

**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Financial Statements and Supplementary Information  
Year Ended December 31, 2013



**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Financial Statements and Supplementary Information  
Year Ended December 31, 2013

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**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**

Roster of Officials

For the year-ended December 31, 2013

**Board of Fire Commissioners**

Bernard Crammer, Jr., Chairman/President

Jonathan Tomko, Treasurer

Leonard Gadsby, Secretary

Anthony Gulotta, Vice-Chairman

Robert A. Dill, Commissioner

**Other Officials**

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners  
Hamilton Township Fire Commissioners District No. 5  
Hamilton, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire Commissioners District No. 5, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire Commissioners District No. 5, in the County of Mercer, State of New Jersey, as of



December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 23 through 24, 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 Commissioners District No. 5 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 June 13, 2014, on our consideration of Hamilton Township Fire Commissioners District No. 5'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 Commissioners District No. 5's internal control over financial reporting and compliance.

*DePietto & DePietto, LLC*

Holland, Pennsylvania

June 13, 2014



REQUIRED SUPPLEMENTARY INFORMATION

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

The discussion and analysis of the Hamilton Township Fire Commissioners District No. 5's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2013. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for 2013 are as follows:

In total, net position increased \$23,414 from 2012.

General revenues accounted for \$1,406,496 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$1,383,082 in expenses including \$95,224 of depreciation for 2013. General revenues (primarily taxes) of \$1,406,496 were adequate to provide for these programs, resulting in a change in net position of \$23,414.

Per Non-GAAP budgetary basis, the District had \$1,433,506 in expenditures and capital outlay and \$1,433,506 of actual revenue which resulted in \$0 of excess revenues over expenditures. The District had to utilize \$27,010 of the \$39,313 designated surplus of unrestricted funds noted in the 2013 budget in order to cover the expenditures for 2013.

### **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 Commissioners District No. 5 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.

### **Required Financial Statements**

Under GASB 34, any special purpose government entity that has only one major fund may show the government-wide and fund financial statements all as part of the basic financial statements. Since the District only has governmental funds the District-wide and fund financial statements are combined in the basic financial statements.

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted

in the United States of America. The Statement of Net Position and Governmental Funds Balance Sheet includes information on the District's assets, liabilities and net position and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances identify the District's revenues and expenses for the year ended December 31, 2013.

### Financial Analysis of the District

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

### Net Position

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

**Table 1**  
**Condensed Statement of Net Position**

	<u>Governmental</u> <u>Activities</u> <u>2013</u>	<u>Governmental</u> <u>Activities</u> <u>2012</u>
Current and Other Assets	\$ 181,720	\$ 198,100
Capital Assets, net of accumulated depreciation	<u>854,858</u>	<u>950,082</u>
Total Assets	<u>1,036,578</u>	<u>1,148,182</u>
Deferred Outflow of Resources	<u>17,066</u>	<u>29,111</u>
Total Liabilities	<u>273,244</u>	<u>420,307</u>
Net Position:		
Invested in Capital Assets, net of related debt	625,311	574,887
Restricted for Capital Projects	7,266	7,266
Restricted for Post-Retirement Sick Pay Benefits	73,728	67,230
Unrestricted	<u>74,095</u>	<u>107,603</u>
Total Net Position	<u>\$780,400</u>	<u>\$756,986</u>

As Table 1 indicates, total assets decreased by \$111,604 from \$1,148,182 to \$1,036,578 during the year ended December 31, 2013. This is comprised of a decrease of \$16,380 in cash and cash equivalents and a decrease of \$95,224 in capital assets, net of accumulated depreciation, due to depreciation expense for 2013 of \$95,224 and writing off fully depreciated telecommunications and office equipment with a historical cost of \$67,571. Deferred outflows of resources show a decrease of \$12,045, which was amortizing the refinancing costs for the capital lease. Total liabilities reflect a decrease of \$147,063 from \$420,307 to \$273,244 during the year ended December 31, 2013. This

includes an increase in accounts payable and accrued expenses of \$10,630 and repayment of \$157,693 in long-term debt as the District continued to make scheduled payments on the capital lease and notes payable.

Table 1 also indicates that total net position increased by \$23,414 from \$756,986 to \$780,400. That increase is due to \$23,414 of revenues exceeding expenses in 2013. In addition, net position invested in capital assets, net of related debt, increased by \$50,424 due to a \$157,693 decrease in principal on the capital lease and notes payable, a \$95,224 increase in accumulated depreciation, and a decrease of \$12,045 for a write-off of deferred charges. In 2013, the reserve for post-retirement sick pay was increased by \$6,498 to continue to be in compliance with GASB 45, *Other Post Employment Benefits*.

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

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b>REVENUES:</b>		
General Revenues:		
Property Taxes	\$1,370,096	\$1,310,842
Grants – federal and state	32,110	14,199
Uniform fire safety revenue	3,184	4,623
Other	<u>1,106</u>	<u>6,882</u>
Total Revenues	<u>\$1,406,496</u>	<u>\$1,336,546</u>
<b>EXPENSES:</b>		
Administration	\$ 45,473	\$ 42,859
Cost of Operations and Maintenance	<u>1,337,609</u>	<u>1,210,269</u>
Total Expenses	<u>1,383,082</u>	<u>1,253,128</u>
Increase in Net Position	<u>\$ 23,414</u>	<u>\$ 83,418</u>

The Statement of Revenues, Expenditures and Changes in Net Position identifies the various revenue and expense items which affect the change in net position. Table 2 indicates that the District's total revenues increased by \$69,950 or 5.2%. The increase in revenue was primarily due to an increase in property tax revenues. Total expenses increased by \$129,954, the change was due primarily to an increase in fringe benefits, rent and a decrease in interest expense and grant expenditures.

