

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Financial Statements and Supplementary Information

For the Year Ended December 31, 2015

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Financial Statements and Supplementary Information
Year Ended December 31, 2015

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HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 4

Roster of Officials

For the year ended December 31, 2015

Board of Fire Commissioners

Betty Newbon, Chairman

Keith Lesslie, Secretary

John L. Newbon Sr., Treasurer

Fred Yaede, Commissioner

Richard E. Coleman, Jr., Commissioner

Other Officials

Genova Burns LLC, Attorneys-At-Law

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 4, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire District No. 4, in the County of Mercer, State of New Jersey, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Township Fire District No. 4 basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2016, 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* in considering Hamilton Township Fire District No. 4's internal control over financial reporting and compliance.

DePietto & DePietto, LLC

Holland, Pennsylvania
October 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Management's Discussion and Analysis

For the Year Ended December 31, 2015

Unaudited

The discussion and analysis of the Hamilton Township Fire District No. 4's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2015. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for 2015 are as follows:

In total, net position decreased (\$3,389,584) from 2014. Due to the implementation of GASB 68, the previously stated net position was decreased by \$2,569,564 through a prior period adjustment.

General revenues accounted for \$2,479,345 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$3,299,365 in expenses including \$124,198 of depreciation and \$470,921 in additional pension expense to be in compliance with GASB 68 for 2015. General revenues (primarily taxes) of \$2,479,345 were not adequate to provide for these programs, resulting in a change in net position of (\$820,020).

Per Non-GAAP budgetary basis, the District had \$3,782,866 in expenditures and capital outlay and \$2,479,345 of actual revenue and also utilized \$186,424 of the unrestricted fund balance and \$1,117,097 of the restricted fund balance which resulted in \$0 of revenues over expenditures. General revenues (primarily taxes) and utilization of the unrestricted and restricted fund balances of \$3,782,866 were adequate to provide for these programs.

Using this Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hamilton Township Fire District No. 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, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

District-Wide Financial Statements (Statement of Net Position and Statement of Activities)

These statements provide both short-term and long-term information about the District's overall financial status.

Fund Financial Statements

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Reporting the District as a Whole Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting, takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those positions. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

Reporting the District's Most Significant Funds Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transaction. The District's governmental funds are the General Fund and Capital Projects Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

Table 1
Condensed Statement of Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
Current and Other Assets	\$1,876,245	\$2,061,426
Capital Assets, net of accumulated depreciation	<u>1,121,223</u>	<u>1,202,801</u>
Total Assets	<u>2,997,468</u>	<u>3,264,227</u>
Deferred Outflow of Resources	<u>1,966,232</u>	<u>0</u>
Total Assets and Deferred Outflow of Resources	<u>\$4,963,700</u>	<u>\$3,264,227</u>
Current Liabilities	\$ 97,967	\$ 15,627
Long-Term Liabilities	<u>4,885,771</u>	<u>0</u>
Total Liabilities	<u>4,983,738</u>	<u>15,627</u>
Deferred Inflow of Resources	<u>120,946</u>	<u>0</u>
Net Position:		
Invested in Capital Assets, net of related debt	1,121,223	1,202,801
Restricted for Capital Projects	793,108	1,911,100
Restricted for Fire Apparatus Contract	1,036,000	0
Restricted for Post-Retirement Sick Pay Benefits	6,388	0
Unrestricted	<u>(3,097,703)</u>	<u>134,699</u>
Total Net Position	<u>(140,984)</u>	<u>3,248,600</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$4,963,700</u>	<u>\$3,264,227</u>

Table 2
Condensed Statement of Changes in Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
REVENUES:		
General Revenues:		
Property Taxes	\$2,463,681	\$2,350,446
Grants – state	14,199	14,199
Other	<u>1,465</u>	<u>1,154</u>
Total Revenues	<u>\$2,479,345</u>	<u>\$2,365,799</u>
EXPENSES:		
Administration	\$ 25,745	\$ 19,584
Cost of Operations and Maintenance	<u>3,273,620</u>	<u>2,604,792</u>
Total Expenses	<u>3,299,365</u>	<u>\$2,624,376</u>
Increase (Decrease) in Net Position	<u>(\$820,020)</u>	<u>\$ (258,577)</u>

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 99.4% of revenues for governmental activities for Hamilton Township Fire District No. 4 for 2015. The District’s total revenues were \$2,479,345 for the year ended December 31, 2015. The state grants and other miscellaneous revenue accounted for the remaining .6%.

