

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

**Financial Statements**

**For the year ended December 31, 2014**

**(With Independent Auditor's Report thereon)**

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Financial Statements**  
**For the year ended December 31, 2014**  
**(With Independent Auditor's Report thereon)**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
District Wide Statement of Net Position	10
District Wide Statement of Activities	11
Governmental Funds Balance Sheet	12
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	13-14
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	15-16
Fiduciary Funds Statement of Net Position	17
Fiduciary Funds Statement of Changes in Net Position	18
Notes to Financial Statements	19-38
Budgetary Comparison Schedule	39-40
Capital Projects Fund Statement of Project Expenditures	41
Long-Term Debt Schedule of Serial Bonds Payable	42
Long-Term Debt Schedule of Obligations under Capital Leases	43
Single Audit Section:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04	46-47

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Financial Statements**  
**For the year ended December 31, 2014**  
**(With Independent Auditor's Report thereon)**

CONTENTS (continued)

Single Audit Section (continued):

Schedule of Federal Financial Assistance	48
Notes to the Schedule of Federal Financial Assistance	49
Schedule of Findings and Questioned Costs	50-52
Summary Schedule of Prior Audit Findings	53
General Comments and Recommendations	54-56



HOLMAN | FRENIA  
ALLISON, P.C.  
*Certified Public Accountants & Consultants*

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333  
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612  
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800  
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090  
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090

[www.hfacpas.com](http://www.hfacpas.com)

## INDEPENDENT AUDITOR'S REPORT

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

### **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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 39 through 40 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, on pages 41, 42 and 43, 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015 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*

May 29, 2015  
Toms River, New Jersey

**WASHINGTON TOWNSHIP FIRE DISTRICT NO. 1  
WASHINGTON TOWNSHIP, NJ  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 District responded to 1,314 calls for emergency service during the 2014 year which is a 15% increase over 2013. There were 110 actual fires. There were 228 rescue type emergencies and the District handled 5,590 reportable activities, events and incidents with 18,175 man-hours recorded during the 2014 year.

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 decreased by \$213,930 as a result of this year's current operations. This compares with the prior year's net position increase of \$299,858.

Fund balances increased by \$47,073 during the current year as described in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

## **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,

	<b>2014</b>	<b>2013</b>
Current Assets and Other Assets	\$ 1,628,540	\$ 1,518,931
Capital Assets	<u>10,749,893</u>	<u>10,125,654</u>
Total Assets	12,378,433	11,644,585
Current Liabilities	1,072,213	813,868
Noncurrent Liabilities	<u>5,441,073</u>	<u>4,745,737</u>
Total Liabilities	6,513,286	5,559,605
Deferred Inflow of Resources	<u>15,385</u>	<u>21,288</u>
Total Liabilities and Deferred Inflow of Resources	<u>6,528,671</u>	<u>5,580,893</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	6,827,771	6,384,338
Restricted Net Position - Other Purposes	64,456	32,921
Restricted Net Position - Capital	19,079	181,396
Unrestricted - Undesignated	(1,311,544)	(684,963)
Unrestricted - For Subsequent Year's Expenditures	<u>250,000</u>	<u>150,000</u>
Total Net Position	\$ <u><u>5,849,762</u></u>	\$ <u><u>6,063,692</u></u>

**CONDENSED DISTRICT-WIDE FINANCIAL DATA (Cont'd)**

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,

	<b>2014</b>	<b>2013</b>
Expenses:		
Fire Protection	\$ 6,606,570	\$ 5,562,831
Interest on Long-Term Debt	<u>146,065</u>	<u>155,217</u>
Total Program Expenses	<u>6,752,635</u>	<u>5,718,048</u>
Program Revenues:		
Charges for Services	149,667	152,913
Net Program Expenses	<u>6,602,968</u>	<u>5,565,135</u>
General Revenues:		
Property Taxes	5,539,173	5,465,389
Operating Grants and Contributions	624,267	89,202
Sale of asset	71,146	208,056
Miscellaneous Revenue	<u>154,452</u>	<u>102,346</u>
Total General Revenues	<u>6,389,038</u>	<u>5,864,993</u>
(Decrease)/Increase in Net Position	(213,930)	299,858
Net Position, January 1	<u>6,063,692</u>	<u>5,763,834</u>
Net Position, December 31	\$ <u><u>5,849,762</u></u>	\$ <u><u>6,063,692</u></u>

**SUMMARY OF STATEMENT OF ACTIVITIES**

Total fire protection expenses, including interest on long-term debt was \$6,752,635 whereas total revenues were \$6,389,038.

Fund balances in the General Fund at December 31, 2014 were \$1,199,550, which included \$250,000, as reserved, \$64,456 restricted for other purposes, and \$885,094 as unreserved. Prior year General Fund balances totaled \$950,293, which included a reserved amount of \$150,000.

## **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 2014 budget increased by approximately \$880,000 compared to the prior year appropriations budgeted. This is mainly due to increases in salaries, employee benefits, funding of a capital project, maintenance, and LOSAP contribution.

