volunteer Fire Company, Inc.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB)*, the financial statements must present the District (the primary government) and its component units. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

#### **Basic Financial Statements – Government-Wide and Fund Financial Statements**

The District's basic financial statements (i.e., the statement of net position and the statement of revenues, expenditures, and changes in net position) combine both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds) and report information on all of the non-fiduciary activities of the primary government.

The statement of revenues, expenditures, and changes in net position demonstrates the degree to which the direct expenses of a given function are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to residents or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 7

Notes to the Financial Statements

December 31, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basic Financial Statements – Government-Wide and Fund Financial Statements (continued)**

Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for fiduciary funds even though they are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the basic financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

The Capital Projects Fund is used to account for the financial resources for the acquisition of capital assets or the construction of major capital facilities within the District. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Additionally the District reports the following fiduciary funds:

The Deferred Compensation Trust Fund is used to account for assets held by the District in a trustee capacity for the District's eligible employees.

Cash and Cash Equivalents

Cash used for the day-to-day operations of the Fire District is in a non-interest bearing checking account and interest bearing savings accounts.

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with a maturity of more than three months, if any, are reported as investments.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

Capital Assets

Capital assets, which include fire trucks, vehicles, other fire apparatus, equipment and leasehold improvements, generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position.

All capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost (or estimated historical cost). Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Fire trucks, apparatus and vehicles	7 - 20 years
Equipment	5 - 10 years
Leasehold improvements	20 years

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Prepaid Expenses

Prepaid expenses recorded on the district-wide financial statements represent payments to vendors for services that will benefit periods beyond December 31, 2014.

#### Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures of liabilities but rather commitments related to unperformed contracts for goods and services.

#### Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America for governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### Income Taxes

As a public body, the District is exempt from both federal and state taxes existing under statute.

#### Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid except for other post employment benefits noted in Note 14.

#### Budget and Budgetary Accounting

The 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 no later than sixty days prior to the annual election. Upon introduction, the commissioners 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 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 District budget in accordance with N.J.S.A. 40A:14-78.3.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 7

Notes to the Financial Statements

December 31, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Budget and Budgetary Accounting (continued)

Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the 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 District's financial statements.

#### Fire District Taxes

Upon the proper certification to the assessor of the municipality in which the District is located, the assessor shall assess the amount of taxes to be raised in support of the District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality then pays the assessed taxes to the treasurer or custodian of funds of the District.

### NOTE 2 – CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

The District must adopt a cash management plan each year that requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA 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 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 savings 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.

#### Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District or in the District's name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository's trust department or agent in the District's name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District's name. At December 31, 2014, the District's deposits of \$520,671 are classified as Category 1 deposits.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 7

Notes to the Financial Statements

December 31, 2014

### NOTE 2 – CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

#### New Jersey Cash Management Fund

During the year, the District participated in the New Jersey Cash Management Fund. The fund is governed by regulations of the State Investment Council, which prescribes the standards designed to insure the quality of investments in order to minimize the risk to the Fund's participants. At December 31, 2014, \$7,288 maintained within the New Jersey Cash Management Fund is not subject to categorization as defined above.

### NOTE 3 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Fire apparatus, trucks and vehicles	\$1,343,755	\$ 0	\$ 1,735	\$1,342,020
Leasehold improvements	351,461	0	0	351,461
Equipment	<u>587,331</u>	<u>11,000</u>	<u>255,737</u>	<u>342,594</u>
Total Capital Assets, Being Depreciated	2,282,547	11,000	257,472	2,036,075
Less: Total Accumulated Depreciation	<u>1,226,748</u>	<u>118,860</u>	<u>257,472</u>	<u>1,088,136</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,055,799</u>	<u>\$(107,860)</u>	<u>\$ 0</u>	<u>\$ 947,939</u>

Depreciation expense of \$118,860 was charged to governmental activities as part of its cost of operations in 2014. In 2014, \$11,000 was reclassified to capital assets from prepaid warranty costs. These costs were associated with the acquisition of turnout gear that was purchased in 2013 and should have been capitalized with the gear. There was also \$257,472 of fully depreciated capital assets written off that were either scrapped or sold in previous years but were never taken off of the accounting books. There were no capital assets purchased during the year.

