

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Financial Statements and Supplementary Information
Year Ended December 31, 2014

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HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 2

Roster of Officials

For the year ended December 31, 2014

Board of Fire Commissioners

Gene Argenti, Chairman

Alec Martin, Secretary

Scott Fairfax, Treasurer

Stephen Vetrano, Commissioner

Brian Clarke, Commissioner

Other Officials

Stark & Stark, Attorneys at Law

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
Hamilton Township Fire District No. 2
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. 2, 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. 2, 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 conformity 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 9 and 25 through 26, 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. 2's 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 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.

The financial statements include the balance sheet of the Deferred Compensation Trust Fund which is unaudited. Note 8 sets forth the significant statutory and regulatory requirements related to this fund.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of Hamilton Township Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered Hamilton Township Fire District No. 2's internal control over financial reporting and compliance.

DePietto & DePietto, LLC

Holland, Pennsylvania
November 20, 2015

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

The discussion and analysis of the Hamilton Township Fire Commissioners District No. 2'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.

Financial Highlights

Key financial highlights for 2014 are as follows:

In total, net position increased \$16,030 from \$2,640,941 in 2013 to \$2,656,971 in 2014.

General revenues accounted for \$3,581,454 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$3,565,424 in expenses including \$145,105 of depreciation for 2014. General revenues (primarily taxes) of \$3,565,424 were adequate to provide for these programs, resulting in a positive change in net position of \$16,030.

Per Non-GAAP budgetary basis, the District had \$3,519,058 in expenditures and capital outlays and \$3,581,454 of actual revenue which resulted in a \$62,396 excess of revenues over expenditures. The District did not have to utilize any of the \$131,452 that was designated surplus of unrestricted funds noted in the 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 Commissioners District No. 2 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 slightly 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> 2014	<u>Governmental</u> <u>Activities</u> 2013
Current and Other Assets	\$ 1,356,081	\$ 1,242,312
Capital Assets, net of accumulated depreciation	<u>1,944,009</u>	<u>2,089,114</u>
Total Assets	<u>\$3,300,090</u>	<u>\$3,331,426</u>
Liabilities and Net Position:		
Total Liabilities	\$ 643,119	\$ 690,485
Net Position:		
Invested in Capital Assets, net of related debt	1,467,936	1,559,587
Restricted for Capital Projects	34,299	34,299
Restricted for Post-Retirement Sick Pay Benefits	46,143	58,025
Unrestricted	<u>1,108,593</u>	<u>989,030</u>
Total Net Position	<u>2,656,971</u>	<u>2,640,941</u>
Total Liabilities and Net Position	<u>\$3,300,090</u>	<u>\$3,331,426</u>

As Table 1 indicates, total assets decreased by \$31,336 from \$3,331,426 to \$3,300,090 during the year ended December 31, 2014. This is comprised of an increase of \$69,681 in cash and cash equivalents, a \$1,196 decrease in receivables, an increase of \$45,284 in prepaid expenses and a decrease in capital assets, net of depreciation of \$145,105. The net increase in capital assets is due to posting 2014 depreciation of \$145,105. Total liabilities reflect a decrease of \$47,366. This includes a decrease of \$53,455 in long-term debt as the District continued to make scheduled payments on the capital lease payable and an increase of \$6,089 in accounts payable and accrued expenses at year end.

Table 1 also indicates that total net position increased \$16,090 from \$2,640,941 in 2013 to \$2,656,971 in 2014. This increase is due to \$16,090 of revenue exceeding expenditures for 2014. Included in this change in net position is a decrease in net position invested in capital assets, net of related debt of \$91,651 due to the District paying down principal on the capital lease of \$53,455 and a \$145,105 increase in accumulated depreciation. Also, the reserve for post-retirement sick pay was decreased by \$11,882 to continue to be in compliance with GASB 45, *Other Post-Employment Benefits* and there was no change in net position restricted for capital projects.

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

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
REVENUES:		
General Revenues:		
Property Taxes	\$3,519,958	\$3,201,392
Grants – State	14,199	14,199
Fees and other revenue	<u>47,297</u>	<u>45,767</u>
Total Revenues	<u>\$3,581,454</u>	<u>\$3,261,358</u>
EXPENSES:		
Administration	\$ 95,509	\$ 95,910
Cost of Operations and Maintenance	3,469,915	3,046,788
Capital Appropriations	<u>0</u>	<u>61,701</u>
Total Expenses	<u>3,565,424</u>	<u>3,416,883</u>
Increase (Decrease) in Net Position	<u>\$ 16,030</u>	<u>\$(155,525)</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 \$320,096. The increase in revenue was primarily due to an increase in property tax revenues. The total expenses increased by \$148,541. The majority of the change was due to an increase in payroll, payroll taxes and fringe benefits, a decrease in capital appropriations and non-bondable assets and an increase in repairs and maintenance.