The amount to be raised by taxation will be approximately \$75,000 higher than the 2013 amount to be raised by taxation. This is due to federal SAFER grant and Assistance to Firefighter Grant for the purchase of Self Contained Breathing Apparatus. Sale of Assets of the Old Grenloch Fire Station and of Ladder Truck 1016 are shown as part of the revenues. The Debt Service has been reduced. The District will utilize \$250,000 of unrestricted fund balance in the 2015 budget. The tax rate will decrease due to the revaluation of the township.

## **NEXT YEAR'S BUDGET**

The amount to be raised by taxation will be approximately \$485,000 higher than in 2014. 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 \$250,000 of unrestricted fund balance in the 2015 budget. This should have little effect on the 2015 budget as it is anticipated that the fund balance from the 2014 budget will be approximately \$200,000. The tax rate will increase from 13.1 cents to 13.9 cents per \$100 of valuation.

The proposed budget includes two new capital leases for the purchase of fire apparatus and SCBA equipment. The projects were approved by the voters on February 19, 2011 and February 18, 2012 respectively. The Capital Leases for these projects were approved by the Local Finance Board on January 15, 2014 and July 16, 2014 respectively. The proposed budget includes debt service payments required by the 2003 and 2006 General Obligation Bonds. These bonds include refinancing of the 1993 bond issue and the new bonds for construction of a 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. Also included is a Capital lease payment for the 2010 apparatus approved by the Local Finance Board on April 14, 2010 and Capital lease payment for 2013 approved by the Local Finance Board on October 9, 2013.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

At the end of 2014, the District had \$10,749,893 invested in capital assets, net of accumulated depreciation, including fire equipment, buildings and land. This amount represents a net increase (including additions and deletions to the assets, and increases in accumulated depreciation amounts) of \$624,239 from the prior year amounts reported.

The above increase includes all additions to vehicles for the year and the purchase of various types of equipment, net of the 2014 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 \$3,922,122 in bonds and capital lease obligations outstanding, as well as \$329,158 in compensated absences payable and \$15,385 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, 2014**  
**(With comparative totals for December 31, 2013)**

	<u>Governmental Activities</u>	
	(Memorandum Only)	
	<u>2014</u>	<u>2013</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,313,298	\$ 1,188,234
Investments	175,438	200,506
Prepaid insurance	124,307	72,385
Note receivable, current portion	-	1,076
Due from others	15,497	17,806
Total current assets	<u>1,628,540</u>	<u>1,480,007</u>
Non-current assets:		
Note receivable	-	38,924
Fixed assets (net of depreciation)	10,749,893	10,125,654
Total non-current assets	<u>10,749,893</u>	<u>10,164,578</u>
Total assets	<u>12,378,433</u>	<u>11,644,585</u>
Liabilities:		
Current liabilities:		
Accounts payable	94,565	109,014
Accrued expenses	105,096	102,124
Accrued interest payable	58,635	52,972
Other payables	3,654	1,925
Compensated absences, current portion	82,289	61,927
Unamortized bond premium, net, current portion	5,904	6,737
Capital lease payable	377,070	219,169
Bonds payable	345,000	260,000
Total current liabilities	<u>1,072,213</u>	<u>813,868</u>
Noncurrent liabilities:		
Capital leases payable	1,180,052	897,147
Bonds payable	2,020,000	2,365,000
Compensated absences	246,869	185,781
Unfunded LOSAP obligation	1,994,152	1,297,809
Total noncurrent liabilities	<u>5,441,073</u>	<u>4,745,737</u>
Total liabilities	<u>6,513,286</u>	<u>5,559,605</u>
Deferred inflow of resources:		
Bond and loan premium, net of accumulated amortization	15,385	21,288
Total deferred inflow of resources	<u>15,385</u>	<u>21,288</u>
Total liabilities and deferred inflow of resources	<u>6,528,671</u>	<u>5,580,893</u>
Net position:		
Investments in capital assets, net of related debt	6,827,771	6,384,338
Restricted net position:		
Other purposes	64,456	32,921
Capital	19,079	181,396
Unrestricted net position:		
Undesignated	(1,311,544)	(684,963)
For subsequent year's expenditures	250,000	150,000
Total net position	<u>\$ 5,849,762</u>	<u>\$ 6,063,692</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, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>	
			<u>2014</u>	<u>(Memorandum Only) 2013</u>
Government activities:				
Operation appropriations:				
Administration	\$ 465,277	\$ -	\$ 465,277	\$ 414,756
Costs of operations and maintenance	4,616,047	149,667	4,466,380	4,147,253
Operating appropriations offset with revenues	581,584	-	581,584	558,806
Length of service award contribution	1,089,727	-	1,089,727	444,320
	<hr/>	<hr/>	<hr/>	<hr/>
Total government activities	6,752,635	149,667	6,602,968	5,565,135
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Miscellaneous revenue			154,452	102,346
Sale of asset			71,146	208,056
Operating grant revenues			624,267	89,202
Amount raised by taxation			5,539,173	5,465,389
			<hr/>	<hr/>
Total general revenues			6,389,038	5,864,993
			<hr/>	<hr/>
Change in net position			(213,930)	299,858
			<hr/>	<hr/>
Net position, January 1			6,063,692	5,763,834
			<hr/>	<hr/>
Net position, December 31			\$ 5,849,762	\$ 6,063,692
			<hr/>	<hr/>