### NOTE 4 – ACCRUED EXPENSES

Accrued expenses include costs for professional fees and other operating expenses that were incurred for the year ended December 31, 2014 but were not paid by that date.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

**NOTE 5 – LOAN PAYABLE – STATE OF NEW JERSEY, DEPARTMENT OF COMMUNITY AFFAIRS, DIVISION ON FIRE SAFETY LOAN**

In January 2013, the Board of Fire Commissioners entered into a Volunteer Emergency Service Organization Loan (Loan#2012-17913-0382-00) with the State of New Jersey, Department of Community Affairs, Division of Fire Safety to purchase computers for the command vehicle and the fire inspector’s vehicle. The total cost of the computers and applicable software was \$15,852. The note calls for annual principal payments of \$1,585.20 plus interest at a rate of 2.0%. The term of the note is 10 years. The first payment was made on January 28, 2014 and the last payment is due on January 28, 2023.

The balance of the loan payable at December 31, 2014 was \$14,267. Interest expense for the year ended December 31, 2014 was \$317.

**NOTE 6 – OBLIGATIONS UNDER LEASE AGREEMENT**

Purchase of 2013 Morning Pride Turnout Gear

On July 22, 2013, the District entered into a lease agreement with Kansas State Bank to purchase twenty-five sets of turnout gear for a cost of \$66,500. This agreement requires monthly payments of \$1,218.72 including interest at 3.73%, beginning September 1, 2013 and ending August 31, 2018. The balance payable on the lease agreement at December 31, 2014 for the equipment was \$48,958. Interest expense for the year ended December 31, 2014 was \$773.

Future scheduled payments under the terms of this agreement are as follows for the years ending December 31:

2015	\$ 14,625
2016	14,625
2017	14,625
2018	<u>8,531</u>
Total future minimum lease payments	52,406
Less: Amount representing interest	<u>(3,448)</u>
	48,958
Less: Current portion	<u>(13,008)</u>
	<u>\$35,950</u>

**NOTE 7 – UNRESTRICTED NET POSITION**

Unrestricted net position at December 31, 2014 was \$277,510. None of the balance is anticipated to be utilized in the 2015 budget.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 8 – NET POSITION RESTRICTED FOR COMPENSATED ABSENCES**

Net position restricted for reserve for compensated absences at December 31, 2014 was \$81,859. Per Note 4, from the December 31, 2013 audit dated March 11, 2014, that was audited by another accounting firm, it states that this balance was for employees' vested compensated absences benefits accumulated over the period from inception to December 31, 2013. During the 2014 audit, there was no documentation to substantiate this restriction. The \$81,859 shows on the 2014 and 2015 budget as Restricted Fund Balance, however, there is no explanation of the restriction.

In December 2015, the Board of Fire Commissioners will pass a resolution to authorize a referendum to approve the release of the restricted fund balance to be used for general operations in the 2016 budget.

### **NOTE 9 – NJ SUPPLEMENTAL FIRE SERVICES PROGRAM GRANT**

#### New Jersey Basic Entitlement Grant

Annually, the Supplemental Fire Services Program (SFSP) awards a grant to the Fire District for volunteer fire services. By acceptance of the grant, the Fire District agrees to all obligations and responsibilities pursuant to the SFSP as provided in Ch. 295, P.L., 1985.

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$14,199 for the year ended December 31, 2014. The District received and expended \$14,199 for the year ended December 31, 2014.

### **NOTE 10 – RENT**

The Fire Commissioners, District No. 7, Hamilton Township are elected members and provide fire support to the Volunteers to District No. 7, Hamilton Township (also known as the Nottingham Volunteer Fire Company, Inc.) The District has a long-standing oral agreement with the fire company to pay them rent for the use of the building. The District paid the fire company \$25,000 in 2014 for these services.

