

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF WASHINGTON**

Financial Statements

For the year ended December 31, 2015

(With Independent Auditor's Report thereon)

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Financial Statements
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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Washington
County of Gloucester
Sewell, New Jersey 08080

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey, as of and for the fiscal year ended December 31, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey, as of December 31, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the fiscal year ended December 31, 2015 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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, schedule of the District's proportionate share of the net pension liability – PERS, schedule of District contributions – PERS, schedule of the District's proportionate share of the net pension liability – PFRS, schedule of District contributions – PFRS and notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Washington's basic financial statements. The capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases, as listed on the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statements.

The capital projects fund statement of project expenditures, long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the capital projects fund statement of project expenditures, long-term debt schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the Fire District No. 1 of the Township of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 1 of the Township of Washington's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 27, 2016
Toms River, New Jersey



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

Board of Fire Commissioners
Fire District No. 1 of the Township of Washington:

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 and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Washington's basic financial statements, and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Washington'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 Fire District No. 1 of the Township of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Washington's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 controls, described in the accompanying General Comments and Recommendations letter that we consider to be significant deficiencies as 2015-001, 2015-004, 2015-005, 2015-006, and 2015-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Washington'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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs State of New Jersey as listed in the Comments and Recommendations section as Findings 2015-001, 2015-002, 2015-003 and 2015-006.

Fire District No. 1 of the Township of Washington's Response to Findings

Fire District No. 1 of the Township of Washington's response to the findings identified in our audit is described in the accompanying general comments section. Fire District No. 1 of the Township of Washington'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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 27, 2016
Toms River, New Jersey

WASHINGTON TOWNSHIP FIRE DISTRICT NO. 1
WASHINGTON TOWNSHIP, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Our discussion and analysis of Washington Township Fire District No. 1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 issued in June 1999.

The Fire District provides fire and rescue services to a twenty-two and a half square mile area in Gloucester County, NJ covering all of Washington Township with a population of approximately 52,000 residents. The District also provides fire inspection, fire investigation and fire permitting activities for the community.

In addition to the provision of fire and emergency response services to the community, the District provides various fire prevention education programs throughout the year to the residents of the community. Additionally, the District provides programs to the students of Washington Township through visits to the schools providing fire prevention and education classes to students in the both the elementary and high schools.

The Fire District is a separate government entity known as a special district with an elected board of five citizens known as the Board of Fire Commissioners.

FINANCIAL HIGHLIGHTS

The Fire District's net position increased by \$456,547 as a result of this year's current operations. This compares with the prior year's net position decrease of \$213,930.

Fund balances increased by \$557,052 during the current year as described in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

As described in Note 17 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2015. The adoption of this principle resulted in a restatement of the District's opening net position as of January 1, 2015 in the amount of \$6,986,277.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Fire District as a whole and present a longer-term view of the District's finances. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how the District's ongoing services were financed in the short term as well as what assets remain for future spending.

The financial statements consist of the following parts: Management's Discussion and Analysis, the basic financial statements consisting of government financial statements and fund financial statements, notes to the financial statements and required supplementary information.

The basic government-wide and fund financial statements present the financial results utilizing different methods of accounting. Included in the financial statements are reconciliations that explain the differences between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets and liabilities, both financial and capital, of the District, classifying each of these items using the short-term and long-term attributes of these items. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid.

Governmental fund financial statements are prepared on the modified accrual basis of accounting utilizing the current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Reconciliation of the Governmental Fund Balance Sheet to the government-wide Statement of Net Position explains the differences between the two balance sheets. Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities traces and reconciles the change in fund balances to the change in net position.

CONDENSED DISTRICT-WIDE FINANCIAL DATA

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1'S NET POSITION
DECEMBER 31,

	2015	2014
Current Assets and Other Assets	\$ 2,248,730	\$ 1,628,540
Capital Assets	10,278,328	10,749,893
Deferred Outflows of Resources	<u>1,759,019</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>14,286,077</u>	<u>12,378,433</u>
Current Liabilities	1,446,436	1,072,213
Noncurrent Liabilities	12,966,574	5,441,073
Deferred Inflows of Resources	<u>553,035</u>	<u>15,385</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,966,045</u>	<u>6,528,671</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	7,078,276	6,827,771
Restricted Net Position - Other Purposes	-	64,456
Restricted Net Position - Capital	19,079	19,079
Unrestricted - Undesignated	<u>(7,777,323)</u>	<u>(1,061,544)</u>
Total Net Position	<u>\$ (679,968)</u>	<u>\$ 5,849,762</u>

CONDENSED DISTRICT-WIDE FINANCIAL DATA (Continued)

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1’S ACTIVITIES
DECEMBER 31,

	2015	2014
Expenses:		
Fire Protection	\$ 5,945,088	\$ 6,606,570
Interest on Long-Term Debt	<u>154,458</u>	<u>146,065</u>
Total Program Expenses	<u>6,099,546</u>	<u>6,752,635</u>
Program Revenues:		
Charges for Services	152,015	149,667
Net Program Expenses	<u>5,947,531</u>	<u>6,602,968</u>
General Revenues:		
Property Taxes	5,901,099	5,539,173
Operating Grants and Contributions	240,920	624,267
Sale of Asset	34,418	71,146
Miscellaneous Revenue	<u>227,641</u>	<u>154,452</u>
Total General Revenues	<u>6,404,078</u>	<u>6,389,038</u>
Increase/(Decrease) in Net Position	456,547	(213,930)
Net Position, January 1, unadjusted	5,849,762	6,063,692
Prior Period Restatement	<u>(6,986,277)</u>	<u>-</u>
Net Position, January 1, as restated	<u>(1,136,515)</u>	<u>6,063,692</u>
Net Position, December 31	\$ <u><u>(679,968)</u></u>	\$ <u><u>5,849,762</u></u>

SUMMARY OF STATEMENT OF ACTIVITIES

Total fire protection expenses, including interest on long-term debt was \$6,099,546 whereas total revenues were \$6,404,078.

