

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Financial Statements and Supplementary Information  
For the Year Ended December 31, 2011



# HAMILTON TOWNSHIP FIRE DISTRICT No. 4

## Financial Statements and Supplementary Information Year Ended December 31, 2011

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**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 4**

Roster of Officials

For the year ended December 31, 2011

**Board of Fire Commissioners**

Betty Newbon, Chairman

Keith Lesslie, Secretary

John L. Newbon, Treasurer

Fred Yaede, Commissioner

Chelsea Chrisner, Commissioner

**Other Officials**

Szaferman, Lakind, Blumstein & Blader, P.C., Attorneys at Law

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 4  
Hamilton, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 4, in the County of Mercer, State of New Jersey as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hamilton Township Fire District No. 4's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire District No. 4, in the County of Mercer, State of New Jersey, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, on our consideration of Hamilton Township Fire District No. 4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 22 through 23, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Township Fire District No. 4's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*DePietto & DePietto, LLC*

Holland, Pennsylvania

September 25, 2012

REQUIRED SUPPLEMENTARY INFORMATION

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 4**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Unaudited

The discussion and analysis of the Hamilton Township Fire Commissioners District No. 4's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2011. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

Total assets were \$3,808,968 and total liabilities were \$104,786 resulting in net assets of \$3,704,182 at December 31, 2011.

The District's unrestricted net assets were \$279,670 at December 31, 2011.

General revenues accounted for \$1,915,427 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$1,949,150 in expenses including \$125,044 of depreciation for 2011 and general revenues (primarily taxes) of \$1,915,427, resulting in a change in net assets of \$(33,723).

Per Non-GAAP budgetary basis, the District had \$1,864,106 in expenditures and capital asset reserves and \$1,908,293 of actual revenue which resulted in \$44,187 of excess revenues over expenditures. The District did not have to utilize any of the \$81,000 of designated surplus noted in the 2011 budget.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hamilton Township Fire Commissioners District No. 4 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

### **Required Financial Statements**

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

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

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets and Governmental Funds Balance Sheet includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances identify the District's revenues and expenses for the year ended December 31, 2011.

### Financial Analysis of the District

The Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances provide an indication of the District's financial condition. The District's net assets reflect the difference between assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

### Net Assets

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

**Table 1**  
**Condensed Statement of Net Assets**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
Current and Other Assets	\$2,373,391	\$2,414,146
Capital Assets, net of accumulated depreciation	<u>1,435,577</u>	<u>1,389,564</u>
Total Assets	<u>\$3,808,968</u>	<u>\$3,803,710</u>
Liabilities and Net Assets:		
Total Liabilities	\$ 104,786	\$ 65,805
Net Assets:		
Invested in Capital Assets, net of related debt	1,435,577	1,389,564
Restricted for Capital Projects	1,988,935	2,119,993
Unrestricted	<u>279,670</u>	<u>228,348</u>
Total Net Assets	<u>3,704,182</u>	<u>3,737,905</u>
Total Liabilities and Net Assets	<u>\$3,808,968</u>	<u>\$3,803,710</u>

As Table 1 indicates, total assets decreased by \$5,258 from \$3,803,710 to \$3,808,968 during the year ended December 31, 2011. This is comprised of a decrease of \$40,755 in cash and cash equivalents

and an increase in capital assets, net of depreciation of \$46,013. The net increase in capital assets is due to 2011 depreciation of \$125,044, renovations of \$168,058 to the building and \$2,999 of equipment for the building. Total liabilities reflect an increase of \$39,981. This includes an increase of \$39,981 in accounts payable and accrued expenses at year end.

Table 1 also indicates that total net assets decreased \$33,723 from \$3,737,905 in 2010 to \$3,704,182 in 2011. This decrease is due to \$33,723 of expenses exceeding revenue for 2011. In addition, net assets invested in capital assets, net of related debt, increased by \$46,013 (see explanation above.) There was a decrease of \$131,058 in the capital projects reserves. The decrease to capital projects reserves of \$131,058 was due to making renovations to the building and purchasing new equipment for the building for \$171,058 and transferring \$40,000 from unrestricted net assets to capital projects per the 2011 budget.