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 amounted to \$2,479,345 and expenditures were \$2,704,246. The total change in fund balance for the year in the governmental funds was (\$224,901).

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, 2015, and the amount of increases and decreases in relation to prior year revenues.

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$2,463,681	\$2,350,446	\$113,235
Miscellaneous	1,465	1,154	311
Federal and State sources	<u>14,199</u>	<u>14,199</u>	<u>0</u>
Total	<u>\$2,479,345</u>	<u>\$2,365,799</u>	<u>\$113,546</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2015, and the amount of increases and decreases in relation to prior year amounts.

Table 4
Summary of Expenditures – General Fund

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Expenditures:			
Administration	\$ 25,745	\$ 19,584	\$ 6,161
Cost of Operations and Maintenance	<u>2,678,501</u>	<u>2,472,994</u>	<u>205,507</u>
Total	<u>\$2,704,246</u>	<u>\$2,492,578</u>	<u>\$211,668</u>

Capital Assets

At the end of the year 2015, the District had \$1,121,223 invested in capital assets net of depreciation. Table 5 shows 2015 balances compared to 2014.

Table 5
Capital Assets (Net of Depreciation)

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Building	\$ 547,531	\$ 563,631	\$(16,100)
Building Improvements	321,924	330,024	(8,100)
Equipment	16,081	21,347	(5,266)
Exhaust System	2,880	4,320	(1,440)
Office Equipment	1,914	3,818	(1,904)
Trucks	227,725	273,325	(45,600)
Vehicles	<u>3,168</u>	<u>6,336</u>	<u>(3,168)</u>
Total	<u>\$1,121,223</u>	<u>\$1,202,801</u>	<u>\$(81,578)</u>

In 2015, the District utilized the remaining \$4,205 of restricted reserves carried over from the 2012 budget for building improvements. An additional \$38,415 of \$185,000 of budgeted restricted reserves was used for improvements to roof and trophy room, purchase and installation of HVAC units, and concrete work done to the apron, entrance and sidewalk. Another 38,478 of the \$185,000 was used for general repairs and maintenance expenditures on the building.

Depreciation expense of \$124,198 was charged to governmental activities as part of its cost of operations.

Economic Factors

For the 2015 year, the Hamilton Township Fire District No. 4 was able to sustain its budget through the district tax levy, other sources of revenue and utilization of unrestricted and restricted fund balance. Approximately 99.4% of total revenue was from the local tax levy, while the remaining .6% was from other sources. The tax rate levy per \$100 of assessed property valuation increased from \$.67 in 2014 to \$.70 in 2015.

For the Future

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

In conclusion, Hamilton Township Fire 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 Position

December 31, 2015

	<u>Governmental</u> <u>Activites</u>
ASSETS	
Cash and cash equivalents	\$ 840,245
Capital assets, net of accumulated depreciation	1,121,223
Advance payment on fire apparatus contract	<u>1,036,000</u>
Total assets	<u>2,997,468</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>1,966,232</u>
Total deferred inflows of resources	<u>1,966,232</u>
Total assets and deferred outflows of resources	<u>\$ 4,963,700</u>
LIABILITIES	
Accounts payable	\$ 97,967
Long-term liabilities:	
Pension payable	226,941
Net pension liability	<u>4,658,830</u>
Total liabilities	<u>4,983,738</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>120,946</u>
Total deferred inflows of resources	<u>120,946</u>
Total liabilities and deferred inflows of resources	<u>5,104,684</u>
NET POSITION	
Invested in capital assets, net of related debt	1,121,223
Restricted for:	
Building	793,108
Fire apparatus	1,036,000
Post-retirement sick pay benefits	6,388
Unrestricted	<u>(3,097,703)</u>
Total net position	<u>(140,984)</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 4,963,700</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Statement of Activities