Fund balances in the General Fund at December 31, 2015 were \$1,756,602, which included \$356,000 as reserved and \$1,400,602 as unreserved. Prior year General Fund

balances totaled \$1,199,550, which included a reserved amount of \$250,000 and \$64,456 restricted for other purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget is based on anticipated cash flows. Fire Tax revenues collected by Washington Township during the year are budgeted. Expenditures are budgeted at a level not exceeding expected revenues. The budgetary comparison uses accrual basis revenues and expenditures. Some differences are due to the fact that the actual amounts include items that were received or paid in a different year but were earned or incurred in the current year.

Total appropriations in the 2015 budget decreased by approximately \$188,000 compared to the prior year appropriations budgeted. This is mainly due to decreases in salaries, employee benefits, non-bondable assets, and LOSAP contribution.

The amount to be raised by taxation was approximately \$362,000 higher than the 2014 amount to be raised by taxation. This is due to the end of both the federal SAFER grant and Assistance to Firefighter Grant for the purchase of Self Contained Breathing Apparatus. The Debt Service has been increased due to additional Capital Leases for fire apparatus and Self Contained Breathing Apparatus. The District will utilize \$356,000 of unrestricted fund balance in the 2016 budget.

NEXT YEAR'S BUDGET

The amount to be raised by taxation will be approximately \$3,400 lower than in 2015. This is due to the increase in utilization of fund balance and expected increases in other revenue. The District will utilize \$356,000 of unrestricted fund balance in the 2016 budget. The tax rate will decrease from 13.9 cents to 13.8 cents per \$100 of valuation.

The proposed budget does not anticipate any new debt issuances or capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2015, the District had \$10,278,328 invested in capital assets, net of accumulated depreciation, including fire equipment, buildings and land. This amount represents a net decrease (including additions and deletions to the assets, and increases in accumulated depreciation amounts) of \$471,565 from the prior year amounts reported.

The above decrease includes all additions to vehicles for the year and the purchase of various types of equipment, net of the 2015 depreciation amount computed on all District assets and added to the accumulated depreciation accounts of the District.

DEBT SERVICE

At year end, the District had \$3,200,052 in bonds and capital lease obligations outstanding, as well as \$396,995 in compensated absences payable and \$10,482 in unamortized bond premium. Overall, this is a net decrease from last year of \$255,520.

The debt service obligations include the 2003 and 2006 General Obligation Bonds. These bonds include refinancing of the 1993 bond issue and the new bonds for construction of a new fire station. The 2003 General Obligation Bonds were approved by the Local Finance Board on April 9, 2003 and the 2006 Bonds were approved on April 12, 2006. Capital lease payments for fire apparatus were also approved on April 14, 2010 and Capital lease payments for 2013 approved by the Local Finance Board on October 9, 2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Business Administrator's office at the Washington Township Fire District, PO Box 653, Turnersville, NJ 08012.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,896,065
Investments	177,336
Prepaid insurance	113,717
Due from others	50,767
Other receivables	10,845
Total current assets	<u>2,248,730</u>
Non-current assets:	
Fixed assets (net of depreciation)	<u>10,278,328</u>
Total non-current assets	<u>10,278,328</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	<u>1,759,019</u>
Total deferred outflow of resources	<u>1,759,019</u>
Total assets and deferred outflow of resources	<u>14,286,077</u>
Liabilities:	
Current liabilities:	
Accounts payable	214,055
Accrued expenses	46,028
Accrued interest payable	47,856
Compensated absences, current portion	99,249
Unamortized bond premium, net, current portion	4,902
Capital lease payable	283,003
Bonds payable	360,000
Pensions payable	391,343
Total current liabilities	<u>1,446,436</u>
Noncurrent liabilities:	
Capital leases payable	897,049
Bonds payable	1,660,000
Compensated absences	297,746
Net pension liability	8,136,082
Unfunded LOSAP obligation	1,975,697
Total noncurrent liabilities	<u>12,966,574</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	542,553
Bond and loan premium, net of accumulated amortization	10,482
Total deferred inflow of resources	<u>553,035</u>
Total liabilities and deferred inflow of resources	<u>14,966,045</u>
Net position:	
Investments in capital assets, net of related debt	7,078,276
Restricted net position:	
Capital	19,079
Unrestricted net position:	
Undesignated	<u>(7,777,323)</u>
Total net position	<u>\$ (679,968)</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Statement of Activities
For the year ended December 31, 2015

	Expenses	Charges for Services	Total Governmental Activities
Government activities:			
Operation appropriations:			
Administration	\$ 400,950	\$ -	\$ 400,950
Costs of operations and maintenance	4,812,372	152,015	4,660,357
Operating appropriations offset with revenues	451,679	-	451,679
Length of service award contribution	434,545	-	434,545
	6,099,546	152,015	5,947,531
General revenues:			
Miscellaneous revenue			227,641
Sale of asset			34,418
Operating grant revenues			240,920
Amount raised by taxation			5,901,099
			6,404,078
Change in net position			456,547
Net position, January 1, unadjusted			5,849,762
Prior period restatement			(6,986,277)
Net position, January 1, as restated (see Note 17)			(1,136,515)
Net position, December 31			\$ (679,968)