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, 2014**  
(With comparative totals for December 31, 2013)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	
				<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 997,002	\$ 316,296	\$ -	\$ 1,313,298	1,188,234
Investments	175,438	-	-	175,438	200,506
Note receivable	-	-	-	-	40,000
Due from others	15,497	-	-	15,497	17,806
Other receivables	297,217	-	-	297,217	-
Total assets	<u>1,485,154</u>	<u>316,296</u>	<u>-</u>	<u>1,801,450</u>	<u>1,446,546</u>
<b>Liabilities, equity and other credits:</b>					
Accounts payable	94,565	-	-	94,565	109,014
Accrued expenses	187,385	-	-	187,385	164,051
Due to others	-	-	-	-	-
Other payables	3,654	297,217	-	300,871	1,925
Total liabilities	<u>285,604</u>	<u>297,217</u>	<u>-</u>	<u>582,821</u>	<u>603,092</u>
<b>Fund balances:</b>					
Restricted for:					
Capital	-	19,079	-	19,079	181,396
Other purposes	64,456	-	-	64,456	6,946
Assigned for:					
Subsequent year's expenditures	250,000	-	-	250,000	150,000
Other purposes	-	-	-	-	32,921
Unassigned, reported in:					
General fund	885,094	-	-	885,094	800,293
Total fund balance	<u>1,199,550</u>	<u>19,079</u>	<u>-</u>	<u>1,218,629</u>	<u>1,171,556</u>
Total liabilities and fund balance	<u>\$ 1,485,154</u>	<u>\$ 316,296</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.				124,307	72,385
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$20,656,350 and the accumulated depreciation is \$9,906,457.				10,749,893	10,125,654
Accrued interest not recorded in current financial statements.				(58,635)	(52,972)
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 \$119,682.				(21,289)	(28,025)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(6,163,143)	(5,224,906)
Net assets of governmental activities				<u>\$ 5,849,762</u>	<u>\$ 6,063,692</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, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	
				<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
Revenues:					
Miscellaneous anticipated revenue:					
Investment income	\$ 2,039	\$ -	\$ -	\$ 2,039	\$ 1,376
Sale of asset	71,146	-	-	71,146	208,056
Other revenue	152,413	-	-	152,413	67,183
FEMA reimbursement	-	-	-	-	33,787
Total miscellaneous revenues	<u>225,598</u>	<u>-</u>	<u>-</u>	<u>225,598</u>	<u>310,402</u>
Operating grant revenues:					
FEMA - assistance to firefighters grant programs	144,679	463,169	-	607,848	72,783
Supplemental fire service act	16,419	-	-	16,419	16,419
Total operating grant revenue	<u>161,098</u>	<u>463,169</u>	<u>-</u>	<u>624,267</u>	<u>16,419</u>
Miscellaneous revenues offset with appropriations:					
Uniform Fire Safety Act revenues:					
Annual registration fee	132,628	-	-	132,628	139,585
Penalties and fines	16,860	-	-	16,860	13,128
Other revenues	179	-	-	179	200
Total Uniform Fire Safety Act revenues	<u>149,667</u>	<u>-</u>	<u>-</u>	<u>149,667</u>	<u>152,913</u>
Total miscellaneous revenues offset with appropriations	<u>149,667</u>	<u>-</u>	<u>-</u>	<u>149,667</u>	<u>152,913</u>
Total revenues	<u>536,363</u>	<u>463,169</u>	<u>-</u>	<u>999,532</u>	<u>479,734</u>
Amount raised by taxation to support district budget					
	<u>4,913,939</u>	<u>-</u>	<u>625,234</u>	<u>5,539,173</u>	<u>5,465,389</u>
Total anticipated revenues	<u>5,450,302</u>	<u>463,169</u>	<u>625,234</u>	<u>6,538,705</u>	<u>5,945,123</u>
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	144,474	-	-	144,474	141,838
Fringe benefits	96,766	-	-	96,766	90,918
Other expenditures:					
Professional fees	96,995	-	-	96,995	112,352
Elections	2,132	-	-	2,132	2,136
Insurance	34,903	-	-	34,903	32,749
Membership dues/software/subscriptions	17,144	-	-	17,144	7,802
Office supplies	11,775	-	-	11,775	13,460
Total administration	<u>404,189</u>	<u>-</u>	<u>-</u>	<u>404,189</u>	<u>401,255</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, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	Totals (Memorandum Only)				
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cost of operations and maintenance:					
Salaries and wages	1,493,698	-	-	1,493,698	1,396,042
Fringe benefits	1,042,540	-	-	1,042,540	994,488
Other expenditures:					
Insurance	81,439	-	-	81,439	76,413
Advertising	3,747	-	-	3,747	4,901
Professional services	52,228	-	-	52,228	60,497
Rental charges	100,234	-	-	100,234	100,234
Supplies	39,872	-	-	39,872	38,951
Training and education	90,484	-	-	90,484	101,620
Uniforms	127,415	-	-	127,415	90,920
Utilities	253,886	-	-	253,886	278,995
Other rentals	67,267	-	-	67,267	67,619
SFSG expenses	16,419	-	-	16,419	16,419
Contingencies	17,053	-	-	17,053	22,219
Maintenance and repairs	387,422	-	-	387,422	390,478
Other non-bondable assets	193,177	-	-	193,177	172,552
Total cost of operations and maintenance	<u>3,966,881</u>	<u>-</u>	<u>-</u>	<u>3,966,881</u>	<u>3,812,348</u>
Operating appropriations offset with revenues:					
Salaries and wages	224,274	-	-	224,274	238,807
Fringe benefits	146,103	-	-	146,103	140,065
Other expenditures	66,214	-	-	66,214	33,466
Total operating appropriations offset with revenues	<u>436,591</u>	<u>-</u>	<u>-</u>	<u>436,591</u>	<u>412,338</u>
Length of service award program	<u>393,384</u>	<u>-</u>	<u>-</u>	<u>393,384</u>	<u>287,673</u>
Capital appropriations	<u>-</u>	<u>1,325,327</u>	<u>-</u>	<u>1,325,327</u>	<u>936,131</u>
Debt service for capital appropriations:					
Bond principal	-	-	260,000	260,000	710,000
Interest on bonds	-	-	117,615	117,615	143,015
Capital leases	-	-	219,169	219,169	92,226
Interest on capital leases	-	-	28,450	28,450	12,202
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>625,234</u>	<u>625,234</u>	<u>957,443</u>
Total operating appropriations	<u>4,807,661</u>	<u>-</u>	<u>-</u>	<u>4,807,661</u>	<u>4,625,941</u>
Total governmental expenditures	<u>5,201,045</u>	<u>1,325,327</u>	<u>625,234</u>	<u>7,151,606</u>	<u>6,807,188</u>
Other financing sources and uses:					
Proceeds from capital lease	<u>-</u>	<u>659,974</u>	<u>-</u>	<u>659,974</u>	<u>920,000</u>
Total other financing sources and uses:	<u>-</u>	<u>659,974</u>	<u>-</u>	<u>659,974</u>	<u>920,000</u>
Excess of revenues over expenditures	<u>249,257</u>	<u>(202,184)</u>	<u>-</u>	<u>47,073</u>	<u>57,935</u>
Fund balance, January 1	<u>950,293</u>	<u>221,263</u>	<u>-</u>	<u>1,171,556</u>	<u>1,040,838</u>
Fund balance, December 31	<u>\$ 1,199,550</u>	<u>\$ 19,079</u>	<u>\$ -</u>	<u>\$ 1,218,629</u>	<u>\$ 1,098,773</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, 2014**