**Table 2**  
**Condensed Statement of Activities**

	<u>Governmental</u> <u>Activities</u> <u>2011</u>	<u>Governmental</u> <u>Activities</u> <u>2010</u>
<b>REVENUES:</b>		
General Revenues:		
Property Taxes	\$1,891,435	\$1,754,450
Grants – State	14,199	7,099
Other revenue	<u>9,793</u>	<u>41,287</u>
Total Revenues	<u>\$1,915,427</u>	<u>\$1,802,836</u>
<b>EXPENSES:</b>		
Administration	\$ 30,059	\$ 21,474
Cost of Operations and Maintenance	<u>1,919,091</u>	<u>1,974,639</u>
Total Expenses	<u>1,949,150</u>	<u>1,996,113</u>
Increase (Decrease) in Net Assets	<u>\$(33,723)</u>	<u>\$(193,277)</u>

The Statement of Activities identifies the various revenue and expense items which affect the change in net assets. Table 2 indicates that the District's total revenues decreased by \$112,591. The decrease in revenue was primarily due to a decrease in property tax revenues. The total expenses decreased by \$46,963. The majority of the change was primarily due to a decrease in payroll and fire prevention operations.

### **Governmental Activities**

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 98.7% of revenues for governmental activities for Hamilton Township Fire Commissioners District No. 4 for 2011 and 97.3% in 2010. The District's total revenues were \$1,915,427 for the year ended December 31, 2011 and \$1,802,836 for the year ended December 31, 2010. In 2011, the state grant accounted for .7% of revenue, other grants for .5% of revenue and investment income for .1%. In 2010, the state grant

accounted for .4% of revenue, fire prevention fees for 1.9% of revenue and investment income for .4%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

**The District's Funds**

All governmental funds (i.e., general fund and capital projects fund) are accounted for using the modified-accrual basis of accounting. Total revenues were \$1,915,427 and expenditures were \$1,949,150. The change in fund balance for the year in the general fund was a decrease of \$33,723 including a decrease in the capital projects fund of \$131,058.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the General Fund for the year ended December 31, 2011, and the amount of increases and decreases in relation to prior year revenues.

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
<b>Revenue:</b>			
Local Sources:			
Amount to be Raised by Taxation	\$1,891,435	\$1,754,450	\$136,985
Miscellaneous	9,793	41,287	(31,494)
State sources	<u>14,199</u>	<u>7,099</u>	<u>7,100</u>
Total	<u>\$1,915,427</u>	<u>\$1,802,836</u>	<u>\$112,591</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2011, and the amount of increases and decreases in relation to prior year amounts.

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
<b>Expenditures:</b>			
Administration	\$ 30,059	\$ 21,474	\$ 8,585
Cost of Operations and Maintenance	<u>1,919,091</u>	<u>1,846,080</u>	<u>73,011</u>
Total	<u>\$1,949,150</u>	<u>\$1,867,554</u>	<u>\$81,596</u>

**Capital Assets**

At the end of the year 2011, the District had \$1,435,577 invested in capital assets net of depreciation. Table 5 shows 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
Building	\$ 611,856	\$ 627,958	\$(16,102)
Building Improvements	307,894	166,351	141,543
Equipment	67,979	93,080	(25,101)
Exhaust System	8,640	10,080	(1,440)
Office Equipment	4,072	5,134	(1,062)
Trucks	410,125	455,725	(45,600)
Vehicles	<u>25,011</u>	<u>31,236</u>	<u>(6,225)</u>
Total	<u>\$1,435,577</u>	<u>\$1,389,564</u>	<u>\$ 46,013</u>

In 2011, capital assets, net of depreciation increased by \$46,013. The net increase in capital assets is due to 2011 depreciation of \$125,044 and making renovations of \$168,058 to the building and purchasing \$2,999 of equipment for the building.