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Governmental Funds
Balance Sheet
December 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,896,065	\$ -	\$ -	\$ 1,896,065
Investments	177,336	-	-	177,336
Due from others	50,767	-	-	50,767
Other receivables	10,845	19,079	-	29,924
Total assets	<u>2,135,013</u>	<u>19,079</u>	<u>-</u>	<u>2,154,092</u>
Liabilities, equity and other credits:				
Accounts payable	214,055	-	-	214,055
Accrued expenses	145,277	-	-	145,277
Other payables	19,079	-	-	19,079
Total liabilities	<u>378,411</u>	<u>-</u>	<u>-</u>	<u>378,411</u>
Fund balances:				
Restricted for:				
Capital	-	19,079	-	19,079
Assigned for:				
Subsequent year's expenditures	356,000	-	-	356,000
Unassigned, reported in:				
General fund	1,400,602	-	-	1,400,602
Total fund balance	<u>1,756,602</u>	<u>19,079</u>	<u>-</u>	<u>1,775,681</u>
Total liabilities and fund balance	<u>\$ 2,135,013</u>	<u>\$ 19,079</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.	113,717
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$20,941,720 and the accumulated depreciation is \$10,663,392.	10,278,328
Accrued interest payable and PERS and PFRS pension payable are not recorded in the fund financial statements due to the fact that payable is not due in the period.	(439,199)
Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. The bond premium cost is \$140,971 and the accumulated amortization is \$125,587.	(15,384)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	1,216,466
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(13,609,577)</u>
Net assets of governmental activities	<u>\$ (679,968)</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,729	-	\$ -	\$ 2,729
Sale of asset	34,418	-	-	34,418
Other revenue	224,912	-	-	224,912
Total miscellaneous revenues	<u>262,059</u>	<u>-</u>	<u>-</u>	<u>262,059</u>
Operating grant revenues:				
FEMA - assistance to firefighters grant programs	146,221	-	-	146,221
FEMA - disaster relief	78,280	-	-	78,280
Supplemental fire service act	16,419	-	-	16,419
Total operating grant revenue	<u>240,920</u>	<u>-</u>	<u>-</u>	<u>240,920</u>
Miscellaneous revenues offset with appropriations:				
Uniform Fire Safety Act revenues:				
Annual registration fee	137,359	-	-	137,359
Penalties and fines	14,386	-	-	14,386
Other revenues	270	-	-	270
Total Uniform Fire Safety Act revenues	<u>152,015</u>	<u>-</u>	<u>-</u>	<u>152,015</u>
Total miscellaneous revenues offset with appropriations	<u>152,015</u>	<u>-</u>	<u>-</u>	<u>152,015</u>
Total revenues	<u>654,994</u>	<u>-</u>	<u>-</u>	<u>654,994</u>
Amount raised by taxation to support district budget				
	<u>5,035,350</u>	<u>-</u>	<u>865,749</u>	<u>5,901,099</u>
Total anticipated revenues	<u>5,690,344</u>	<u>-</u>	<u>865,749</u>	<u>6,556,093</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	94,323	-	-	94,323
Fringe benefits	74,739	-	-	74,739
Other expenditures:				
Professional fees	112,372	-	-	112,372
Elections	2,183	-	-	2,183
Insurance	26,755	-	-	26,755
Membership dues/software/subscriptions	24,761	-	-	24,761
Office supplies	14,940	-	-	14,940
Total administration	<u>350,073</u>	<u>-</u>	<u>-</u>	<u>350,073</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Cost of operations and maintenance:				
Salaries and wages	1,505,102	-	-	1,505,102
Fringe benefits	1,084,824	-	-	1,084,824
Other expenditures:				
Insurance	62,427	-	-	62,427
Advertising	2,807	-	-	2,807
Professional services	60,508	-	-	60,508
Rental charges	100,234	-	-	100,234
Supplies	41,992	-	-	41,992
Training and education	105,898	-	-	105,898
Uniforms	97,066	-	-	97,066
Utilities	243,057	-	-	243,057
Other rentals	68,800	-	-	68,800
SFSG expenses	18,060	-	-	18,060
Contingencies	8,730	-	-	8,730
Maintenance and repairs	316,113	-	-	316,113
Other non-bondable assets	289,917	-	-	289,917
Total cost of operations and maintenance	<u>4,005,535</u>	<u>-</u>	<u>-</u>	<u>4,005,535</u>
Operating appropriations offset with revenues:				
Salaries and wages	156,930	-	-	156,930
Fringe benefits	135,325	-	-	135,325
Other expenditures	32,429	-	-	32,429
Total operating appropriations offset with revenues	<u>324,684</u>	<u>-</u>	<u>-</u>	<u>324,684</u>
Length of service award program	<u>453,000</u>	<u>-</u>	<u>-</u>	<u>453,000</u>
Capital appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service for capital appropriations:				
Bond principal	-	-	345,000	345,000
Interest on bonds	-	-	107,053	107,053
Capital leases	-	-	377,070	377,070
Interest on capital leases	-	-	36,626	36,626
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>865,749</u>	<u>865,749</u>
Total operating appropriations	<u>4,680,292</u>	<u>-</u>	<u>-</u>	<u>4,680,292</u>
Total governmental expenditures	<u>5,133,292</u>	<u>-</u>	<u>865,749</u>	<u>5,999,041</u>
Excess of revenues over expenditures	<u>557,052</u>	<u>-</u>	<u>-</u>	<u>557,052</u>
Fund balance, January 1	<u>1,199,550</u>	<u>19,079</u>	<u>-</u>	<u>1,218,629</u>
Fund balance, December 31	<u>\$ 1,756,602</u>	<u>\$ 19,079</u>	<u>\$ -</u>	<u>\$ 1,775,681</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2015

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 557,052

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays-General Fund	391,801	
Loss on Disposal of Fixed Assets	(16,949)	
Depreciation Expense	<u>(846,417)</u>	(471,565)

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

Prior year	(124,307)	
Current year	<u>113,717</u>	(10,590)

Bond premiums are reported in the governmental funds as revenue in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.