### **NOTE 11– SHARED SERVICES AGREEMENT UNDER THE UNIFORM SHARED SERVICES AND CONSOLIDATION ACT**

On June 1, 2014, Hamilton Township Fire District No. 7 entered into a shared services agreement for a Fire Chief with Hamilton Township Fire District No. 3, in accordance with the provisions of the New Jersey Uniform Shared Services and Consolidation Act, N.J.S.A. 40A:65-1 and all regulations promulgated thereto.

In consideration for Hamilton Township Fire District No. 3 providing these services, Hamilton Township Fire District No. 7 shall reimburse the District for a portion of the Fire Chief's actual payroll, benefits and expenses. Shared service expense for the year ended December 31, 2014 was \$30,416.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 12 – PENSION RETIREMENT SYSTEMS**

#### Description of Pension Retirement Systems

Employees of the District, who are eligible for pension coverage, are covered by the Public Employees' Retirement System or the Police and Firemen's Retirement System of New Jersey, which have been established by state statute and administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the System's terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These reports may be obtained by writing to the Division of Pension and Benefits, P.O. Box 295, Trenton, NJ, 08625 or contacting the Division through the internet at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The plans do not maintain separate records for each reporting unit and, accordingly, the actuarial data for Fire District No. 7 is not available. The employee's portion is deducted biweekly from his/her paycheck and is paid to the state monthly. The District's contribution is paid on an annual basis and is computed and billed by the State Fund. The annual appropriation from the State of New Jersey for 2014 for both PERS and PFRS was \$293,822.

#### Deferred Compensation Plan

The Fire District also has a deferred compensation plan under section 457(b) of the Internal Revenue Code of 1986, as amended, which was approved by the State of New Jersey, Department of Community Affairs. The purpose of this Plan is to provide an optional benefit to employees whereby a designated amount of the participant's compensation is withheld each month from his paycheck and is then invested in the plan according to the investments the employee selected. An employee becomes a participant when he has executed and entered into an agreement with the employer. A participant must agree to defer a minimum of twenty dollars per payroll period or such greater amount as specified by the employee in his agreement. For 2014, the maximum amount deferred could not exceed the lesser of \$17,500 or 100% of normal compensation. There was a catch-up contribution of \$5,500 allowed for those individuals who were age 50 and over. The agent providing administrative services for the plan is The Variable Annuity Life Insurance Company.

#### Compensated absences

According to the collective bargaining agreements, fire district employees are entitled to fifteen paid sick leave days (180 hours) per year. Each employee is entitled to utilize the earned sick time during the calendar year. Unused sick leave will be accumulated and be carried forward to be paid in future years, if needed. Any unused sick leave may only be accumulated to be used toward actual sick time or for the option to sell back at the time of retirement, death or termination of employment. Also, see Note 14 regarding Other Post-Employment Benefits.

Vacation days not used during the year are non-cumulative and must be completed on or before December 31<sup>st</sup> of each year.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 13 – STATEMENT OF NET POSITION – ADJUSTMENTS**

In order to present the statement of net position in accordance with GASB 34, the District needed to make certain adjustments to the general fund balance sheet. The capital assets previously reported in the fixed asset group of accounts, net of depreciation of \$947,939 and long-term debt previously reported in the long-term debt group of accounts of \$63,225 had to be posted to the general fund. Also, the ending fund balances had to be converted to the net position classifications required under GASB 34. The adjustments shown on the statement of net position accomplish that task.

### **NOTE 14 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS**

#### HEALTHCARE

##### Plan Description

The Commissioners of Hamilton Township Fire District No. 7, County of Mercer and State of New Jersey contributes to the State Health Benefits Program (SHBP), a healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

##### Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their active employees and retirees.