## **Economic Factors**

For the 2011 year, the Hamilton Township Fire Commissioners District No. 4 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 98.7% of total revenue is from the local tax levy, while the remaining 1.3% was from other sources. The tax rate levy per \$100 of property valuation increased from \$.51 in 2010 to \$.53 in 2011.

The Board of Fire Commissioners approved the 2011 budget on December 9, 2010 and adopted the 2011 budget at a special meeting held on February 15, 2011. The voters subsequently approved the budget at the annual fire district election held on February 19, 2011.

## **For the Future**

Hamilton Township Fire Commissioners District No. 4 is presently in good financial condition. The District is proud of its community support.

In conclusion, Hamilton Township Fire Commissioners District No. 4 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

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

This financial report is designed to provide our District's citizens, taxpayers, investors, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact, Treasurer, at Hamilton Township Fire Commissioners District No. 4, 1805 East State Street, Hamilton, New Jersey, 08609.

## BASIC FINANCIAL STATEMENTS

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

## Statement of Net Assets and Governmental Funds Balance Sheet

December 31, 2011

Governmental Funds

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 384,456	\$ 1,988,935	\$2,373,391	\$ 0	\$2,373,391
Capital assets, net of accumulated depreciation (Note 3)				1,435,577	1,435,577
Total assets	<u>\$ 384,456</u>	<u>\$ 1,988,935</u>	<u>\$2,373,391</u>	<u>\$ 1,435,577</u>	<u>\$3,808,968</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 56,744	\$ 0	\$ 56,744	0	56,744
Accrued expenses	48,042	0	48,042	0	48,042
Total liabilities	<u>104,786</u>	<u>0</u>	<u>104,786</u>	<u>0</u>	<u>104,786</u>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Unassigned	279,670	0	279,670	(279,670)	0
Committed					
For capital projects:					0
For building reserves		870,000	870,000	(870,000)	
For capital projects from 2010		2,040	2,040	(2,040)	
For fire apparatus reserves		411,423	411,423	(411,423)	
For future capital projects		705,472	705,472	(705,472)	
Total committed for capital projects	<u>0</u>	<u>1,988,935</u>	<u>1,988,935</u>	<u>(1,988,935)</u>	<u>0</u>
Total fund balances	<u>279,670</u>	<u>1,988,935</u>	<u>2,268,605</u>	<u>(2,268,605)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 384,456</u>	<u>1,988,935</u>	<u>\$2,373,391</u>	<u>(2,268,605)</u>	<u>104,786</u>
Net assets:					
Invested in capital assets, net of related debt				1,435,577	1,435,577
Restricted for capital projects				1,988,935	1,988,935
Unrestricted				279,670	279,670
Total net assets				<u>3,704,182</u>	<u>3,704,182</u>
Total liabilities and net assets				<u>\$ 1,435,577</u>	<u>\$3,808,968</u>

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

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2011

	<u>Governmental Funds</u>				
	<u>General</u>	<u>Capital</u>		<u>Adjustments</u>	<u>Statement of</u>
	<u>Fund</u>	<u>Projects Fund</u>	<u>Total</u>	<u>(Note 9)</u>	<u>Activities</u>
Expenditures/expenses:					
Fire protection - administration	\$ 30,059	\$ 0	\$ 30,059	\$ 0	\$ 30,059
Fire protection - operations	1,919,091	0	1,919,091	0	1,919,091
Total expenditures/expenses	1,949,150	0	1,949,150	0	1,949,150
General revenues:					
Taxes	1,891,435	0	1,891,435	0	1,891,435
Grants - other	7,134	0	7,134	0	7,134
Grants - state	14,199	0	14,199	0	14,199
Investment earnings	2,659	0	2,659	0	2,659
Transfers - internal activities	131,058	(131,058)	0	0	0
Total general revenues and transfers	2,046,485	(131,058)	1,915,427	0	1,915,427
Excess (Deficit) of revenues and transfers in over expenditures and transfers out	97,335	(131,058)	(33,723)	33,723	0
Changes in net assets	0	0	0	(33,723)	(33,723)
Fund balance/net assets:					
Beginning of the year	1,617,912	2,119,993	3,737,905	0	3,737,905
End of the year	\$1,715,247	\$ 1,988,935	\$3,704,182	\$ 0	\$ 3,704,182