5,905

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

345,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

377,070

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	58,635	
Current year	<u>(47,856)</u>	10,779

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2015

In the statement of activities, LOSAP benefits are measured by the amount that is to be provided for accrued plan benefits. In the governmental fund, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year the change was \$18,455 in the amount to be provided for accrued plan benefits.

18,455

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense - PERS contribution - 2015	19,410
Pension expense - PFRS contribution - 2015	330,833
Pension expense	(674,925)

(324,682)

In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$50,877.

(50,877)

Changes in net position of governmental activities

\$ 456,547

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Fiduciary Funds
Statement of Net Position
December 31, 2015

	<u>Length of Service Award Program</u>	<u>Unemployment Compensation</u>	<u>Total</u>
Assets:			
Cash	\$ -	\$ 16,390	\$ 16,390
Investments	3,733,600	-	3,733,600
Other receivables	-	-	-
Total assets	3,733,600	16,390	3,749,990
Liabilities:			
Other payables	-	10,845	10,845
Total liabilities	-	10,845	10,845
Net position:			
Reserved:			
Unemployment claims	-	5,545	5,545
For Length of Service Award Program	3,733,600	-	3,733,600
Total net position	\$ 3,733,600	\$ 5,545	\$ 3,739,145

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Fiduciary Funds
Statement of Changes in Net Position
For the year ended December 31, 2015

	<u>Length of Service Award Program</u>	<u>Unemployment Compensation</u>	<u>Total</u>
Revenues and other financing sources:			
District contributions	\$ 453,000	\$ 2,333	\$ 455,333
Life insurance contributions	-	-	-
Other income	10,049	-	10,049
Total contributions	<u>463,049</u>	<u>2,333</u>	<u>465,382</u>
Investment earnings:			
Interest	99,504	16	99,520
Total investment earnings	<u>99,504</u>	<u>16</u>	<u>99,520</u>
Total revenues and other financing sources	<u>562,553</u>	<u>2,349</u>	<u>564,902</u>
Expenditures:			
Unemployment claims	-	16,832	16,832
Benefits paid directly to participants	116,500	-	116,500
Group life insurance premium	14,637	-	14,637
Administrative expenses	4,700	-	4,700
Total expenditures	<u>135,837</u>	<u>16,832</u>	<u>152,669</u>
Excess of revenues and other financing sources over expenditures	426,716	(14,483)	412,233
Net position, January 1	<u>3,306,884</u>	<u>20,028</u>	<u>3,326,912</u>
Net position, December 31	<u>\$ 3,733,600</u>	<u>\$ 5,545</u>	<u>\$ 3,739,145</u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements
For the year ended December 31, 2015

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Washington is a political subdivision of the Township of Washington, County of Gloucester, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner’s term is three years with the annual election held the first Thursday of March.

Fire Districts are governed by the *N.J.S.A. 40A: 14-70* et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

Fire District No. 1 of the Township of Washington is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by GASB 39 and GASB 61.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2015:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
James DeMore	2016
Larry Kennie	2018
Sam Micklus	2016
Frank Stella	2017
David Vicente	2017

C. Accounting Records

The official accounting records of the Fire District No. 1 of the Township of Washington are maintained in the office of the District.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

The primary criterion for including activities within the District’s reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 1: GENERAL INFORMATION (continued)

E. Component Units (continued)

- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. 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 Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 O) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Governmental Funds:

General Fund

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and fire-fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Fiduciary Funds:

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Fire District No. 1 of the Township of Washington follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 1 of the Township of Washington's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

E. Budgets and Budgetary Accounting

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A: 14-78.1 et al.

The fire commissioners must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the fire district. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

F. 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, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District did not have any encumbrances at December 31, 2015.

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents (continued)

Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental 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 the State of New Jersey.

Public funds are defined as the funds of any governmental unit. 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 of five percent of its 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.

H. Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

I. Debt Limitation

N.J.S.A.40A:14-84 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

J. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$1,000.

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Land Improvements	40 Years
Building and Improvements	5 to 30 Years
Furniture and Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 25 Years

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

L. Interfund Receivable/Payable

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

M. Compensated Absences

Fire District employees are entitled to vacation and sick leave. Unused vacation may be accumulated with a 90 hours threshold for firemen and a 10 day threshold for administrative staff. Unused sick time will be paid upon retirement to any employee with a minimum of ten years at a rate of thirty percent of their accrued sick time. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

N. 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 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.

O. Fire District Taxes

Upon proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

P. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Washington classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Fund Equity

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

R. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

T. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Impact of Recently Issued Accounting Principles (continued)

and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS) and the New Jersey Police and Firemen's Retirement System (PFRS). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Also included as a deferred outflow is the District's contributions to the pension system subsequent to the measurement date.

Recently Issued and Adopted Accounting Pronouncements

The District has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

U. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Fair Value Measurement (continued)

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Certificate of Deposit: Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

Fixed Account Investment Contract: Valued at the contract's market value as reported by the insurance company.

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2015.

V. Subsequent Events

Fire District No. 1 of the Township of Washington has evaluated subsequent events occurring after December 31, 2015 through the date of June 27, 2016, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2015, and reported at fair value are as follows:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Deposits:

Demand Deposits	<u>\$ 1,912,455</u>
Total Deposits	<u>\$ 1,912,455</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 1,896,065
Fiduciary Funds	<u>16,390</u>
Total	<u>\$ 1,912,455</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's bank balance of \$1,891,956 was insured or collateralized as follows:

Insured	\$ 282,239
Collateralized not in the District's name (New Jersey Cash Management Fund)	262,724
Collateralized in the District's name under GUDPA	<u>764,566</u>
Total	<u>\$ 1,891,956</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fire value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2015, are provided in the below schedule.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2015.