For the Year Ended December 31, 2015

	<u>Governmental</u> <u>Activities</u>
Expenditures:	
Fire protection - administration	\$ 25,745
Fire protection - operations	<u>3,273,620</u>
Total expenditures	<u>3,299,365</u>
General revenues:	
Taxes	2,463,681
Grants - state	14,199
Interest income	966
Miscellaneous revenue	499
Transfers - internal activities	<u>0</u>
Total general revenues	<u>2,479,345</u>
Change in net position	(820,020)
Net position	
Beginning of the year	3,248,600
Prior year adjustment - GASB 68	<u>(2,569,564)</u>
Net position, end of year	<u>\$ (140,984)</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Governmental Funds

Balance Sheet

December 31, 2015

Governmental Funds

	<u>Capital</u>		
	<u>General Fund</u>	<u>Projects Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 47,137	\$ 793,108	\$ 840,245
Prepaid expenses	0	0	0
Advance payment on fire apparatus contract	1,036,000	0	1,036,000
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,083,137</u>	<u>\$ 793,108</u>	<u>\$ 1,876,245</u>
LIABILITIES			
Accounts payable	<u>\$ 97,967</u>	<u>\$ 0</u>	<u>\$ 97,967</u>
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>97,967</u>	<u>0</u>	<u>97,967</u>
FUND BALANCES			
Fund balances:			
Unassigned	(57,218)	0	(57,218)
Assigned			
For building reserves	0	793,108	793,108
Committed			
For purchase of fire apparatus	1,036,000	0	1,036,000
For post retirement sick pay benefits	6,388	0	6,388
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>985,170</u>	<u>793,108</u>	<u>1,778,278</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,083,137</u>	<u>\$ 793,108</u>	<u>\$ 1,876,245</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Governmental Funds

Balance Sheet

December 31, 2015

Governmental Funds - Fund Balance, December 31, 2015	\$ 1,778,278
Differences to amounts reported for governmental activities in the statement of net position:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,971,151 and the accumulated depreciation is \$1,849,928	1,121,223
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	1,845,286
Accrued PERS and PFRS pension payable is not recorded in financial statements of governmental funds	(226,941)
Long-term liabilities, including net pension liability, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(4,658,830)</u>
Governmental Activities - Net Position, December 31, 2015	<u>\$ (140,984)</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2015

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Capital</u>	
	<u>Fund</u>	<u>Projects</u>	<u>Total</u>
		<u>Fund</u>	
Expenditures/expenses:			
Fire protection - administration	\$ 25,745	\$ 0	\$ 25,745
Fire protection - operations	2,678,501	0	2,678,501
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	2,704,246	0	2,704,246
	<hr/>	<hr/>	<hr/>
General revenues:			
Taxes	2,463,681	0	2,463,681
Grants - state	14,199	0	14,199
Investment earnings	966	0	966
Miscellaneous revenue	499	0	499
Transfers - internal activities	1,117,992	(1,117,992)	0
	<hr/>	<hr/>	<hr/>
Total general revenues and transfers	3,597,337	(1,117,992)	2,479,345
	<hr/>	<hr/>	<hr/>
Excess (Deficit) of revenues over expenditures	893,091	(1,117,992)	(224,901)
	<hr/>	<hr/>	<hr/>
Fund balance:			
Beginning of the year	92,079	1,911,100	2,003,179
	<hr/>	<hr/>	<hr/>
End of the year	\$ 985,170	\$ 793,108	\$ 1,778,278
	<hr/>	<hr/>	<hr/>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
in the Governmental Funds to the Statement of Activities
December 31, 2015

Total changes in Governmental Funds - Fund Balance \$ (224,901)

Differences to amounts reported for governmental
activities in the statement of net position:

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.