Contributions to pay for the health premiums of participating active employees and retirees in the SHBP are billed to the Commissioners of Hamilton Township Fire District No. 7, County of Mercer, State of New Jersey on a monthly basis. The Fire District funds the cost of these benefits through taxes. The cost of health benefits per active employee and retiree is determined by the SHBP. There are currently eight retirees receiving benefits.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

### **NOTE 14 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS (CONTINUED)**

#### Funding Policy (continued)

As of July 2011, under Chapter 78, P.L. 2001, employee contributions for health benefits are required at a specified percentage of the health benefits/prescription drug premiums for a salary range, but not less than 1.5% of salary (as previously required under Chapter 2, P.L. 2010). For local government employees the first year phase in began upon the expiration of the collective negotiations agreement in effect as of June 28, 2011. For new employees hired on or after June 28, 2011, or after the expiration of a collective negotiations agreement that was in force on June 28, 2011, the employees contribute (without any phase-in) at the full amount of the required contribution rate (4.5% to 35%). The amount the employees contributed for the year ended December 31, 2014 was \$46,076.

The Commissioners of Hamilton Township Fire District No. 7, County of Mercer, State of New Jersey contributions to SHBP for the year ending December 31, 2014 was \$549,477 of which \$126,837 was for retirees, which equaled the required contributions for each year.

#### SICK PAY

Each employee receives fifteen days or 180 hours of sick time per year. Unused sick time may be accumulated toward post-retirement payment. The calculation of accumulated time is based on an equation determined by the Commissioners of Hamilton Township Fire District No. 7, County of Mercer, State of New Jersey. It is based upon number of years already worked and approximate number of years to retirement for each employee who has accumulated sick time. An hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$15,000, except for those employees hired before May 21, 2010, and then the amount is equal to the 50% of their entire accumulated sick time. Based on accumulated sick days as of December 31, 2014, the accrued sick pay due employees under the terms of the contract at death, termination or retirement was \$148,297.

### **NOTE 15 – DATE OF MANAGEMENT’S REVIEW**

Subsequent events have been evaluated through November 9, 2015, which is the date the financial statements were available to be issued.

### **NOTE 16 – 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; and natural disasters.

#### Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to the Financial Statements

December 31, 2014

**NOTE 17 – LITIGATION**

As of the date of this report there is no litigation pending which, if decided adversely to the District would have a material impact on the District.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

## Schedule of Revenues and Expenditures

## Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b><u>Revenues:</u></b>				
Taxes	\$ 3,453,991	\$ 3,453,991	\$ 3,453,991	\$ 0
Designated surplus	0	0	121,969	121,969
Investment income	5,000	5,000	4,297	(703)
Uniform fire safety act revenues	120,000	120,000	113,391	(6,609)
Supplemental fire services grant	14,199	14,199	14,199	0
	<u>3,593,190</u>	<u>3,593,190</u>	<u>3,707,847</u>	<u>114,657</u>
Total Revenues	3,593,190	3,593,190	3,707,847	114,657
<b><u>Expenditures:</u></b>				
General Government:				
Salaries and wages	\$ 1,948,628	\$ 1,948,628	\$ 2,014,344	\$ (65,716)
Fringe benefits and payroll taxes	1,092,562	1,092,562	1,116,423	(23,861)
Administration:				
Advertising	150	150	122	28
Dues and elections	1,000	1,000	1,077	(77)
Insurance	2,000	2,000	2,000	0
Office expenses	6,400	6,400	12,792	(6,392)
Professional fees	30,000	30,000	60,443	(30,443)
	<u>39,550</u>	<u>39,550</u>	<u>76,434</u>	<u>(36,884)</u>
Total Administration	39,550	39,550	76,434	(36,884)
Operations:				
Fire prevention	15,000	15,000	2,970	12,030
Insurance	29,500	29,500	32,424	(2,924)
Materials, supplies and equipment	39,950	39,950	54,272	(14,322)
Rent - building	25,000	25,000	25,000	0
Rent - water and hydrant	310,000	310,000	309,285	715
Repairs and maintenance	60,000	60,000	42,662	17,338
Telephone	6,000	6,000	6,663	(663)
Training	17,000	17,000	16,247	753
Uniforms and personal equipment	10,000	10,000	11,123	(1,123)
	<u>512,450</u>	<u>512,450</u>	<u>500,646</u>	<u>11,804</u>
Total Operations	512,450	512,450	500,646	11,804
Total General Government	3,593,190	3,593,190	3,707,847	(114,657)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Capital Outlay				
Payment of loan principal	0	0	0	0
Interest on loans	0	0	0	0
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>3,593,190</u>	<u>3,593,190</u>	<u>3,707,847</u>	<u>(114,657)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 0
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(118,860)
Designated surplus is an inflow of resources for budgetary purposes but not for financial reporting purposes	(121,969)
Payment of principal on the lease agreement for the turnout gear is an outflow of a budgetary resource (equipment expense) but is not an expenditure for financial reporting purposes	12,528
Payment of principal on the loan payable for the computers is an outflow of a budgetary resource (equipment expense) but is not an expenditure for financial reporting purposes	1,585
Deficit of Revenues Over Expenditures - GAAP Basis	<u>\$ (226,716)</u>