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 47,073

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-Capital Projects Fund	1,325,327	
Capital Outlays-General Fund	149,695	
Depreciation Expense	<u>(850,783)</u>	
		624,239

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	(72,385)	
Current year	<u>124,307</u>	
		51,922

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. 6,736

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. 260,000

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. 219,168

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	52,972	
Current year	<u>(58,635)</u>	
		(5,663)

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, 2014**

The proceeds from the issuance of capital leases provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.	(659,974)
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 \$696,343 in the amount to be provided for accrued plan benefits.	(696,343)
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 \$61,088.	<u>(61,088)</u>
Changes in net position of governmental activities	<u>\$ (213,930)</u>

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2014**  
**(With comparative totals for December 31, 2013)**

	<b>Length of Service Award Program</b>	<b>Unemployment Compensation</b>	<b>Total</b>	
			<b>December 31, 2014</b>	<b>(Memorandum Only) December 31, 2013</b>
Assets:				
Cash	\$ -	\$ 16,374	\$ 16,374	\$ 14,117
Investments	3,306,884	-	3,306,884	2,878,676
Other receivables	-	3,654	3,654	1,925
Total assets	<u>3,306,884</u>	<u>20,028</u>	<u>3,326,912</u>	<u>2,894,718</u>
Net position:				
Reserved:				
Unemployment claims	-	20,028	20,028	16,042
For Length of Service Award Program	<u>3,306,884</u>	<u>-</u>	<u>3,306,884</u>	<u>2,878,676</u>
Total net position	<u>\$ 3,306,884</u>	<u>\$ 20,028</u>	<u>\$ 3,326,912</u>	<u>\$ 2,894,718</u>

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, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>Length of Service Award Program</u>	<u>Unemployment Compensation</u>	<u>Total</u>	
			<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
Revenues and other financing sources:				
District contributions	\$ 393,384	\$ 3,970	\$ 397,354	\$ 289,597
Life insurance contributions	5,549	-	5,549	14,995
Other income	2,065	-	2,065	3,973
Total contributions	<u>400,998</u>	<u>3,970</u>	<u>404,968</u>	<u>308,565</u>
Investment earnings:				
Interest	90,268	16	90,284	91,718
Total investment earnings	<u>90,268</u>	<u>16</u>	<u>90,284</u>	<u>91,718</u>
Total revenues and other financing sources	<u>491,266</u>	<u>3,986</u>	<u>495,252</u>	<u>400,283</u>
Expenditures:				
Benefits paid directly to participants	44,520	-	44,520	61,724
Group life insurance premium	14,007	-	14,007	14,780
Administrative expenses	4,531	-	4,531	4,505
Total expenditures	<u>63,058</u>	<u>-</u>	<u>63,058</u>	<u>81,009</u>
Excess of revenues and other financing sources over expenditures	428,208	3,986	432,194	319,274
Net position, January 1	<u>2,878,676</u>	<u>16,042</u>	<u>2,894,718</u>	<u>2,575,444</u>
Net position, December 31	<u>\$ 3,306,884</u>	<u>\$ 20,028</u>	<u>\$ 3,326,912</u>	<u>\$ 2,894,718</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, 2014**