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

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

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

The financial statements of the Hamilton Township Fire District No. 4 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **Reporting Entity**

Hamilton Township Fire District No. 4 is a political subdivision of the Township of Hamilton, County of Mercer, New Jersey. The District was established to function as a special service district through the adoption of a Township ordinance, to provide fire prevention and suppression services to the residents of Hamilton Township. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The board is responsible for the fiscal control of the District. The annual Fire District election is held the third Saturday of February.

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

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

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

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

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

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

## HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2011

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

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

Major individual governmental funds are reported as separate columns in the basic financial statements.

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

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

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

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

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

The District reports the following major governmental funds:

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

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

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

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

#### Encumbrances

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

#### Revenues and Expenditures

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

#### Prepaid Expenses

If any, prepaid expenses recorded on the district-wide financial statements represent payments to vendors for services that will benefit periods beyond December 31, 2011.

#### Use of Estimates

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

#### Income Taxes

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

#### Cash and Cash Equivalents

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

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

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

#### Capital Assets

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

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

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

Capital Assets (continued)

Generally, the District capitalizes assets with an individual cost of \$5,000 or more and a useful life greater than one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

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

Building	40 years
Building Improvements	7 – 10 years
Equipment	5 – 25 years
Exhaust System	20 years
Office equipment	5 years
Trucks	25 years
Vehicles	7 – 10 years

Employee Benefits

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

Budget and Budgetary Accounting

The District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et. al. The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. Upon introduction, the commissioners fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval.

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

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the District's financial statements.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

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

#### Fire District Taxes

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

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

The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

#### Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District of in the District's name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository's trust department or agent in the District's name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District's name. At December 31, 2011, the District's deposits of \$429,721 are classified as Category 1 deposits.

#### New Jersey Cash Management Fund

During the year, the District participated in the New Jersey Cash Management Fund. The fund is governed by regulations of the State Investment Council, which prescribes the standards designed to insure the quality of investments in order to minimize the risk to the Fund's participants. At December 31, 2011, \$1,943,670 maintained within the New Jersey Cash Management Fund is not subject to categorization as defined above.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2011

### NOTE 3 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Building	\$ 644,059	\$ 0	\$ 0	\$ 644,059
Building Improvements	171,189	168,058	0	339,247
Equipment	413,123	2,999	0	416,122
Exhaust System	28,800	0	0	28,800
Office Equipment	5,307	0	0	5,307
Trucks	1,272,570	0	0	1,272,570
Vehicles	<u>53,078</u>	<u>0</u>	<u>0</u>	<u>53,078</u>
Total Capital Assets, Being Depreciated	2,588,126	171,057	0	2,759,183
Less: Total Accumulated Depreciation	<u>1,198,562</u>	<u>125,044</u>	<u>0</u>	<u>1,323,606</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,389,564</u>	<u>\$ 46,013</u>	<u>\$ 0</u>	<u>\$1,435,577</u>

Depreciation expense of \$125,044 was charged to governmental activities as part of its cost of operations in 2011. In 2011, the District continued to make improvements to the building purchased in 2010 and also purchased a new stove for the kitchen. These costs totaled \$171,057. The District utilized \$171,057 of the \$173,098 of restricted reserves carried over from 2010 for these capital improvements.

### NOTE 4 – ACCRUED EXPENSES

Accrued expenses include costs for payroll and related payroll taxes and other operating expenses that were incurred for the year ended December 31, 2011 but were not paid by that date.

### NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2011 totaled \$279,670. Of that amount, \$60,000 is anticipated to be utilized as designated surplus in the 2012 budget.