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Notes to Required Supplementary Information

For the Year Ended December 31, 2014

### **NOTE 1 – BUDGETS/BUDGETARY CONTROL**

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**OTHER SUPPLEMENTARY INFORMATION**

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**  
Schedule of Supplemental Fire Services Grant Expenditure Report  
For the Year Ended December 31, 2014

REVENUE

State of New Jersey Supplemental Fire Services Grant \$ 14,199

Total revenue \$ 14,199

EXPENDITURES

Uniforms and personal equipment and insurance \$ 14,199

Total expenditures \$ 14,199



Independent Auditor's 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*

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 7  
Hamilton, New Jersey

We have audited, 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, the financial statements of the governmental activities of Hamilton Township Fire District No. 7 as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Hamilton Township Fire District No. 7's basic financial statements and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton Township Fire District No. 7's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton Township Fire District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton Township Fire District No. 7'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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses that we consider to be significant deficiencies. [Finding Numbers 14-01 to 14-06].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Township Fire District No. 7's financial statements are free from 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*.



We noted certain matters that we reported to management of Hamilton Township Fire District No. 7 in a separate letter dated November 9, 2015.

Hamilton Township Fire District No. 7's Response to Findings

Hamilton Township Fire District No. 7's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. Hamilton Township Fire District No. 7's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 on compliance. This report is an integral part of an 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.

*DePietto & DePietto, LLC*

Holland, Pennsylvania  
November 9, 2015

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2014

This section identifies any material weaknesses, significant deficiencies and instances of non-compliance related to the December 31, 2014 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.

### **Section I - Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Hamilton Township Fire District No. 7.
2. There were no material weaknesses identified and there were six (6) significant deficiencies, as described in findings 14-01 to 14-06, relating to the audit of the financial statements as reported in the 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*.
3. There were no instances of noncompliance or other matters reported relating to the audit of the financial statements as reported in the 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*.

### **Section II – Financial Statement Findings – Current Year**

#### **14-01 Finding: The general ledger balances did not accurately reflect prior year balances.**

During our analytical process, which included reviewing supporting documentation from the client for the December 31, 2013 balance sheet accounts and reconciling the December 31, 2013 audit report to the accounting records, we noted that the ending balances per the audited financial statements did not agree to the financial records of the District.

#### **Recommendation:**

We recommend corrective actions be taken to ensure that the accounting records always reconcile to the audited financial statements. The District should make sure that at the end of each audit all audit journal entries approved by the Fire Commissioners are posted to the accounting records and the balances on the audited financial statements are reconciled to the financial records of the District.

#### **District's Response:**

We are aware of the situation and already took steps to correct it. The prior auditor never provided the fire commissioners with the final audit adjusting entries for the year ended December 31, 2013 in order to reconcile the accounting records with the audit and he did not respond to any of the numerous inquiries the board made of him. At the end of each audit the

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2014

Treasurer will ensure that the approved audit adjusting entries are posted to the general ledger and the ending balances agree to the audit report.