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 98.3% of revenues for governmental activities for Hamilton Township Fire Commissioners District No. 2 for 2014 and 98.2% in 2013. The District's total revenues were \$3,581,454 for the year ended December 31, 2014 and \$3,261,358 for the year ended December 31, 2013. In 2014, the state grant accounted for .4% of revenue, fire prevention fees for .9% of revenue, other income for .2% of revenue and investment income for .2%. In 2013, the state grant accounted for .4% of revenue, fire prevention fees for 1.2% of revenue and investment income for .2%.

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 \$3,581,454 and expenditures were \$3,565,424. The change in fund balance for the year in the general fund was an increase of \$16,030, there was a decrease of \$11,882 in reserves for post-retirement sick pay to be in compliance with GASB 45, *Other Post-Employment Benefits* and no change in reserves for capital projects.

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>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$3,519,958	\$3,201,392	\$318,566
Miscellaneous	47,297	45,767	1,530
State sources	<u>14,199</u>	<u>14,199</u>	<u>0</u>
Total	<u>\$3,581,454</u>	<u>\$3,261,358</u>	<u>\$320,096</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>
Expenditures:			
Administration	\$ 95,509	\$ 95,910	\$ (401)
Cost of Operations and Maintenance	3,469,915	3,259,272	210,643
Capital Appropriations	<u>0</u>	<u>61,701</u>	<u>(61,701)</u>
Total	<u>\$3,565,424</u>	<u>\$3,416,883</u>	<u>\$148,541</u>

Capital Assets

At the end of the year 2014, the District had \$1,944,009 invested in capital assets net of depreciation. Table 5 shows 2014 balances compared to 2013.

Table 5
Capital Assets (Net of Depreciation)

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) from 2013</u>
Building and Building Renovations	\$ 998,884	\$1,078,135	\$(79,251)
Fire Equipment	0	2,804	(2,804)
Office Equipment	0	2,117	(2,117)
Vehicles	<u>945,125</u>	<u>1,006,058</u>	<u>(60,933)</u>
Total	<u>\$1,944,009</u>	<u>\$2,089,114</u>	<u>\$(145,105)</u>

In 2014, capital assets, net of depreciation decreased by \$145,105. In November 2014, the District ordered a 2015 Ford Explorer for the Chief for a total cost of \$45,284, including the conversion for the truck. The converted vehicle was not received or placed in service until 2015. Depreciation expense of \$145,105 was charged to governmental activities as part of its cost of operations in 2014.

Economic Factors

For the 2014 year, the Hamilton Township Fire Commissioners District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 98.3% of total revenue was from the local tax levy, while the remaining 1.7% was from other sources. The tax rate levy per \$100 of property valuation increased from \$.3651 in 2013 to \$.4000 in 2014.

The Board of Fire Commissioners adopted the 2015 budget in January 2015. In February 2015 the budget was approved by the voters. The final budget was approved by the State of New Jersey, Local Finance Board, in March 2015. The tax rate levy per \$100 of property valuation remained at \$.4000 in 2015 for a total amount to be raised by taxation of \$3,559,032. Included in the 2015 budget, is the utilization of a \$122,536 of the unrestricted fund balance to cover the cost of operations if the District in 2015.

For the Future

Hamilton Township Fire Commissioners District No. 2 is presently in good financial condition. The District is proud of its community support.

In conclusion, Hamilton Township Fire Commissioners District No. 2 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 District's 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 Commissioners District No. 2, 2711 Nottingham Way, Hamilton, New Jersey, 08619.