### NOTE 6 – NET ASSETS RESTRICTED FOR CAPITAL PROJECTS

Net assets restricted for capital projects at December 31, 2011, is restricted for the following purposes:

Restricted for future capital purchases:	
Building and improvements	\$ 870,000
Fire apparatus	411,423
Restricted appropriation reserves – 2010	2,040
Undesignated capital reserves	<u>705,472</u>
	<u>\$1,988,935</u>

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

### **NOTE 6 – NET ASSETS RESTRICTED FOR CAPITAL PROJECTS (CONTINUED)**

Of the \$705,472 of undesignated capital reserves, \$200,000 is anticipated to be used in the 2012 budget for capital purposes.

### **NOTE 7 – NJ SUPPLEMENTAL FIRE SERVICES PROGRAM GRANT**

#### New Jersey Basic Entitlement Grant

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

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$14,200 for the year ended December 31, 2011. The District received and expended \$14,199 for the year ended December 31, 2011.

### **NOTE 8 – PENSION RETIREMENT SYSTEMS**

#### Description of Pension Retirement Systems

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

The plans do not maintain separate records for each reporting unit and, accordingly, the actuarial data for Fire District No. 4 is not available. The employee's portion is deducted biweekly from his/her paycheck and is paid to the state monthly. The District's contribution is paid on an annual basis and is computed and billed by the State Fund. The annual appropriation for 2011 from the State of New Jersey for both PERS and PFRS was \$63,810.

#### Compensated absences

Fire district employees were entitled to one hundred sixty (160) hours of sick time in 2011. Each employee is entitled to utilize the earned sick time during the calendar year. Unused sick leave shall be paid the last pay period in December each year. Vacation hours are determined based upon number of year's the employee has been with the District. All vacation time must be taken prior to December 31<sup>st</sup> of each year. Benefits to be paid in any future year will be calculated according to a formula outlined in the District's agreement with the employee union and included in the current year's budget. Also, see Note 10 regarding Other Post-Employment Benefits.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

### **NOTE 9 – STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES – ADJUSTMENTS**

In order to present the statement of net assets in accordance with GASB 34, the District needed to make certain adjustments to the general fund balance sheet. The capital assets previously reported in the fixed asset group of accounts, net of accumulated depreciation of \$1,435,577 had to be posted to the general fund. Also, the ending fund balances had to be converted to the net asset classifications required under GASB 34. The adjustments shown on the statement of net assets accomplish that task.

### **NOTE 10 – OTHER POST-RETIREMENT BENEFITS**

#### HEALTHCARE

##### Plan Description

The Commissioners of Hamilton Township Fire District No. 4, County of Mercer and State of New Jersey contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Commissioners of Hamilton Township Fire District No. 4 authorized participation in the SHBP's post-retirement benefit program through a resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

##### Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Commissioners of Hamilton Township Fire District No. 4, County of Mercer, State of New Jersey on a monthly basis. The Fire District funds the cost of these benefits through taxes. The cost of health benefits per retiree is determined by the SHBP. In 2011, there were three (3) retirees receiving benefits.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

### **NOTE 10 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)**

#### HEALTHCARE (CONTINUED)

##### Plan Description (continued)

##### Funding Policy (continued)

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

The Hamilton Township Fire District No. 4, County of Mercer, State of New Jersey contribution to SHBP for the year ending December 31, 2011 was \$200,222, which equaled the required contribution for the year.