**14-02 Finding: The resolution to transfer excess appropriations from line items of operating appropriations to line items deemed to be insufficient per the budget pursuant to N.J.S.A. 40A: 14-78.9 is not done in a timely manner.**

This resolution was not made by the Board of Fire Commissioners for 2014.

**Recommendation:**

We recommend corrective actions be taken to ensure that District makes the resolution to transfer excess appropriations from line items of operating appropriations to line items deemed to be insufficient per the budget pursuant to N.J.S.A. 40A: 14-78.9 prior to the end of the fiscal year.

**District's Response:**

We are aware of the situation and already took steps to correct it. The Fire Commissioners will make the necessary resolution prior to the end of the current fiscal year.

**14-03 Finding: Resolutions to adopt a temporary budget for payments to be made prior to the adoption of the following year's budget pursuant to N.J.S.A. 40A: 14-78.17 and to appropriate all unexpended and unobligated balances from the current year's budget to be available in the following year were not done.**

While performing our audit procedures we noted that resolutions to cancel prior year appropriations and to adopt a temporary budget for the following fiscal year were not made prior to the end of the current fiscal year.

**Recommendation:**

We recommend corrective actions be taken to ensure that District makes the resolutions to adopt a temporary budget for payments to be made prior to the adoption of the following year's budget pursuant to 40A: 14-78.17 and to appropriate all unexpended and unobligated balances from the current year's budget to be available in the following year.

**District's Response:**

We are aware of the situation and already took steps to correct it. The Fire Commissioners will make the necessary resolutions prior to the end of the current fiscal year.

**14-04 Finding: No written conflict of interest policy with the Fire Commissioners**

While performing our audit and reviewing the District's records, we noted that there was no conflict of interest disclosure document between each Fire Commissioner and the District.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 7**

### Schedule of Audit Findings and Responses

For the Year Ended December 31, 2014

#### **Recommendation:**

We recommend corrective actions be taken to ensure that District has a written conflict of interest policy. The District should have a written conflict of interest policy prepared in conjunction with an experienced attorney and should require any fire commissioner to disclose annually, in writing, any interests that could give rise to conflicts. This policy must be monitored and enforced.

#### **District's Response:**

We are aware of the situation and already took steps to correct it. The Fire Commissioners are discussing this with the District's attorney and are working on developing a conflict of interest policy.

#### **14-05 Finding: The 2014 budget was over-expended at year-end**

While performing some of the analytical review audit work, we noted that there were several budget line items that were over-expended at year-end causing the District to have to use \$121,969 of its unassigned fund balance. This balance was not designated to be used in 2014 in the approved 2014 budget.

#### **Recommendation:**

We recommend corrective actions be taken to ensure that budget items are compared to actual expenditures on a timely and consistent basis by the Board to avoid over-expenditures.

#### **District's Response:**

We are aware of the situation. We do review the budget and actual expenses on a timely and consistent basis. However, in 2014 there were some unexpected legal expenses and payroll expenses that occurred that were not in the approved 2014 budget.

#### **14-06 Finding: Resolution to adopt a cash management plan pursuant to N.J.S.A. 40A:5-14 was not done.**

While performing the audit and reviewing the minutes and resolutions made in 2014, we noted that there was no resolution to adopt a cash management plan for 2014.

#### **Recommendation:**

We recommend corrective actions be taken to ensure that a resolution to adopt a cash management plan be made each year.

#### **District's Response:**

We are aware of the situation and already took steps to correct it. The Fire Commissioners will make the necessary resolutions prior to the end of the current fiscal year.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 7**  
Schedule of Audit Findings and Responses  
For the Year Ended December 31, 2014

**Section III – Financial Statement Findings - Current Year Status of Prior Year Findings**

No prior year findings per audit report dated March 11, 2014 prepared by prior auditor.