**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.

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2014:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
James DeMore	2016
Larry Kennie	2015
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, 2014**

**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, 2014**

**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, 2014**

**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, 2014**

**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 had encumbrances of \$64,456 at December 31, 2014.

**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, 2014**

**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 deprecation 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, 2014**

**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, 2014**

**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

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**T. Impact of Recently Issued Accounting Principles (continued)**

a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**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:

*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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**U. Fair Value Measurement (continued)**

*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, 2014.

**V. Subsequent Events**

Fire District No. 1 of the Township of Washington has evaluated subsequent events occurring after December 31, 2014 through the date of May 29, 2015, 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, 2014, and reported at fair value are as follows:

**Deposits:**

Demand Deposits \$ 1,329,672

Total Deposits \$ 1,329,672

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 1,313,298
Fiduciary Funds	<u>16,374</u>
 Total	 <u>\$ 1,329,672</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, 2014, the District's bank balance of \$1,309,116 was insured or collateralized as follows:

Insured	\$ 282,094
Collateralized not in the District's name (New Jersey Cash Management Fund)	262,456
Collateralized in the District's name under GUDPA	<u>764,566</u>
Total	<u>\$ 1,309,116</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, 2014, are provided in the below schedule.

**C. Investment Credit Risk**

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;

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

- 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, 2014.

<i>Assets at Fair Value as of December 31, 2014</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fiduciary Funds:				
Fixed Account Investment Contract	\$ -	\$ -	\$ 3,306,884	\$ 3,306,884
General Fund:				
Certificate of Deposit	175,438	-	-	175,438
Total assets at fair value	\$ 175,438	\$ -	\$ 3,306,884	\$3,482,322

**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 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, 2014:

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 5: FIXED ASSETS (continued)**

	<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	11,232,669	137,267	-	11,369,936
Furniture and Equipment	2,669,144	632,043	(81,272)	3,219,915
Vehicle and Apparatus	<u>5,121,377</u>	<u>707,060</u>	<u>(351,953)</u>	<u>5,476,484</u>
Totals at historical cost	<u>19,613,205</u>	<u>1,476,370</u>	<u>(433,225)</u>	<u>20,656,350</u>
Less: accumulated depreciation:				
Building and Improvements	(4,581,341)	(341,087)	-	(4,922,428)
Furniture and Equipment	(2,218,485)	(199,982)	81,272	(2,337,195)
Vehicle and Apparatus	<u>(2,687,725)</u>	<u>(309,714)</u>	<u>350,605</u>	<u>(2,646,834)</u>
Total accumulated depreciation	<u>(9,487,551)</u>	<u>(850,783)</u>	<u>431,877</u>	<u>(9,906,457)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 10,125,654</u>	<u>\$ 625,587</u>	<u>\$ (1,348)</u>	<u>\$ 10,749,893</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2014, the following changes occurred in long-term obligations:

	<u>Principal Outstanding January 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding December 31, 2014</u>	<u>Due Within One Year</u>
General Serial Bonds	\$2,625,000	\$ -	\$260,000	\$2,365,000	\$345,000
Unamortized Premium	28,025	-	6,736	21,289	5,904
Obligations under Capital Lease	1,116,316	659,974	219,169	1,557,122	377,070
Unfunded LOSAP obligation	1,297,809	696,343	-	1,994,152	-
Compensated Absences	<u>247,708</u>	<u>81,450</u>	<u>-</u>	<u>329,158</u>	<u>82,289</u>
Total Governmental Activities Long-term Liabilities	<u>\$5,134,888</u>	<u>\$1,437,767</u>	<u>\$485,905</u>	<u>\$6,266,720</u>	<u>\$810,263</u>

**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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 6: LONG-TERM OBLIGATIONS (continued)**

**A. Bonds Payable (continued)**

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 December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 345,000	\$ 107,053	\$ 452,053
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
2020-2021	<u>670,000</u>	<u>45,450</u>	<u>715,450</u>
	<u>\$2,365,000</u>	<u>\$ 429,443</u>	<u>\$2,794,443</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, 2014.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 377,070	\$ 36,447	\$ 413,517
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>140,122</u>	<u>3,067</u>	<u>143,191</u>
	<u>\$1,557,121</u>	<u>\$ 107,159</u>	<u>\$1,664,280</u>

**NOTE 7: OPERATING LEASES**

At December 31, 2014, 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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 7: OPERATING LEASES (continued)**

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ 13,080
2016	13,080
2017	13,080
2018	<u>4,360</u>
	<u>\$ 43,600</u>

**NOTE 8: PENSION**

**A. Custodial Credit Risk**

Fire District No. 1 of the Township of Washington contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.) and the Police and Fireman's Retirement System (P.F.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

The Public Employees' Retirement System (P.E.R.S.) was established in January 1955 under the provisions of *N.J.S.A.43:15A*, and the Public Fireman's Retirement System (P.F.R.S.) was established as of July 1, 1944 under the provisions of *N.J.S.A.43:16A*. Both plans were set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plans. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The State of New Jersey P.F.R.S. program as established as of July 1, 1944. The program was established under the provisions of *N.J.S.A.43:16A*, which assigns authority to establish and amend, benefit provisions to the plans' board of trustees. P.F.R.S. issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 8: PENSION (continued)**

**B. Vesting and Benefit Provisions (continued)**

achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 9C below.