<i>Assets at Fair Value as of December 31, 2015</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fiduciary Funds:				
Fixed Account Investment Contract	\$ -	\$ -	\$ 3,733,600	\$ 3,733,600
General Fund:				
Certificate of Deposit	177,336	-	-	177,336
Total assets at fair value	<u>\$ 177,336</u>	<u>\$ -</u>	<u>\$ 3,733,600</u>	<u>\$3,910,936</u>

NOTE 5: FIXED ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the fire districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 5: FIXED ASSETS (continued)

valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

Fixed assets consisted of the following at December 31, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land Improvements	\$ 590,015	\$ -	\$ -	\$ 590,015
Building and Improvements	11,369,936	115,061	-	11,484,997
Furniture and Equipment	3,219,915	202,865	-	3,422,780
Vehicle and Apparatus	<u>5,476,484</u>	<u>73,875</u>	<u>(106,431)</u>	<u>5,443,928</u>
Totals at historical cost	<u>20,656,350</u>	<u>391,801</u>	<u>(106,431)</u>	<u>20,941,720</u>
Less: accumulated depreciation:				
Building and Improvements	(4,922,428)	(346,840)	-	(5,269,268)
Furniture and Equipment	(2,337,195)	(198,859)	-	(2,536,054)
Vehicle and Apparatus	<u>(2,646,834)</u>	<u>(300,718)</u>	<u>89,482</u>	<u>(2,858,070)</u>
Total accumulated depreciation	<u>(9,906,457)</u>	<u>(846,417)</u>	<u>89,482</u>	<u>(10,663,392)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 10,749,893</u>	<u>\$ (454,616)</u>	<u>\$ (16,949)</u>	<u>\$ 10,278,328</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2015, the following changes occurred in long-term obligations:

	<u>Principal Outstanding January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding December 31, 2015</u>	<u>Due Within One Year</u>
General serial bonds	\$2,365,000	\$ -	\$345,000	\$2,020,000	\$ 360,000
Unamortized premium	21,289	-	5,905	15,384	4,902
Obligations under capital lease	1,557,122	-	377,070	1,180,052	283,003
Net pension liability	5,859,050	2,277,032	-	8,136,082	-
Unfunded LOSAP obligation	1,994,152	-	18,455	1,975,697	-
Compensated absences	<u>329,158</u>	<u>70,837</u>	<u>-</u>	<u>396,995</u>	<u>99,249</u>
Total Governmental Activities Long-term Liabilities	<u>\$5,134,888</u>	<u>\$2,347,869</u>	<u>\$746,430</u>	<u>\$13,724,210</u>	<u>\$ 747,154</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 6: LONG-TERM OBLIGATIONS (continued)

A. Bonds Payable

Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On September 26, 2002, the Fire District issued \$5,935,000 general obligation bonds at interest rates varying from 2% to 4% for various construction and renovation projects. The final maturity of these bonds is January 1, 2018. On August 3, 2006, the Fire District issued \$2,500,000 general obligation bonds at interest rates varying from 4% to 5% for various construction and renovation projects. The final maturity of these bonds is August 1, 2021. The bonds will be paid from property tax revenue.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 360,000	\$ 92,990	\$ 452,990
2017	400,000	78,150	478,150
2018	270,000	59,650	329,650
2019	320,000	46,150	366,150
2020	330,000	30,150	360,150
2021	<u>340,000</u>	<u>15,300</u>	<u>355,300</u>
	<u>\$2,020,000</u>	<u>\$ 322,390</u>	<u>\$2,342,390</u>

B. Capital Leases Payable

The Fire District is leasing fire trucks totaling \$2,043,567 under capital leases. All capital leases are for a term of five to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2015.

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 283,003	\$ 26,086	\$ 309,089
2017	289,263	19,826	309,089
2018	231,270	13,428	244,698
2019	236,393	8,305	244,698
2020	<u>140,123</u>	<u>3,067</u>	<u>143,190</u>
	<u>\$1,180,052</u>	<u>\$ 70,712</u>	<u>\$1,250,764</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: OPERATING LEASES

At December 31, 2015, the Fire District had operating lease agreements in effect for the following:

- Five (5) E-Studio 206L Copiers
- One (1) E-Studio 3040C Copier
- Six (6) Fax Boards
- One (1) LCT

Future minimum rental payments under operating lease agreements are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 13,080
2017	13,080
2018	<u>4,360</u>
	<u>\$ 30,520</u>

NOTE 8: PENSION

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

A. Public Employees' Retirement System (PERS) (continued)

before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2013 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 19,410	100%	\$ 543,150
12/31/2014	\$ 24,489	100%	\$ 440,823
12/31/2013	\$ 24,122	100%	\$ 621,163

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

A. Public Employees' Retirement System (PERS) (continued)

Components of Net Pension Liability - At December 31, 2015, the District's proportionate share of the PERS net pension liability is valued to be \$543,150. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was .00242%, which was an increase of .00007% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 81,631	\$ 13,862
Deferred Inflows of Resources	\$ 126,748	\$ 170,866
Net Pension Liability	\$ 543,150	\$ 440,823
District's portion of the Plan's total net pension Liability	0.00242%	0.00235%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2015, the District had an allocated pension expense of \$11,242. At December 31, 2015, the District's allocation of deferred outflows of resources and deferred inflows of resources related to PERS are from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Changes of assumptions	\$ 58,330	\$ -
Net difference between expected and actual experience	12,958	-
Net difference between projected and actual earnings on pension plan investments	-	8,733
Changes in proportion and differences between District contributions and proportionate share of contributions	10,343	118,015
Total	<u>\$ 81,631</u>	<u>\$ 126,748</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

A. Public Employees' Retirement System (PERS) (continued)

The \$10,343 allocation of deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the year ending December 31, 2015, the plan measurement date is June 30, 2015) will be included as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts allocated as deferred outflows of resources and deferred inflows of resources related to pensions will be included in pension expense as follows:

<u>Year Ended December 31:</u>	<u>PERS</u>
2016	\$ (12,959)
2017	(12,959)
2018	(12,959)
2019	(6,392)
2020	152
Thereafter	-

Actuarial Assumptions – The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40% Based on Age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

A. Public Employees' Retirement System (PERS) (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

A. Public Employees' Retirement System (PERS) (continued)

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(3.90%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (4.90%)</u>	<u>1%</u> <u>Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 675,069	\$ 543,150	\$ 432,550

B. Police and Fireman's Retirement System (PFRS)

Plan Description – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Basis of Presentation - The schedules of employer and non-employer allocations and the schedules of pension amounts by employer and non-employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman’s Retirement System (PFRS) (continued)

participating employers or the State as a non-employer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers, or the State. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2013 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PFRS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 330,833	100%	\$ 7,592,932
12/31/2014	\$ 331,969	100%	\$ 5,418,227
12/31/2013	\$ 338,300	100%	\$ 6,049,017

Special Funding Situation – Under *N.J.S.A. 43:16A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman’s Retirement System (PFRS) (continued)

for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities’ total proportionate share of the collective net pension liability that is associated with the local participating employer.

Components of Net Pension Liability - At December 31, 2015, the District reported a liability of \$7,592,932 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The District’s proportion measured as of December 31, 2015, was .04559%, which was an increase of .00251% from its proportion measured as of December 31, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
Acturial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 1,677,388	\$ 203,419
Deferred Inflows of Resources	\$ 415,805	\$ 823,399
Net Pension Liability	\$ 7,592,932	\$ 5,418,227
District's portion of the Plan's total net pension Liability	0.04559%	0.04307%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2015, the District recognized pension expense of \$663,687. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman's Retirement System (PFRS) (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,401,844	\$ -
Net difference between expected and actual experience	-	65,491
Net difference between projected and actual earnings on pension plan investments	-	132,148
Changes in proportion and differences between District contributions and proportionate share of contributions	275,544	218,166
	<u>\$ 1,677,388</u>	<u>\$ 415,805</u>

\$275,544 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the District year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>PFRS</u>
2016	\$ 239,042
2017	239,042
2018	239,042
2019	377,270
2020	167,187
Thereafter	-

Additionally, the State's proportionate share of the net pension liability attributable to the District is \$665,875 as of December 31, 2015. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The State's proportion of the net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2015 .04559%, which was an increase of .00251% from its proportion measured as of June 30, 2014, which is the same proportion as the District's.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman's Retirement System (PFRS) (continued)

District's Proportionate Share of the Net Pension Liability	\$ 7,592,932
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>665,875</u>
Total Net Pension Liability	<u><u>\$ 8,258,807</u></u>

Actuarial Assumptions - The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The actuarial valuations used the following actuarial assumptions:

	<u>PFRS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	2012-2021 - 2.60-9.48% Based on Age Thereafter - 3.60-10.48% Based on Age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman's Retirement System (PFRS) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 5.39% as of June 30, 2015. This single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79%) or 1-percentage-point higher (6.79%) than the current rate:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: PENSION (continued)

B. Police and Fireman’s Retirement System (PFRS) (continued)

	<u>1%</u> <u>Decrease</u> <u>(4.79%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (5.79%)</u>	<u>1%</u> <u>Increase</u> <u>(6.79%)</u>
District's proportionate share of the net pension liability	\$ 9,843,581	\$ 7,592,932	\$ 5,758,518

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM

The Fire District’s Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District as an agency fund.

The actuarial present value of accrued plan benefits is determined by an actuary from JIF Actuarial Services, Inc. and is the amount that results from applying actuarial assumptions to adjust the accrued plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of March 31, 2014 were (a) life expectancy of participants, (b) retirement (entitlement) age assumptions (the assumed average entitlement age was 65), and (c) investment return. The 2015 valuations included assumed interest rates of 4.75%. The forgoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accrued plan benefits.

The assets of the plan are invested in a fixed-income Group Annuity Contract with Hartford Life Insurance Company under which Hartford pools funds invested for various Length of Service Awards Program customers along with funds in The Hartford’s general account. Interest income is provided at an average rate of return of approximately 3% for 2015 and there is a guaranteed minimum return of 3%.

As of December 31, 2015, the present value of accrued LOSAP benefits was \$5,709,297, of which \$3,733,600 was funded and the remaining portion of \$1,975,697 was unfunded.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 10: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2015, the fire tax rate on the Fire District No. 1 was approximately \$.139 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$16,419.

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; injuries to employees; and natural disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

NOTE 12: RELATED PARTIES

The Fire District purchases fuel from the Township, which purchases it in large quantities from an outside vendor. Purchases made by the District from the Township in 2015 totaled \$31,561. There were no unpaid balances due to the Township at December 31, 2015.

The Fire District rents fire hydrants owned by the Township’s Municipal Utilities Authority and made payments to them during 2015 totaling \$100,234 with no amounts due at year-end.

NOTE 13: INTERFUND RECEIVABLE/PAYABLE

As of December 31, 2015, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 10,845	\$ 19,079
Capital Projects	19,079	-
Unemployment	-	10,845
Total	<u>\$ 19,924</u>	<u>\$ 19,924</u>

The purpose of these interfunds are for short-term borrowings. Interfund receivables are recorded as other receivables. Interfund payables are recorded as other payables.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 14: FUND BALANCES APPROPRIATED

The 2015 annual budget of the Fire District was adopted on January 8, 2015 and subsequently approved by the voters at the annual election. The budget utilized \$250,000 of unreserved fund balance in the general fund.

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

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilization in Subsequent Budget</u>
2015	\$ 1,756,602	\$ 356,000
2014	1,199,550	250,000
2013	950,293	150,000
2012	803,452	150,000
2011	826,934	200,000

NOTE 15: FUND BALANCE

General Fund – Of the \$1,756,602 General Fund fund balance at December 31, 2015, \$356,000 has been assigned to be designated for subsequent year's expenditures and \$1,400,602 is unassigned.