BASIC FINANCIAL STATEMENTS

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2014

	<u>Governmental Funds</u>		<u>Adjustments (Note 9)</u>	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Total</u>		
ASSETS				
Cash and cash equivalents	\$ 1,310,549	\$ 1,310,549	\$ 0	\$ 1,310,549
Other receivables	248	248		248
Prepaid expenses	45,284	45,284		45,284
Capital assets, net of accumulated depreciation (Note 3)			1,944,009	1,944,009
Total assets	<u>\$ 1,356,081</u>	<u>\$ 1,356,081</u>	<u>\$ 1,944,009</u>	<u>\$ 3,300,090</u>
LIABILITIES				
Accounts payable	\$ 36,271	\$ 36,271	0	36,271
Accrued expenses	130,775	130,775	0	130,775
Long-term liabilities:				
Due within one year	0	0	54,727	54,727
Due after one year	0	0	421,346	421,346
Total liabilities	<u>167,046</u>	<u>167,046</u>	<u>476,073</u>	<u>643,119</u>
FUND BALANCES/NET POSITION				
Fund balances:				
Unassigned	1,108,593	1,108,593	(1,108,593)	0
Committed				
For capital projects	34,299	34,299	(34,299)	
For post retirement sick pay benefits	46,143	46,143	(46,143)	0
Total fund balances	<u>1,189,035</u>	<u>1,189,035</u>	<u>(1,189,035)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 1,356,081</u>	<u>\$ 1,356,081</u>	<u>(712,962)</u>	<u>643,119</u>
Net position:				
Invested in capital assets, net of related debt			1,467,936	1,467,936
Restricted for capital projects			34,299	34,299
Restricted for post-retirement sick pay benefits			46,143	46,143
Unrestricted			1,108,593	1,108,593
Total net position			<u>2,656,971</u>	<u>2,656,971</u>
Total liabilities and net position			<u>\$ 1,944,009</u>	<u>\$ 3,300,090</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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>Adjustments</u>	<u>Revenues,</u>
	<u>General Fund</u>	<u>Total</u>	<u>(Note 9)</u>	<u>Expenditures</u>
				<u>and Changes in</u>
				<u>Net Position</u>
Expenditures/expenses:				
Fire protection - administration	\$ 95,509	\$ 95,509	\$ 0	\$ 95,509
Fire protection - operations	3,469,915	3,469,915	0	3,469,915
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	3,565,424	3,565,424	\$ 0	3,565,424
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Taxes	3,519,958	3,519,958	0	3,519,958
Life hazard fees	33,094	33,094	0	33,094
Grants - state	14,199	14,199	0	14,199
Investment earnings	7,358	7,358	0	7,358
Other income	6,845	6,845	0	6,845
Transfers - internal activities	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total general revenues and transfers	3,581,454	3,581,454	0	3,581,454
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) of revenues and transfers in over expenditures and transfers out	16,030	16,030	(16,030)	0
Changes in net position/fund balance	0	0	16,030	16,030
Fund balance/net position:				
Beginning of the year	2,640,941	2,640,941	0	2,640,941
	<hr/>	<hr/>	<hr/>	<hr/>
End of the year	<u>\$ 2,656,971</u>	<u>\$ 2,656,971</u>	<u>\$ 0</u>	<u>\$ 2,656,971</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 2
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2014

	Deferred Compensation Trust
ASSETS	
Investments with fiscal agents	<u>\$ 760,051</u>
TOTAL CURRENT ASSETS	<u><u>\$ 760,051</u></u>
NET ASSETS	
Held in trust for deferred compensation	<u><u>\$ 760,051</u></u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 2
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2014

	Deferred Compensation Trust
ADDITIONS TO NET ASSETS	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	\$ 34,568
Interest income	<u>7,478</u>
Net investment earnings	42,046
Contributions:	
Participants'	<u>35,565</u>
TOTAL ADDITIONS TO NET ASSETS	77,611
DEDUCTIONS FROM NET ASSETS	
Distributions:	
Participants'	6,671
Guaranteed Withdrawal Fees	<u>0</u>
TOTAL DEDUCTIONS FROM NET ASSETS	<u>6,671</u>
Net increase prior to interfund transfers	<u>70,940</u>
NET INCREASE	70,940
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	<u>689,111</u>
END OF YEAR	<u><u>\$ 760,051</u></u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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. 2 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

Hamilton Township Fire District No. 2 is a political subdivision of the Township of Hamilton, County of Mercer, New Jersey. The District was established to function as a special service district 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 board is responsible for the fiscal control of the District. 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 Mercerville Fire Co. which provides a manpower pool of over 25 volunteers.

In accordance with the criterion as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, 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 nonfiduciary 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. 2

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. 2

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.

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.

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.

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.

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (continued)

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 and equipment, generally result from expenditures in the governmental funds. These assets are reported on the government –wide statement of net position.

Generally, the District capitalizes assets with a cost of \$1,000 or more and a useful life greater than one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Building and Building Renovations	7 – 25 years
Fire equipment	5 – 10 years
Office equipment	5 years
Vehicles	5 – 25 years

Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid except for other post employment benefits noted in Note 10.

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. 2

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 in four equal installments to the treasurer or custodian of funds of the District.