Depreciation Expense (124,198)

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

Pension expense (470,921)

Governmental Activities - Change in Net Position, December 31, 2015 \$ (820,020)

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

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 formed to provide fire prevention and suppression services to the residents of Hamilton Township. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

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.

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). 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 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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.

District Wide and Fund Financial Statements

The district-wide financial statements report information of all of the nonfiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The district-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the District as a whole. All inter-fund activity 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.

Fund Financial Statements

The fund financial statements provide detail of the governmental funds.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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. 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 District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

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. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current fiscal year end.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures

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

Prepaid expenses

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

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 position.

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 11.

Use of Estimates

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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.

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. Each annual budget lapses at the end of the year..

Fire District Taxes

Upon 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.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions Section

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District 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.
- 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 by the District 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 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.

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – (Amendment to GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS) and New Jersey Police and Firemen's Retirement System (PFRS). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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

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

Cash and Cash Equivalents

Cash used for the day-to-day operations of the Fire District is in interest bearing checking accounts and interest bearing money market accounts. The balances in these accounts at December 31, 2015 were \$46,891 and \$793,354, respectively. The interest rate on the money market account varied for 2015.

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

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

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, 2015, the District's deposits of \$840,245 are classified as Category 1 deposits.

NOTE 3 – FIXED 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	494,523	42,620	0	537,143
Equipment	425,110	0	0	425,110
Exhaust System	28,800	0	0	28,800
Office Equipment	10,391	0	0	10,391
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	2,928,531	42,620	0	2,971,151
Less: Total Accumulated Depreciation	<u>1,725,730</u>	<u>124,198</u>	<u>0</u>	<u>1,849,928</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,202,801</u>	<u>\$(81,578)</u>	<u>\$ 0</u>	<u>\$1,121,223</u>

Depreciation expense of \$124,198 was charged to governmental activities as part of its cost of operations in 2013. In 2015, the District utilized the remaining \$4,205 of restricted reserves carried over from the 2012 budget for building improvements. An additional \$38,415 of \$185,000 of budgeted restricted reserves was used for improvements to roof and trophy room, purchase and installation of HVAC units, and concrete work done to the apron, entrance and sidewalk. Another 38,478 of the \$185,000 was used for general repairs and maintenance expenditures on the building.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses, if any, include professional fees that were incurred for the year ended December 31, 2015 but were not paid by that date.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 88, *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees' Retirement System (PERS) (continued)

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19,P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/15	\$ 1,442	100%	\$ 39,375
12/31/14	\$ 1,322	100%	\$ 32,749
12/31/13	\$ 1,357	100%	\$ 33,532

Components of Net Pension Liability

At December 31, 2015, the District reported a liability of \$39,375 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was 0.00017540350% which was an increase of 0.00000048540% from its proportion of 0.0001749181% measured as of June 30, 2014.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Components of Net Pension Liability (continued)

<u>Collective balances at December 31, 2015 and 2014</u>		
	<u>12/31/15</u>	<u>12/31/14</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 5,245	\$ 1,030
Deferred Inflows of Resources	\$ 704	\$ 2,038
Net Pension Liability (NPL)	\$ 39,375	\$ 32,749
District's portion of the Plan's total NPL	0.00017540350%	0.0001749181%

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2015, the District recognized pension expense of \$1,143. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$4,229	\$ 0
Net difference between expected and actual experience	939	0
Net difference between projected and actual earnings on pension plan investments	0	633
Changes in proportion and differences between District contributions and proportionate share of contributions	77	71
Total	\$5,245	\$704

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ 827
2017	827
2018	827
2019	1,316
2020	744
Thereafter	0
	\$4,541

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees' Retirement System (PERS) (continued)

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	
2012-2021	2.15-4.40%
	based on age
Thereafter	3.15-5.40%
	based on age
Inflation rate	3.04%

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)**Public Employees' Retirement System (PERS) (continued)****Long-Term Expected Rate of Return (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debtex US	3.50%	-0.4 0%
REIT	<u>4.25%</u>	5.12%
Total	<u>100%</u>	

Discount Rate

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>At 1% decrease (3.9%)</u>	<u>At current discount rate (4.9%)</u>	<u>At 1% increase (5.9%)</u>
District's proportionate share of the net pension liability	\$48,938	\$39,375	\$31,357

Police and Firemen’s Retirement System (PFRS)

Plan Description

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

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four (4) years of service.