Capital Projects Fund – Of the \$19,079 Capital Projects Fund fund balance at December 31, 2015, \$19,079 has been restricted for capital.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

NOTE 16: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(7,777,323) existed as of December 31, 2015 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and the long-term liability for the unfunded LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 17: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>
Net Position as previously reported at December 31, 2014	\$ 5,849,762
Prior period adjustment -	
Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(5,859,050)
PERS Pension Payable (2015 District PERS Pension Contribution)	(350,243)
Deferred Outflows (measurement date as of June 30, 2014)	217,281
Deferred Inflows (measurement date as of June 30, 2014)	(994,265)
Total prior period adjustment	<u>(6,986,277)</u>
Net Position as restated, January 1, 2015	<u><u>\$ (1,136,515)</u></u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Budgetary Comparison Schedule
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 500	\$ 500	\$ 2,729	\$ 2,229
Sale of asset	-	-	34,418	34,418
Other revenue	111,000	111,000	224,912	113,912
Total miscellaneous revenues	<u>111,500</u>	<u>111,500</u>	<u>262,059</u>	<u>150,559</u>
Operating grant revenues:				
FEMA - assistance to firefighters grant programs	39,237	39,237	146,221	106,984
FEMA - disaster relief	-	-	78,280	78,280
Supplemental fire service act	16,419	16,419	16,419	-
Total operating grant revenue	<u>55,656</u>	<u>55,656</u>	<u>240,920</u>	<u>185,264</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	139,298	139,298	137,359	(1,939)
Penalties and fines	10,000	10,000	14,386	4,386
Other revenues	-	-	270	270
Total uniform fire safety act revenues	<u>149,298</u>	<u>149,298</u>	<u>152,015</u>	<u>2,717</u>
Total miscellaneous revenues offset with appropriations	<u>149,298</u>	<u>149,298</u>	<u>152,015</u>	<u>2,717</u>
Total revenues	<u>316,454</u>	<u>316,454</u>	<u>654,994</u>	<u>338,540</u>
Amount raised by taxation to support district budget	<u>5,901,099</u>	<u>5,901,099</u>	<u>5,901,099</u>	<u>-</u>
Total anticipated revenues	<u>6,217,553</u>	<u>6,217,553</u>	<u>6,556,093</u>	<u>338,540</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	78,560	110,549	94,323	16,226
Fringe benefits	53,808	50,593	74,739	(24,146)
Other expenditures:				
Professional fees	164,700	164,700	112,372	52,328
Elections	2,375	2,375	2,183	192
Insurance	30,260	23,660	26,755	(3,095)
Membership dues/software/subscriptions	15,200	17,700	24,761	(7,061)
Office supplies	16,000	20,000	14,940	5,060
Reimbursement for losses/expenses	2,000	2,000	-	2,000
Total administration	<u>362,903</u>	<u>391,577</u>	<u>350,073</u>	<u>41,504</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Budgetary Comparison Schedule
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Salaries and wages	1,304,218	1,299,529	1,505,102	(205,573)
Fringe benefits	1,086,833	1,031,354	1,084,824	(53,470)
Other expenditures:		-		
Insurance	70,606	55,206	62,427	(7,221)
Advertising	9,400	9,400	2,807	6,593
Professional services	66,950	52,950	60,508	(7,558)
Rental charges	68,900	68,900	100,234	(31,334)
Supplies	37,100	37,100	41,992	(4,892)
Training and education	117,000	114,800	105,898	8,902
Uniforms	124,000	124,000	97,066	26,934
Utilities	315,470	315,470	243,057	72,413
Other rentals	100,234	100,234	68,800	31,434
SFSG expenses	18,061	18,061	18,060	1
Contingencies	20,000	20,000	8,730	11,270
Maintenance and repairs	534,687	532,687	316,113	216,574
Other non-bondable assets	170,641	307,797	289,917	17,880
Total cost of operations and maintenance	<u>4,044,100</u>	<u>4,087,488</u>	<u>4,005,535</u>	<u>81,953</u>
Operating appropriations offset with revenues:				
Salaries and wages	407,254	407,254	156,930	250,324
Fringe benefits	248,253	240,647	135,325	105,322
Other expenditures	<u>86,275</u>	<u>86,275</u>	<u>32,429</u>	<u>53,846</u>
Total operating appropriations offset with revenues	<u>741,782</u>	<u>734,176</u>	<u>324,684</u>	<u>409,492</u>
Length of service award program	453,000	453,000	453,000	-
Debt service for capital appropriations:				
Bond principal	345,000	345,000	345,000	-
Interest on bonds	107,053	107,053	107,053	-
Capital leases	376,355	376,355	377,070	(715)
Interest on capital leases	<u>37,360</u>	<u>37,360</u>	<u>36,626</u>	<u>734</u>
Total debt service for capital appropriations	<u>865,768</u>	<u>865,768</u>	<u>865,749</u>	<u>19</u>
Total operating appropriations	<u>6,467,553</u>	<u>6,532,009</u>	<u>5,999,041</u>	<u>532,968</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(250,000)</u>	<u>(314,456)</u>	<u>557,052</u>	<u>871,508</u>
Fund balance, January 1	<u>1,218,629</u>	<u>1,218,629</u>	<u>1,218,629</u>	<u>-</u>
Fund balance, December 31	<u>\$ 968,629</u>	<u>\$ 904,173</u>	<u>\$ 1,775,681</u>	<u>\$ 871,508</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Three Fiscal Years