### **NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

#### Property and Liability Insurance

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

### **NOTE 12 – CONTINGENCIES**

Hamilton Township Fire District No. 4 pays rent for each hydrant and inch-per-foot of water pipes in the fire district to Trenton Water Works. In the last quarter of 2008, Trenton Water Works, pursuant to a City of Trenton ordinance, increased the rental fees by 40%, an increase of approximately \$13,360 per quarter for Hamilton Township Fire District No. 4. In October 2008, the Mayor of Hamilton Township, John Bencivengo, wrote a letter to all Hamilton Township Fire Districts informing them that the increase for 2008 did not apply to Hamilton Township fire districts. He instructed the fire districts in Hamilton Township to continue paying the rental fees at the old rate. Trenton Water Works billed the fire districts at the increased rates for 2009, 2010 and 2011 and continues to bill them at that rate in 2012.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to the Financial Statements

December 31, 2011

### **NOTE 12 – CONTINGENCIES (CONTINUED)**

The Townships of Hamilton, Hopewell, Ewing and Lawrence (outside water utility system users/"OWUS") filed suit against the City of Trenton and the Trenton Water Works in 2008, under Docket No. MER-L-2626-08. The lawsuit, in brief, alleges the City of Trenton was building an artificial surplus into the Trenton Water Works budget each year, thus, basically creating a budgetary line item for the City of Trenton's operating budget. The OWUS litigants have alleged Constitutional issues as well as other issues.

Per the Hamilton Township Department of Law as of April 30, 2012, the litigation is still ongoing. They had a Case Management Conference with Judge Jacobsen on April 23, 2012. They discussed a new settlement proposal with the Judge. They say it is very reasonable and would contain some type of rate increase forgiveness component for the fire districts (partial forgiveness with time to pay to complete forgiveness or anywhere in between). If the case does not settle soon, the Judge intends to refer them to mediation.

The outcome of the litigation is uncertain. Hamilton Township Fire Commissioners District No. 4 continues to budget and pay Trenton Water Works at the 2008 rates. The budget is approved annually by the New Jersey Local Finance Board. The potential additional liability to the District at December 31, 2011 is \$173,730.

### **NOTE 13 – LITIGATION**

As of the date of this report there is no litigation pending which, if decided adversely to the District would have a material impact on the District. However, see Note 12, Contingencies for litigation involving Hamilton Township and The City of Trenton and Trenton Water Works.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

## Schedule of Revenues and Expenditures

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

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
<b><u>Revenues:</u></b>				
Taxes	\$ 1,891,435	\$ 1,891,435	\$ 1,891,435	\$ 0
Designated surplus - unrestricted funds	81,000	81,000	0	(81,000)
Investment income	40,000	40,000	2,659	(37,341)
Fire prevention fees	33,400	33,400	0	(33,400)
Supplemental fire services grant	14,200	14,200	14,199	(1)
<b>Total Revenues</b>	<b>2,060,035</b>	<b>2,060,035</b>	<b>1,908,293</b>	<b>(151,742)</b>
<b><u>Expenditures:</u></b>				
General Government:				
Salaries and wages	\$ 1,113,835	\$ 1,113,835	\$ 1,034,682	\$ 79,153
Fringe benefits and payroll taxes	367,800	367,919	347,491	20,428
Administration:				
Advertising	700	700	228	472
Automation Equipment	3,000	3,508	3,508	0
Election expenses	800	800	763	37
Memberships and dues	3,500	3,500	3,382	118
Miscellaneous	2,000	2,000	3,140	(1,140)
Office expenses	3,000	3,667	3,988	(321)
Professional fees	22,000	13,000	15,050	(2,050)
<b>Total Administration</b>	<b>35,000</b>	<b>27,175</b>	<b>30,059</b>	<b>(2,884)</b>
Operations:				
Alarm system	1,000	0	0	0
Fire company reimbursement	5,000	467	0	467
Fire prevention operations	33,400	33,400	0	33,400
Fire prevention salaries	33,400	33,400	0	33,400
Fire fighting supplies and repair	85,000	85,000	83,512	1,488
Fuel	15,000	15,000	11,469	3,531
Insurance	80,000	84,414	84,214	200
Maintenance supplies	15,000	16,000	10,606	5,394
Medical exams	4,000	4,000	4,119	(119)
Radio supplies and repair	12,000	12,000	1,987	10,013
Reimbursed expenses	600	977	976	1
Rent - water and hydrant	140,000	140,000	132,500	7,500
Telephone	8,000	8,000	6,037	1,963
Training	9,000	9,000	8,845	155
Uniform allowance	9,000	9,000	8,702	298
Vehicle repairs	25,000	35,000	35,721	(721)
Volunteer incentive program	10,000	6,448	4,832	1,616
Utilities	18,000	19,000	18,354	646
<b>Total Operations</b>	<b>503,400</b>	<b>511,106</b>	<b>411,874</b>	<b>99,232</b>
<b>Total General Government</b>	<b>2,020,035</b>	<b>2,020,035</b>	<b>1,824,106</b>	<b>195,929</b>