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

The District has adopted a cash management plan 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 \$1,211,115 are classified as Category 1 deposits.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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, \$99,434 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:				
Building and Building Renovations	\$1,961,451	\$ 0	\$ 0	\$1,961,451
Fire Equipment	199,892	0	0	199,892
Office Equipment	28,024	0	0	28,024
Vehicles	<u>1,462,294</u>	<u>0</u>	<u>0</u>	<u>1,462,294</u>
Total Capital Assets, Being Depreciated	3,651,661	0	0	3,651,661
Less: Total Accumulated Depreciation	<u>1,562,547</u>	<u>145,105</u>	<u>0</u>	<u>1,707,752</u>
Total Capital Assets, Being Depreciated, Net	<u>\$2,089,114</u>	<u>\$145,105</u>	<u>\$ 0</u>	<u>\$1,944,009</u>

In November 2014, the District ordered a 2015 Ford Explorer for the Chief for a total cost of \$45,284, including the conversion for the truck. The converted vehicle was not received or placed in service until 2015. Depreciation expense of \$145,105 was charged to governmental activities as part of its cost of operations in 2014.

NOTE 4 – ACCRUED EXPENSES

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

NOTE 5 – LONG-TERM LIABILITIES

Obligation under Capital Lease

2012 Fire Rescue-Pumper

On March 6, 2012, Hamilton Township Fire District No. 2 adopted Resolution 2012-04 and awarded a bid to Kovatch Mobile Equipment Corp. ("KME") to build a new Fire Rescue-Pumper. On May 9,

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 5 – LONG-TERM LIABILITES (CONTINUED)

Obligation under Capital Lease (continued)

2012, the State of New Jersey, Division of Community Affairs, Local Finance Board approved the financing for the project. On July 13, 2012, Hamilton Township Fire District No. 2 entered into a Master Municipal Lease Agreement, Lease Number 08613, with Suntrust Equipment Finance & Leasing Corp for the acquisition of a 2012 KME Fire Rescue-Pumper.

The lease provides for annual payments in the amount of \$66,057.39 for ten (10) years beginning on April 1, 2013 and ending on April 1, 2022. The annual rate of interest is 2.38%. The acquisition cost of the rescue pumper with the lease was \$585,597, not including equipment for the vehicle of \$6,390.

The KME Fire Rescue-Pumper was received by the District in January 2013.

The lease payable principal balance at December 31, 2014 was \$476,073. Interest expense for the year ended December 31, 2014 was \$12,603.

The following schedule reflects the amortization of the rescue pumper lease over the next five (5) years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 54,727	\$11,330	\$ 66,057
2016	56,029	10,028	66,057
2017	57,363	8,694	66,057
2018	58,728	7,329	66,057
2019	60,126	5,931	66,057
thereafter	<u>189,100</u>	<u>9,070</u>	<u>198,170</u>
Total	<u>\$476,073</u>	<u>\$52,382</u>	<u>\$528,455</u>

NOTE 6 – DATE OF MANAGEMENT’S REVIEW

Subsequent events have been evaluated through November 20, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 7 – 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 8 – 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, both cost-sharing multiple-employer defined benefit pension plans, 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.

The plans do not maintain separate records for each reporting unit and, accordingly, the actuarial data for Fire District No. 2 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 for 2014 from the State of New Jersey for both PERS and PFRS was \$284,633.

Deferred Compensation Plan

The Fire District 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. Employee contributions for 2014 were \$35,565.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 8 – PENSION RETIREMENT SYSTEMS (CONTINUED)

Defined Contribution Retirement Program

State of NJ 401(a) Plan

The Fire District also has a defined contribution retirement program (“DCRP”) through the State of New Jersey Division of Pension and Benefits covered under section 401(a) of the Internal Revenue Code, as amended. The purpose of this DCRP is to provide elected or appointed officials, who are eligible, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. The District is responsible for enrolling an eligible elected or appointed official. When enrolled, the eligible official contributes 5.5% of the base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP with the New Jersey Division of Pensions and Benefits. Member contributions are matched by a 3% employer contribution. Employer contributions for 2014 were \$1,005. Employee contributions for 2014 were \$3,458.

Compensated absences

Fire district employees are entitled to one hundred twenty (120) hours per year. Each employee is entitled to utilize the earned sick time during the calendar year. Unused sick leave shall be cumulative. Unused sick leave may be accumulated to be used toward the option to sell back at the time of retirement. Employees are entitled to thirty-six (36) hours of personal time, which may not be carried forward to subsequent years and if unused, are forfeited by December 31 of each year. Vacation hours are determined based upon number of year’s the employee has been with the District. All vacation time must be taken prior to December 31st of each year. Benefits to be paid in any future year will be calculated according to a formula outlined in the District’s agreement with the employee union and included in the current year’s budget. Also, see Note 10 regarding Other Post-Employment Benefits.