	<u>2015</u>		<u>2014</u>		<u>2013</u>
District's proportion of the net pension liability (asset)	0.00242%		0.00235%		0.00325%
District's proportionate share of the net pension liability (asset)	\$ 543,150	\$	440,823	\$	621,163
District's covered-employee payroll	\$ 158,059	\$	166,908	\$	163,332
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	343.64%		264.11%		380.31%
Plan fiduciary net position as a percentage of the total pension liability	47.93%		52.08%		48.72%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of District Contributions
Public Employee's Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 20,802	\$ 19,410	\$ 24,489
Contributions in relation to the contractually required contribution	<u>20,802</u>	<u>19,410</u>	<u>24,489</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 158,059	\$ 166,908	\$ 163,332
Contributions as a percentage of covered-employee payroll	13.16%	11.63%	14.99%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Last Three Fiscal Years

	<u>2015</u>		<u>2014</u>		<u>2013</u>
District's proportion of the net pension liability (asset)	0.04559%		0.04307%		0.04550%
District's proportionate share of the net pension liability (asset)	\$ 7,592,932	\$	5,418,227	\$	6,049,017
District's covered-employee payroll	\$ 1,392,286	\$	1,339,582	\$	1,360,926
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	545.36%		404.47%		444.48%
Plan fiduciary net position as a percentage of the total pension liability	56.31%		62.41%		58.70%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Schedule of District Contributions
Police and Firemen's Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 370,541	\$ 330,833	\$ 331,969
Contributions in relation to the contractually required contribution	<u>370,541</u>	<u>330,833</u>	<u>331,969</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,392,286	\$ 1,339,582	\$ 1,360,926
Contributions as a percentage of covered-employee payroll	26.61%	24.70%	24.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Notes to the Required Supplementary Information
December 31, 2015

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Police and Firemen's Retirement System (PFRS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 19, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of the Police and Firemen's Retirement System (PFRS) to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality with adjustments for mortality improvements from the base year of 2011 Based on Projection Scale AA.

EXHIBIT F-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Capital Projects Fund
Statement of Project Expenditures
For the year ended December 31, 2015

Project Title/Issue	Original Date	Appropriations	Expenditures to Date		Unexpended Balance December 31, 2015
			Prior Years	Current Year	
Renovations to the Huffville Substation, install a training facility at a location to be determined, renovate a heavy rescue truck, extend the parking lot at the Fire Station on Fries Mill Road, acquire computer equipment and related software for fire apparatus, install additional security devices at the East Holly Station, and undertake roof repairs at the East Holly Station.	02/18/06	\$ 2,500,000	\$ 2,488,024	\$ -	\$ 11,976
Purchase of a fire apparatus.	09/13/13	920,000	912,897	-	7,103
Total		\$ 3,970,000	\$ 3,400,921	\$ 550,000	\$ 19,079

EXHIBIT I-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON
Long-Term Debt
Schedule of Serial Bonds Payable
For the year ended December 31, 2015

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance January 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>					
General Obligation Bonds, 2003	9/26/02	5,935,000	1/1/17	140,000	4.000%	\$ 425,000	\$ -	\$ 135,000	\$ 290,000
			1/1/18	150,000	4.000%				
General Obligation Bonds, 2006	8/3/06	2,500,000	8/1/16	220,000	4.200%	1,940,000	-	210,000	1,730,000
			8/1/17	250,000	5.000%				
			8/1/18	270,000	5.000%				
			8/1/19	320,000	5.000%				
			8/1/20	330,000	4.500%				
			8/1/21	340,000	4.500%				
Total						\$ 2,365,000	\$ -	\$ 345,000	\$ 2,020,000



Board of Fire Commissioners
Fire District No. 1 of the Township of Washington
Turnersville, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of Washington, County of Gloucester, State of New Jersey for the year ended December 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000 from January 1, 2015 through June 30, 2015 and \$40,000 from July 1, 2015 through December 31, 2015, except by contract or agreement.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Finding 2015-001:

The District did not retain all bid packages received for a bid opening that occurred in 2015. Only the awarded bid package was retained.

Recommendation:

The District must retain all bid packages received for bid openings.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

During our review of the District's bid process, we noted the following:

Budget

An examination of the District approved budget was conducted to ensure line items were not overspent.

Finding 2015-002:

The District over expended numerous line items for the year ended December 31, 2015.

Recommendation:

The District must monitor spending and perform budget transfers when needed.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Examination of Investments

An examination of investments held by the District was conducted to ensure all certificate of deposit balances as stated on the general ledger were accurate.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Examination of Payroll

An examination of payroll was conducted to ensure all salaries were paid according to amounts approved by the Board. The following discrepancies were noted during our examination of payroll:

Finding 2015-003:

During our audit, we noted the District incorrectly calculated the health insurance deduction, resulting in an overstatement of employees' withholdings.

Recommendation:

That the District properly calculates the employees' health insurance deduction and refund the employees the overpayment.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Finding 2015-004:

During our audit, we noted the Board of Commissioners did not approve the annual increase awarded to the non-union administrative employees.

Recommendation:

That the Board of Commissioners review and approve all salary increases.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Finding 2015-005:

During our audit, we noted pension deductions were not calculated properly for pension loans.

Recommendation:

That pension deductions be properly withheld from employees' pay.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Examination of Cash

An examination of cash held by the District was conducted to ensure all book balances as stated on the general ledger were accurate.

Finding 2015-006:

During our audit, we noted bank accounts were not being reconciled on a monthly basis and the activity was not being recorded.

Recommendation:

That the bank accounts are reviewed and reconciled on a monthly basis.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Internal Controls

During our review of internal controls, we noted the following:

Finding 2015-007:

Only one employee has the knowledge and training to perform the bookkeeping responsibilities.

Recommendation:

Cross training should be implemented for employees of the District so a halt in operations does not occur in the event an employee leaves the District. Cross training is also essential in the monitoring of employees.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2016.

Follow-up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings. The previous year audit findings have been corrected.

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 27, 2016
Toms River, New Jersey