The following represents the membership tiers for PFRS:

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

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen's Retirement System (PFRS) (continued)

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Police and Firemen's Retirement System (PFRS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PFRS during the measurement period July 1, 2014 through June 30, 2015. The employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers, under this legislation, is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Contributions (continued)

reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PFRS			
<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/15	\$ 187,661	100%	\$ 4,619,455
12/31/14	\$ 117,676	100%	\$ 3,073,423
12/31/13	\$ 131,414	100%	\$ 2,144,249

Components of Net Pension Liability

At December 31, 2015, the District reported a liability of \$4,619,455 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The District’s proportion measured as of June 30, 2015, was 0.0277336244% which was a decrease of 0.0017160590% 0.0033007956% from its proportion of 0.0244328288% measured as of June 30, 2014.

PFRS Collective balances at December 31, 2015 and 2014

Actuarial valuation date	<u>12/31/15</u>		<u>12/31/14</u>	
	July 1, 2014		July 1, 2013	
Deferred Outflows of Resources	\$	1,960,987	\$	1,040,352
Deferred Inflows of Resources	\$	120,242	\$	343,633
Net Pension Liability (NPL)	\$	4,619,455	\$	3,073,423
District's portion of the Plan's total NPL		0.02773362440%		0.0244328288%

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2015, the District recognized pension expense of \$469,778. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$852,866	\$ 0
Net difference between expected and actual experience	0	39,844
Net difference between projected and actual earnings on pension plan investments	0	80,398
Changes in proportion and differences between District contributions and proportionate share of contributions	1,108,121	0
Total	<u>\$1,960,987</u>	<u>\$ 120,242</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30:</u>	<u>PFRS</u>
2016	\$ 367,845
2017	367,845
2018	367,845
2019	456,845
2020	280,366
Thereafter	0
	<u>\$1,840,745</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Special Funding Situation – State’s Proportionate Share

Additionally, the State’s proportionate share of the net pension liability attributable to the District is \$405,111 as of December 31, 2015. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2015 was .0277336244%, which was an increase of 0.0033007956% from its proportion of 0.0244328288% measured as of June 30, 2014 which is the same proportion as the District’s.

District’s Proportionate Share of the Net Pension Liability	\$4,619,455
State’s Proportionate Share of the Net Pension Liability Associated with the District	<u>405,111</u>
 Total Net Pension Liability	 <u><u>\$5,024,566</u></u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2015 measurement date was determined by using an actuarial valuation date as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	
2012-2021	2.60-9.48%
Thereafter	based on age 3.6-10.48%
Inflation rate	based on age 3.04%

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Actuarial Assumptions (continued)

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debtex US	3.50%	-0.4 0%
REIT	<u>4.25%</u>	5.12%
Total	<u>100%</u>	

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Police and Firemen’s Retirement System (PFRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>At 1% decrease (4.79%)</u>	<u>At current discount rate (5.79%)</u>	<u>At 1% increase (6.79%)</u>
District's proportionate share of the net pension liability	\$6,623,973	\$ 5,024,566	\$3,720,392

NOTE 6 – LONG-TERM LIABILITIES

During the fiscal year ended December 31, 2015, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/14</u>	<u>Accrued/ Increases</u>	<u>Retired/ Decreases</u>	<u>Balance 12/31/15</u>	<u>Due within one year</u>
Net pension liability	<u>\$3,106,172</u>	<u>\$1,552,658</u>	<u>\$ 0</u>	<u>\$4,658,830</u>	<u>\$ 0</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
Notes to the Financial Statements
December 31, 2015

NOTE 7 – FUND BALANCE - UNASSIGNED

Unassigned fund balance at December 31, 2015 totaled \$(57,218).