**C. Significant Legislation**

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service. Tier 3 was added to PERS for enrollees after June 28, 2011. Tier 3 retirees will have a maximum retirement benefit of 65% of final compensation after 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio". Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 8: PENSION (continued)**

**D. Contribution Requirements**

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

Plan members are required to contribute 10%, effective October 1, 2011, of their annual covered salary for P.F.R.S. and Fire District No. 1 of the Township of Washington is required to contribute at an actuarially determined rate. The contribution requirements of plan members and are established and may be amended by the plan's board of trustees. The District contributed to P.F.R.S. for the year ended December 31, 2014.

The Fire District's contributions to the various plans, equal to the required contributions, were as follows:

Public Employees Retirement System

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Cont. Life</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2014	4,462	19,617	410	24,489	24,489
2013	6,714	16,053	1,355	24,122	24,122
2012	7,719	15,439	1,475	24,633	24,633

Police and Firemen's Retirement System

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Cont. Life</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2014	113,956	206,505	11,508	331,969	331,969
2013	131,985	193,651	12,664	338,300	338,300
2012	136,734	173,312	10,645	320,691	320,691

**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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

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 2014 valuations included assumed interest rates of 4.75%. The foregoing 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 2014 and there is a guaranteed minimum return of 3%.

As of December 31, 2014, the present value of accrued LOSAP benefits was \$5,301,036, of which \$3,306,884 was funded and the remaining portion of \$1,994,152 was unfunded.

**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, 2014, the fire tax rate on the Fire District No. 1 was approximately \$.131 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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**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 2014 totaled \$45,399. There were no unpaid balances due to the Township at December 31, 2014.

The Fire District rents fire hydrants owned by the Township's Municipal Utilities Authority and made payments to them during 2014 totaling \$100,234 with no amounts due at year-end.

**NOTE 13: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2014, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 297,217	\$ 3,654
Capital Projects	-	297,217
Unemployment	<u>3,654</u>	<u>-</u>
Total	<u>\$ 300,871</u>	<u>\$ 300,871</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.

**NOTE 14: FUND BALANCES APPROPRIATED**

The 2014 annual budget of the Fire District was adopted on January 2, 2014 and subsequently approved by the voters at the annual election. The budget utilized \$150,000 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>
2014	\$ 1,199,550	\$ 250,000
2013	950,293	150,000
2012	803,452	150,000
2011	826,934	200,000
2010	1,192,744	395,000
2009	1,126,357	169,763

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 15: FUND BALANCE**

**General Fund** – Of the \$1,199,550 General Fund fund balance at December 31, 2014, \$250,000 has been assigned to be designated for subsequent year's expenditures, \$64,456 has been restricted for other purposes; and \$885,094 is unassigned.

**Capital Projects Fund** – Of the \$19,079 Capital Projects Fund fund balance at December 31, 2014, \$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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 1,000	\$ 1,000	\$ 2,039	\$ 1,039
Sale of asset	161,500	161,500	71,146	(90,354)
Other revenue	26,700	26,700	152,413	125,713
Total miscellaneous revenues	<u>189,200</u>	<u>189,200</u>	<u>225,598</u>	<u>36,398</u>
Operating grant revenues:				
FEMA - assistance to firefighters grant programs	618,815	618,815	607,848	(10,967)
Supplemental fire service act	16,419	16,419	16,419	-
Total operating grant revenue	<u>635,234</u>	<u>635,234</u>	<u>624,267</u>	<u>(10,967)</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	135,907	135,907	132,628	(3,279)
Penalties and fines	6,500	6,500	16,860	10,360
Other revenues	-	-	179	179
Total uniform fire safety act revenues	<u>142,407</u>	<u>142,407</u>	<u>149,667</u>	<u>7,260</u>
Total miscellaneous revenues offset with appropriations	<u>142,407</u>	<u>142,407</u>	<u>149,667</u>	<u>7,260</u>
Total revenues	<u>966,841</u>	<u>966,841</u>	<u>999,532</u>	<u>32,691</u>
Amount raised by taxation to support district budget				
	<u>5,539,173</u>	<u>5,539,173</u>	<u>5,539,173</u>	<u>-</u>
Total anticipated revenues	<u>6,506,014</u>	<u>6,506,014</u>	<u>6,538,705</u>	<u>32,691</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	148,533	148,533	144,474	4,059
Fringe benefits	112,021	116,099	96,766	19,333
Other expenditures:				
Professional fees	126,940	87,881	96,995	(9,114)
Elections	2,200	2,200	2,132	68
Insurance	29,808	29,808	34,903	(5,095)
Membership dues/software/subscriptions	14,300	17,604	17,144	460
Office supplies	14,600	14,600	11,775	2,825
Reimbursement for losses/expenses	2,000	2,000	-	2,000
Total administration	<u>450,402</u>	<u>418,725</u>	<u>404,189</u>	<u>14,536</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON  
Budgetary Comparison Schedule  
For the year ended December 31, 2014