NOTE 9 – STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN 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 and long-term debt previously reported in the long-term debt group of accounts had to be posted to the general fund. Also, the ending fund balances had to be converted to the net asset classifications required under GASB 34. The adjustments shown on the statement of net position accomplish that task.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 10 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS

HEALTHCARE

Plan Description

The Commissioners of Hamilton Township Fire District No. 2, 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. 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 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. The Commissioners of Hamilton Township Fire District No. 2 authorized participation in the SHBP's post-retirement benefit program through a resolution.

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/gasb-43-sept2008.pdf.

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. 2, 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.

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Notes to the Financial Statements

December 31, 2014

NOTE 10 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

HEALTHCARE (continued)

Funding Policy

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%). In 2014, employees made contributions of \$18,076 for their health benefits.

The Commissioners of Hamilton Township Fire District No. 2, County of Mercer, State of New Jersey contributions to SHBP for the year ending December 31, 2014 was \$270,885, which equaled the required contributions for the year.

SICK PAY

Each employee receives 120 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. 2, 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 \$16,000. Based on accumulated sick days as of December 31, 2014, the accrued sick pay due employees under the terms of the contract at death or retirement was \$46,143.

NOTE 11 – 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.

NOTE 12 – 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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)
<u>Revenues:</u>				
Taxes	\$ 3,519,958	\$ 3,519,958	\$ 3,519,958	\$ 0
Designated surplus	132,508	131,452	0	(131,452)
Investment income	6,000	6,500	7,358	858
Life hazard fees	32,544	33,100	33,094	(6)
Other income	6,000	6,000	6,845	845
Supplemental fire services grant	14,199	14,199	14,199	0
Total Revenues	3,711,209	3,711,209	3,581,454	(129,755)
<u>Expenditures:</u>				
General Government:				
Salaries and wages	\$ 2,044,493	\$ 2,028,875	\$ 1,953,106	\$ 75,769
Fringe benefits	853,877	843,877	808,206	35,671
Administration:				
Advertising	500	500	0	500
Election expenses	1,000	1,000	800	200
Insurance	44,000	44,000	41,230	2,770
Office expenses	18,246	15,000	13,173	1,827
Professional fees	50,700	40,000	40,306	(306)
Total Administration	114,446	100,500	95,509	4,991
Operations:				
Computers, software and maintenance	29,200	25,000	20,548	4,452
Chief's vehicle	40,000	45,000	45,284	(284)
EMS supplies	2,175	2,175	3,346	(1,171)
Fire prevention	7,337	5,000	2,241	2,759
Materials and supplies	36,889	20,000	2,070	17,930
Memberships and dues	4,000	1,000	0	1,000
Rent - water and hydrant	298,500	298,500	298,528	(28)
Repairs and maintenance	95,345	160,000	146,834	13,166
Telephone	13,610	14,000	10,354	3,646
Training	23,150	15,000	6,540	8,460
Uniforms and personal equipment	33,724	33,724	9,214	24,510
Utilities	36,405	40,500	45,126	(4,626)
Volunteer fire company services	12,000	12,000	6,094	5,906
Total Operations	632,335	671,899	596,179	75,720
Total General Government	3,645,151	3,645,151	3,453,000	192,151

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

Schedule of Revenues and Expenditures

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

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Final Budget
	Original	Final		Positive (Negative)
Capital Outlay				
Payment of capital lease principal	53,455	53,455	53,455	0
Interest on capital lease	12,603	12,603	12,603	0
Total Capital Outlay	<u>66,058</u>	<u>66,058</u>	<u>66,058</u>	<u>-</u>
Total Expenditures	<u>3,711,209</u>	<u>3,711,209</u>	<u>3,519,058</u>	<u>192,151</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,396</u>	<u>\$ 62,396</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 62,396
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(145,105)
Payment for the Chief's vehicle is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	45,284
Payment of principal on the capital lease is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	<u>53,455</u>
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 16,030</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

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. 2
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

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. 2
Hamilton, New Jersey

We have audited, in accordance with the 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 and each major fund of Hamilton Township Fire District No. 2 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. 2's basic financial statements and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton Township Fire District No. 2'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. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton Township Fire District No. 2'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 Hamilton Township Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of Hamilton Township Fire District No. 2 in a separate letter dated November 20, 2015.

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 20, 2015

HAMILTON TOWNSHIP FIRE DISTRICT No. 2

General Comments and Recommendations

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. 2.
2. There were no material weaknesses identified and there were no significant deficiencies 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*.
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

None

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

None