NOTE 8 – FUND BALANCE - RESTRICTED FOR CAPITAL PROJECTS

Fund balance restricted for capital projects at December 31, 2015, is restricted for the following purposes:

Restricted for future capital purchases:	
Building and improvements	\$ 685,000
Restricted appropriation reserves – 2015	<u>108,108</u>
	<u>\$793,108</u>

NOTE 9 – GRANTS

Supplemental Fire Services Grant

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

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$14,199 for the year ended December 31, 2015. The District received and expended \$14,199 for the year ended December 31, 2015.

NOTE 10 – SHARED SERVICES AGREEMENT UNDER THE UNIFORM SHARED SERVICES AND CONSOLIDATION ACT

In 2015, Hamilton Township Fire District No. 4 entered into a shared service agreement for a Fire Chief with Hamilton Township Fire District No. 3, in accordance with the provisions of the New Jersey Uniform Shared Services and Consolidation Act, N.J.S.A. 40A:65-1 and all regulations promulgated thereto.

In consideration for Hamilton Township Fire District No. 3 providing these services, Hamilton Township Fire District No. 4 shall reimburse the District for a portion of the Fire Chief's actual payroll, benefits and expenses. Shared service expense for the year ended December 31, 2015 was \$52,855.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

HEALTHCARE

Plan Description

The District participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB").

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 11 – POST-RETIREMENT BENEFITS

HEALTHCARE (CONTINUED)

Plan Description (continued)

The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the District of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The health insurance cost for retirees for the year ended December 31, 2015 was \$64,659.

SICK PAY

Effective July 1, 2015, each employee receives fifteen (15) days of sick time per year. Unused sick time may be accumulated. The calculation of accumulated time is based on an equation determined by the Commissioners of Hamilton Township Fire District No. 4, County of Mercer, State of New Jersey. It is based upon number of years already worked and approximate number of years to retirement for each employee who has accumulated sick time. The employee's hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$16,000. Based on accumulated sick days as of December 31, 2015, the reserve for post-retirement sick pay due employees under the terms of the contract at death or retirement was \$6,388.

NOTE 12 – 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 13 – DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through October 22, 2016, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
Notes to the Financial Statements
December 31, 2015

NOTE 14 – 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.

NOTE 15 – PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

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

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2014	\$3,248,600
Prior period adjustment:	
Implementation of GASB 68:	
Net Pension Liability - PERS (measurement date as of June 30, 2014)	(32,749)
Net Pension Liability - PFRS (measurement date as of June 30, 2014)	(3,073,423)
Pension Payable - PERS (2015 Authority PERS Pension Contribution)	(1,442)
Pension Payable - PFRS (2015 Authority PFRS Pension Contribution)	(187,661)
Deferred Outflows - PERS (measurement date as of June 30, 2014)	1,030
Deferred Outflows - PFRS (measurement date as of June 30, 2014)	1,040,352
Deferred Inflows - PERS (measurement date as of June 30, 2014)	(2,038)
Deferred Inflows - PFRS (measurement date as of June 30, 2014)	<u>(313,633)</u>
Total prior period adjustment	<u>(2,569,564)</u>
Net position as restated, January 1, 2015	<u>\$ 679,036</u>

NOTE 16 – DEFICIT IN UNRESTRICTED NET POSITION

As reflected on the Statement of Net Position, a deficit in unrestricted net position of (\$2,061,703) existed as of December 31, 2015. The primary cause of this deficit was the recording of the long-term liability for net position. In accordance with full accrual accounting, which is the basis of accounting for the Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget, pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position does not indicate that the District is facing financial difficulties.