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Salaries and wages	1,592,799	1,592,799	1,493,698	99,101
Fringe benefits	1,025,183	1,071,529	1,042,540	28,989
Other expenditures:		-		
Insurance	69,551	69,551	81,439	(11,888)
Advertising	10,900	10,900	3,747	7,153
Professional services	103,860	82,828	52,228	30,600
Rental charges	100,234	100,234	100,234	-
Supplies	35,000	37,008	39,872	(2,864)
Training and education	113,700	96,504	90,484	6,020
Uniforms	126,870	138,754	127,415	11,339
Utilities	289,130	292,584	253,886	38,698
Other rentals	68,412	68,412	67,267	1,145
SFSG expenses	18,061	18,061	16,419	1,642
Contingencies	20,000	20,000	17,053	2,947
Maintenance and repairs	432,477	458,891	387,422	71,469
Other non-bondable assets	272,072	282,045	193,177	88,868
Total cost of operations and maintenance	<u>4,278,249</u>	<u>4,340,100</u>	<u>3,966,881</u>	<u>373,219</u>
Operating appropriations offset with revenues:				
Salaries and wages	124,812	124,812	224,274	(99,462)
Fringe benefits	146,916	153,129	146,103	7,026
Other expenditures	70,400	73,880	66,214	7,666
Total operating appropriations offset with revenues	<u>342,128</u>	<u>351,821</u>	<u>436,591</u>	<u>(84,770)</u>
Length of service award program	410,000	410,000	393,384	16,616
Capital outlay	550,000	550,000	1,325,327	(775,327)
Debt service for capital appropriations:				
Bond principal	260,000	260,000	260,000	-
Interest on bonds	117,615	117,615	117,615	-
Capital leases	219,170	219,170	219,169	1
Interest on capital leases	28,450	28,450	28,450	-
Total debt service for capital appropriations	<u>625,235</u>	<u>625,235</u>	<u>625,234</u>	<u>-</u>
Total operating appropriations	<u>6,656,014</u>	<u>6,695,881</u>	<u>7,151,606</u>	<u>(455,726)</u>
Other financing sources and uses:				
Proceeds from capital lease	-	-	659,974	659,974
Total other financing sources and uses:	<u>-</u>	<u>-</u>	<u>659,974</u>	<u>659,974</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(150,000)</u>	<u>(189,867)</u>	<u>47,073</u>	<u>236,939</u>
Fund balance, January 1	<u>1,171,556</u>	<u>1,171,556</u>	<u>1,171,556</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,021,556</u>	<u>\$ 981,689</u>	<u>\$ 1,218,629</u>	<u>\$ 236,939</u>

**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, 2014**

Project Title/Issue	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance December 31, 2014</u>
			<u>Prior Years</u>	<u>Current Year</u>	
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	\$ 2,285,840	\$ 201,028	\$ 13,132
Purchase of a fire apparatus.	09/13/13	<u>920,000</u>	<u>912,897</u>	-	<u>7,103</u>
Total		<u>\$ 3,970,000</u>	<u>\$ 3,198,737</u>	<u>\$ 751,028</u>	<u>\$ 20,235</u>

**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, 2014**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2014</u>
General Obligation Bonds, 2003	9/26/02	5,935,000	1/1/16	135,000	4.000%	\$ 555,000	\$ -	\$ 130,000	\$ 425,000
			1/1/17	140,000	4.000%				
			1/1/18	150,000	4.000%				
General Obligation Bonds, 2006	8/3/06	2,500,000	8/1/15	210,000	4.125%	2,070,000		130,000	1,940,000
			8/1/16	220,000	4.200%				
			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						\$ 2,625,000	\$ -	\$ 260,000	\$ 2,365,000

**EXHIBIT I-2**

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2014**

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Payable</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>		<u>Retired</u>	<u>Amount Outstanding December 31, 2014</u>
			<u>Principal</u>	<u>Interest</u>			<u>January 1, 2014</u>	<u>Issued</u>		
Utility Truck - Lease 2010	02/07/10	5 years	463,593	58,547	4.10%	\$ 196,316	\$ -	\$ 96,125	\$ 100,191	
Fire Truck 1016 - Lease 2013	9/13/13	7 years	920,000	82,337	2.19%	920,000	-	123,043	796,957	
Fire Truck 1011 - Lease 2014	01/15/14	5 years	475,000	32,538	2.25%	-	475,000	-	475,000	
Breathing Apparatus - Lease 2014	06/03/14	3 years	184,974	8,198	2.20%	-	184,974	-	184,974	
					Total	\$ 1,116,316	\$ 659,974	\$ 219,168	\$ 1,557,122	



**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, 2014, 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 May 29, 2015.