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

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

## Schedule of Revenues and Expenditures

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

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Capital Outlay				
Capital Asset Reserve for Apparatus	40,000	40,000	40,000	0
Total Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Total Expenditures	2,060,035	2,060,035	1,864,106	195,929
Excess of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,187</u>	<u>\$ 44,187</u>

## Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 44,187
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(125,044)
Grants - other is an inflow of resources for financial reporting purposes but not for budgetary purposes	7,134
Capital asset reserve for apparatus is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	40,000
Excess (Deficit) of Revenues Over Expenditures - GAAP Basis	<u>\$ (33,723)</u>

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Notes to Required Supplementary Information

For the Year Ended December 31, 2011

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

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

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

OTHER SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**  
Schedule of Supplemental Fire Services Grant Expenditure Report  
For the Year Ended December 31, 2011

REVENUE

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

Total revenue \$ 14,199

EXPENDITURES

Fire fighting supplies and repairs \$ 14,199

Total expenditures \$ 14,199

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 4  
Hamilton, New Jersey

We have audited the financial statements of governmental activities of Hamilton Township Fire District No. 4 as of and for the year ended December 31, 2011, and have issued our report thereon dated September 25, 2012. 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.

Internal Control Over Financial Reporting

Management of Hamilton Township Fire District No. 4 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hamilton Township Fire District No. 4's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton Township Fire District No. 4's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. [Finding Numbers 11-1 to 11-3]. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Township Fire District No. 4's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express



such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hamilton Township Fire District No. 4 in a separate letter dated September 25, 2012.

Hamilton Township Fire District No. 4's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Hamilton Township Fire District No. 4's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the board of commissioners, management, and the State of New Jersey Department of Community Affairs, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

*DePietto & DePietto, LLC*

Holland, Pennsylvania  
September 25, 2012

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

General Comments and Recommendations

For the Year Ended December 31, 2011

### **General Comments**

Our audit examination covered the financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 4, County of Mercer, New Jersey. The Board of Fire Commissioners is fiscally responsible for the financial position and maintaining proper internal controls for the District.

The financial accounting records of the District were in good condition, except for the prior year balances not agreeing to the final audit report as of December 31, 2010. (See Schedule of Audit Findings, Finding Number 11-01)

Internal control procedures were lacking in certain areas. (See Schedule of Audit Findings in this report).

Minutes of the Board of Fire Commissioners were properly maintained by the Board Secretary.

### **Acknowledgements**

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

### **Prior Year Comments**

We identified five audit findings during the prior year audit. Action was taken by the Board of Fire Commissioners to address and correct these findings during the year ended December 31, 2011. For the corrective actions taken by the Board of Fire Commissioners please see the Schedule of Audit Findings in this report.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2011

This section identifies any significant deficiencies and instances of non-compliance related to the December 31, 2011 financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Hamilton Township Fire District No. 4.
2. There were three (3) significant deficiencies, as described in findings 11-01 to 11-03, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters, required to be reported under *Government Auditing Standards*.

### **Findings – Financial Audit Current Year**

**11-01 Finding: The opening balances for 2011 per the accounting records did not reconcile to the balances on the December 31, 2010 audited financial statements and accompanying footnotes.**

While performing our analytical procedures, we noticed that the ending balances per the December 31, 2010 audited financial statements did not agree to the financial records of the District.