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to the Financial Statements

December 31, 2015

NOTE 17 – CONTINGENCIES AND SUBSEQUENT EVENTS

In May 2015, the District entered into a Joint Purchase for Fire Apparatus with Hamilton Township Fire District No. 3 to purchase four fire trucks from Pierce Manufacturing Inc. The total cost of the apparatus purchase was as follows:

Two 2016 Pierce Arrow XT Pumpers (For No. 4 and No. 4)	\$1,050,000
One 2016 Pierce Arrow XT Mid-Mounted Platform (For No.4)	1,011,000
One 2016 Pierce Arrow XT Tractor Drawn Aerial (For No. 4)	<u>975,000</u>
Total Cost	<u>\$3,036,000</u>

In 2015, Hamilton Fire District No. 3 made a pre-paid down payment of \$821,000 and Hamilton Fire District No. 4 made a pre-paid down payment of \$1,036,000. The total down payment was \$1,857,000. The balance of \$1,179,000 will be financed with a lease-purchase through Oshkosh Capital that was signed on May 18, 2015 and will begin one year after commencement. The lease term is ten years with an interest rate of 3.17%.

The fire apparatus was delivered to Fire District No. 4 and Fire District No. 3 in June 2016.

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, 2015

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 2,463,681	\$ 2,463,681	\$ 2,463,681	\$ 0
Restricted fund balance	1,181,895	1,181,895	1,112,892	(69,003)
Restricted fund balance from 2012	0	0	4,205	4,205
Unrestricted fund balance	90,000	90,000	186,424	96,424
Investment income	5,000	5,000	966	(4,034)
Miscellaneous	35,000	35,000	499	(34,501)
Supplemental fire services grant	14,200	14,200	14,199	(1)
Total Revenues	<u>3,789,776</u>	<u>3,789,776</u>	<u>3,782,866</u>	<u>(6,910)</u>
<u>Expenditures:</u>				
General Government:				
Salaries and wages	\$ 1,337,228	\$ 1,337,228	\$ 1,527,374	\$ (190,146)
Fringe benefits and payroll taxes	649,103	649,103	649,830	(727)
Administration:				
Advertising	700	700	161	539
Automation Equipment	3,000	3,000	0	3,000
Election expenses	800	800	414	386
Memberships and dues	2,500	2,500	2,298	202
Miscellaneous	2,000	2,056	2,056	0
Office expenses	3,000	3,000	1,620	1,380
Professional fees	20,000	20,812	19,196	1,616
Total Administration	<u>32,000</u>	<u>32,868</u>	<u>25,745</u>	<u>7,123</u>
Operations:				
Alarm system	1,000	1,000	0	1,000
Building repairs	0	0	4,205	(4,205)
Fire company reimbursement	1,000	1,000	0	1,000
Fire fighting supplies and repair	85,000	62,217	64,458	(2,241)
Fuel	15,000	15,000	6,263	8,737
Insurance	101,500	106,824	106,824	0
Maintenance supplies	18,000	18,000	18,330	(330)
Medical exams	4,000	1,811	1,500	311
Radio supplies and repair	12,000	12,000	26	11,974
Reimbursed expenses	500	500	0	500
Rent - water and hydrant	187,000	187,000	186,408	592
Telephone	5,000	5,000	4,951	49
Training	10,000	4,676	1,640	3,036
Uniform allowance	15,000	15,000	5,250	9,750
Vehicle repairs	25,000	49,916	49,916	0
Volunteer incentive program	1,000	188	177	11
Utilities	18,000	18,000	17,077	923
Total Operations	<u>499,000</u>	<u>498,132</u>	<u>467,025</u>	<u>31,107</u>
Total General Government	<u>2,517,331</u>	<u>2,517,331</u>	<u>2,669,974</u>	<u>(152,643)</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Capital Outlay and Debt Service				
Payment of loan principal on debt service	50,550	50,550	0	50,550
Down payment on new fire trucks	1,036,895	1,036,895	1,036,000	895
New Building	185,000	185,000	76,892	108,108
Total Capital Outlay	<u>1,272,445</u>	<u>1,272,445</u>	<u>1,112,892</u>	<u>159,553</u>
Total Expenditures	<u>3,789,776</u>	<u>3,789,776</u>	<u>3,782,866</u>	<u>6,910</u>
Excess of Revenues				
Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 0
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(124,198)
Use of the unrestricted fund balance is an inflow of resources for budgetary purposes but not for financial reporting purposes	(186,424)
Use of the restricted fund balance is an inflow of resources for budgetary purposes but not for financial reporting purposes	(1,117,097)
Payments for equipment and building improvements are an outflow of a budgetary resource but are reported as capital assets for financial reporting purposes	42,620
The down payment on the new fire trucks is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	1,036,000
Pension expense reported in accordance with GASB 68 is an outflow for financial reporting purposes but is not an outflow of a budgetary resource	<u>(470,921)</u>
Change in net position - GAAP Basis	<u>\$ (820,020)</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years