**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. We consider the deficiencies described in the accompanying General Comments and Recommendations letter as 2014-001 and 2014-002 to be significant deficiencies.

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. However, material weaknesses may exist that have not been identified.

## **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 three 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 2014-001 and 2014-002.

### **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*

May 29, 2015  
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Fire District No. 1 of the Township of Washington's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fire District No. 1 of the Township of Washington's major federal programs for the year ended December 31, 2014. Fire District No. 1 of the Township of Washington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Fire District No. 1 of the Township of Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for Receipts of Federal Grants. Those standards, OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fire District No. 1 of the Township of Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fire District No. 1 of the Township of Washington's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, Fire District No. 1 of the Township of Washington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

### **Report on Internal Control Over Compliance**

Management of Fire District No. 1 of the Township of Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fire District No. 1 of the Township of Washington's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Washington's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

May 29, 2015  
Toms River, New Jersey

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JANUARY 1, 2013	CASH RECEIVED	BUDGETARY EXPENDITURES	DEFERRED REVENUE AT DECEMBER 31, 2014	(ACCOUNTS RECEIVABLE) DECEMBER 31, 2014	DUE TO GRANTOR DECEMBER 31, 2014
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>										
Assistance to Firefighters Grant - SAFER Hiring Grant	97.044	N/A	\$ 363,952	5/1/13-4/30/15	\$ -	\$ 144,679	\$ (144,679)	\$ -	\$ -	\$ -
Assistance to Firefighters Grant - Operations and Safety Program	97.044	N/A	463,169	5/23/13-12/31/14	-	463,169	(463,169)	-	-	-
Total U.S. Department of Homeland Security					-	607,848	(607,848)	-	-	-
Total Federal Financial Assistance					\$ -	\$ 607,848	\$ (607,848)	\$ -	\$ -	\$ -

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Notes to the Schedule of Federal Financial Assistance**  
**For the Year Ended December 31, 2014**

**NOTE 1: GENERAL**

The accompanying schedule of federal financial assistance includes federal award activity of Fire District No. 1 of the Township of Washington. The District is defined in Note 1 to the District's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule of expenditures of federal awards.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedule of federal financial assistance is presented on the budgetary basis of accounting. This basis of accounting is described in Note 2 to the District's basic financial statements.

**NOTE 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.

**NOTE 4: FEDERAL LOANS OUTSTANDING**

The Fire District No. 1 of the Township of Washington did not have any federal loans outstanding as of December 31, 2014.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended December 31, 2014**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to basic financial Statements noted?	Yes

**Federal Awards**

Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133?	None Reported

**Identification of major programs:**

CFDA Number(s)	Name of Federal Program or Cluster
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended December 31, 2014**

**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit.

**Finding 2014-001:**

**Criteria:**

A complete and accurate fixed asset listing should be maintained for the District's fixed assets.

**Condition:**

Fixed asset additions and deletions were not properly reflected on the fixed asset listing.

**Context:**

During our testing we noted fixed asset additions and deletions were not properly recorded on the fixed asset listing.

**Cause:**

The fixed asset additions and deletions were not recorded on the fixed asset listing.

**Effect:**

The supporting documentation for fixed assets did not agree to the general ledger.

**Recommendation:**

That the District properly reconcile the fixed asset listing to the general ledger on a routine basis.

**Management's Response:**

This finding will be corrected in the fiscal year ending December 31, 2015.

**Finding 2014-002:**

**Criteria:**

A complete and accurate general ledger should be maintained by the District.

**Condition:**

A complete and accurate general ledger was not maintained by the District.

**Context:**

During our testing we noted differences between the general ledger and the supporting documentation, which required adjusting journal entries to correct.

**Cause:**

The general ledger was not reconciled to the appropriate supporting documentation.

**Effect:**

The District did not maintain a complete and accurate general ledger.

**Recommendation:**

That the District maintain a complete and accurate general ledger.

**Management's Response:**

This finding will be corrected in the fiscal year ending December 31, 2015.

**Section III – Federal Awards Finding & Questioned Costs**

This section identifies audit findings required to be reported by section .510(a) of Circular A-133.

No Current Year Findings

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF WASHINGTON**  
**Summary Schedule of Prior Audit Findings and**  
**Questioned Costs as Prepared by Management**  
**For the Fiscal Year Ended December 31, 2014**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315 (a)(b)).

No Prior Year Findings



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, 2014. 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 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.

#### **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*).

## **Budget**

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

## **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 results of the examination did not disclose any discrepancies.

## **Examination of Property, Plant & Equipment**

During our review of the District's fixed assets, we noted the following:

### **Finding 2014-001:**

The District did not maintain a complete and accurate fixed asset listing.

### **Recommendation:**

The District must properly maintain a complete and accurate fixed asset listing.

### **Management's Response:**

This finding will be correct in the fiscal year ending December 31, 2015.

## **General Ledger**

### **Finding 2014-002:**

During our audit, we noted the District did not maintain a complete and accurate general ledger.

### **Recommendation:**

That the District maintain a complete and accurate general ledger.

### **Management's Response:**

This finding will be correct in the fiscal year ending December 31, 2015.

### **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*

May 29, 2015  
Toms River, New Jersey