#### **Recommendation:**

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

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

The District was not aware of the situation. The Treasurer thought that all of the audit adjustments for 2010 were posted to the accounting records by the District's bookkeeper. The Treasurer said it was an oversight on his part. The Treasurer will ensure that the approved audit adjusting entries are posted to the general ledger and the ending balances agree to the audit report each year.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2011

**11-02 Finding: Resolutions to adopt a temporary budget for payments to be made prior to the adoption of the following year's budget pursuant to 40A: 14-78.17 and to appropriate all unexpended and unobligated balances from the current year's budget to be available in the following year were not done.**

While performing our audit procedures we noted that resolutions to cancel prior year appropriations and to adopt a temporary budget for 2012 were not made prior to the end of the fiscal year.

**Recommendation:**

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

**District's Response:**

The Fire Commissioners will make the necessary resolutions prior to the end of the fiscal year 2012.

**11-03 Finding: No written conflict of interest policy with the Fire Commissioners**

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

**Recommendation:**

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

**District's Response:**

The Fire Commissioners are discussing this with the District's attorney and are working on developing a conflict of interest policy.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2011

### **Current Year Status of Prior Year Findings**

The following prior year findings and recommendations were included with the December 31, 2010 audit report. The District's Response notes the actions taken by the District in 2011 and 2012 in response to the findings in the 2010 audit report.

#### **10-01 Finding: The general ledger balances did not accurately reflect prior year balances.**

During our analytical process, which included reviewing supporting documentation from the prior auditor for the December 31, 2009 balance sheet accounts and reconciling the December 31, 2009 audit report to the accounting records, we noted that the ending balances per the audited financial statements did not agree to the financial records of the District.

##### **Recommendation:**

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

##### **District's Response and Corrective Action Taken:**

The District was aware of the situation and took steps to correct it. At the end of each audit the Treasurer will ensure that the approved audit adjusting entries are posted to the general ledger and the ending balances agree to the audit report. (Also see Finding 11-01.)

#### **10-02 Finding: The resolution to transfer excess appropriations from line items of operating appropriations to line items deemed to be insufficient per the budget pursuant to 40A: 14-78.9 is not done in a timely manner.**

Although this resolution was made by the Board of Fire Commissioners for 2010, the resolution was not passed until January 2011.

##### **Recommendation:**

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

##### **District's Response and Corrective Action Taken:**

The Fire Commissioners made the necessary resolution prior to the end of 2011 and will make a new resolution prior to the end of each fiscal year.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2011

**10-03 Finding: Resolutions to adopt a temporary budget for payments to be made prior to the adoption of the following year's budget pursuant to 40A: 14-78.17 and to appropriate all unexpended and unobligated balances from the current year's budget to be available in the following year were not done.**

While performing our audit procedures we noted that resolutions to cancel prior year appropriations and to adopt a temporary budget for 2011 were not made prior to the end of the fiscal year.

**Recommendation:**

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

**District's Response and Corrective Action Taken:**

The Fire Commissioners will make the necessary resolutions prior to the end of the fiscal year. (Also see Finding 11-02.)

**10-04 Finding: No written conflict of interest policy with the Fire Commissioners**

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

**Recommendation:**

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

**District's Response and Corrective Action Taken:**

The Fire Commissioners are discussing this with the District's attorney and are working on developing a conflict of interest policy. (Also see Finding 11-03.)

**HAMILTON TOWNSHIP FIRE DISTRICT No. 4**

Schedule of Audit Findings and Responses

For the Year Ended December 31, 2011

**10-05 Finding: Bank reconciliations were prepared by the same individual who also handled all of the other accounting transactions for the District.**

While reviewing cash during the audit, we noted that the bank reconciliations were prepared by the Treasurer who was the same individual who processed all of the other accounting transactions.

**Recommendation:**

We recommend corrective actions be taken to insure that District segregates the duties of individuals involved with the accounting transactions.

**District's Response and Corrective Action Taken:**

Effective in 2011, the District hired an outside accountant to prepare the monthly bank reconciliations, enter transactions into the general ledger and assist the treasurer with his financial responsibilities.