	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00017540350%	0.0001749181%	0.0001754527%
District's proportionate share of the net pension liability (asset)	\$ 39,375	\$ 32,749	\$ 33,532
District's covered-employee payroll	\$ 12,100	\$ 12,100	\$ 12,100
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	325.41%	270.65%	277.12%

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System (PFRS)
Last Ten Fiscal Years

	2015	2014	2013
District's proportion of the net pension liability (asset)	0.02773362440%	0.02443282888%	0.0161293297%
District's proportionate share of the net pension liability (asset)	\$ 4,619,455	\$ 3,073,423	\$ 2,144,249
District's covered-employee payroll	\$ 1,079,761	\$ 988,405	\$ 861,580
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	427.82%	310.95%	248.87%

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Schedule of District Contributions

Public Employees' Retirement System (PERS)

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 1,442	\$ 1,322	\$ 1,357
Contributions in relation to the contractually required contributions	<u>1,442</u>	<u>1,322</u>	<u>1,357</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 12,100	\$ 12,100	\$ 12,100
Contributions as a percentage of its covered-employee payroll	11.92%	10.93%	11.21%

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
 Schedule of District Contributions
 Police and Firemen's Retirement System (PFRS)
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 187,661	\$ 117,676	\$ 131,414
Contributions in relation to the contractually required contributions	<u>187,661</u>	<u>117,676</u>	<u>131,414</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,079,761	\$ 988,405	\$ 861,580
Contributions as a percentage of its covered-employee payroll	17.38%	11.91%	15.25%

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to Required Supplementary Information

For the Year Ended December 31, 2015

Budgets and Budgetary Controls

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.

Public Employees' Retirement System (PERS)

Basis of Presentation

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

Changes of Benefit Terms

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

Changes of Assumptions

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

Notes to Required Supplementary Information

For the Year Ended December 31, 2015

Police and Firemen's Retirement System (PFRS)

Basis of Presentation

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

Changes of Benefit Terms

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

Changes of Assumptions

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

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

OTHER SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 4
Schedule of Supplemental Fire Services Grant Expenditure Report
For the Year Ended December 31, 2015

REVENUE

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

Total revenue \$ 14,199

EXPENDITURES

Emergency equipment and fire gear \$ 14,199

Total expenditures \$ 14,199

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 and each major fund of Hamilton Township Fire District No. 4 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Hamilton Township Fire District No. 4's basic financial statements and have issued our report thereon dated October 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton Township Fire District No. 4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton Township Fire District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton Township Fire District No. 4's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Township Fire District No. 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 October 22, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DePietto & DePietto, LLC

Holland, Pennsylvania
October 22, 2016

HAMILTON TOWNSHIP FIRE DISTRICT No. 4

General Comments and Recommendations

For the Year Ended December 31, 2015

This section identifies any material weaknesses and significant deficiencies in internal control and instances of non-compliance related to the December 31, 2015 financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Section I - Summary of 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 no material weaknesses identified and there were no significant deficiencies reported relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters reported relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section II – Financial Statement Findings – Current Year

None

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

None