### **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 97.4% of revenues for governmental activities for Hamilton Township Fire Commissioners District No. 5 for 2013. The District's total revenues were \$1,406,496 for the year ended December 31, 2013. The federal and state grants accounted for another 2.3% of revenue, uniform fire safety revenue for .2% of revenue, and other miscellaneous revenue accounted for the remaining .1%.

The Statement of Revenues, Expenditures and Changes in Net Position shows the cost of program services and the charges for services and grants offsetting those services.

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

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

**The District’s Funds**

All governmental funds (i.e., general fund and capital projects fund) are accounted for using the modified-accrual basis of accounting. Total revenues amounted to \$1,406,496 and expenditures were \$1,383,082. The total change in fund balance for the year in the governmental funds was \$23,414 which included an increase in the general fund of \$16,916, no change in the capital projects fund, and an increase of \$6,498 in reserves for post-retirement sick pay to continue to be in compliance with GASB 45, *Other Post Employment Benefits*.

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, 2013, and the amount of increases and decreases in relation to prior year revenues.

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

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) from 2012</u>
<b>Revenue:</b>			
Local Sources:			
Amount to be Raised by Taxation	\$1,370,096	\$1,310,842	\$ 59,254
Miscellaneous	4,290	11,505	(7,215)
Federal and State sources	<u>32,110</u>	<u>14,199</u>	<u>17,911</u>
Total	<u>\$1,406,496</u>	<u>\$1,336,546</u>	<u>\$69,950</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2013, and the amount of increases and decreases in relation to prior year amounts.

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

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) from 2012</u>
<b>Expenditures:</b>			
Administration	\$ 45,473	\$ 42,859	\$ 2,614
Cost of Operations and Maintenance	<u>1,337,609</u>	<u>1,210,269</u>	<u>127,340</u>
Total	<u>\$1,383,082</u>	<u>\$1,253,128</u>	<u>\$129,954</u>

**Capital Assets**

At the end of the year 2013, the District had \$854,858 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment. Table 5 shows 2013 balances compared to 2012.

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

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) from 2012</u>
Buildings	\$ 538,860	\$ 585,717	\$(46,857)
Building Improvements	58,523	67,426	(8,903)
Fire Apparatus	<u>257,475</u>	<u>296,939</u>	<u>(39,464)</u>
Total	<u>\$854,858</u>	<u>\$950,082</u>	<u>\$(95,224)</u>

**Economic Factors**

For the 2013 year, the Hamilton Township Fire Commissioners District No. 5 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97.4% of total revenue is from the local tax levy, while the remaining 2.6% was from other sources. The tax rate levy per \$100 of property valuation increased from \$.7925 in 2012 to \$.8215 in 2013.

The Board of Fire Commissioners adopted the 2013 budget in January 2013 and the voters subsequently approved the budget at the annual fire district election held in February 2013.

## **For the Future**

Hamilton Township Fire Commissioners District No. 5 is presently in good financial condition. The District is proud of its community support.

In conclusion, Hamilton Township Fire Commissioners District No. 5 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 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. 5, 61 Ruskin Avenue, Hamilton, New Jersey, 08610-3714.

## BASIC FINANCIAL STATEMENTS



**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2013

	<u>Governmental Funds</u>			Adjustments (Note 10)	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 174,454	\$ 7,266	\$ 181,720	\$ 0	\$ 181,720
Capital assets, net of accumulated depreciation				854,858	854,858
Total assets	<u>\$ 174,454</u>	<u>\$ 7,266</u>	<u>\$ 181,720</u>	854,858	<u>1,036,578</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred charges for refinancing capital lease	0	0	0	17,066	17,066
<b>LIABILITIES</b>					
Accounts payable	\$ 21,631	\$ 0	\$ 21,631	0	21,631
Accrued expenses	5,000	0	5,000	0	5,000
Long-term liabilities:					
Due within one year	0	0	0	184,069	184,069
Due after one year	0	0	0	62,544	62,544
Total liabilities	<u>26,631</u>	<u>0</u>	<u>26,631</u>	246,613	<u>273,244</u>
<b>NET POSITION/FUND BALANCES</b>					
Fund balances:					
Unassigned	74,095	0	74,095	(74,095)	0
Assigned					
For capital projects	0	7,266	7,266	(7,266)	0
Committed					
For post retirement sick pay benefits	73,728	0	73,728	(73,728)	0
Total fund balances	<u>147,823</u>	<u>7,266</u>	<u>155,089</u>	(155,089)	<u>0</u>
Total liabilities and fund balances	<u>\$ 174,454</u>	<u>\$ 7,266</u>	<u>\$ 181,720</u>	91,524	<u>273,244</u>
Net position:					
Invested in capital assets, net of related debt				625,311	625,311
Restricted for:					
Capital projects				7,266	7,266
Post-retirement sick pay benefits				73,728	73,728
Unrestricted				74,095	74,095
Total net position				<u>\$ 780,400</u>	<u>\$ 780,400</u>

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

**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**  
Statement of Revenues, Expenditures and Changes in Net Position  
and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2013

	<u>Governmental Funds</u>			<u>Adjustments (Note 10)</u>	<u>Statement of Revenues, Expenditures and Changes in Net Position</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>		
Expenditures/expenses:					
Fire protection - administration	\$ 45,473	\$ 0	\$ 45,473	\$ 0	\$ 45,473
Fire protection - operations	1,337,609	0	1,337,609	0	1,337,609
Total expenditures/expenses	1,383,082	0	1,383,082	0	1,383,082
General revenues:					
Taxes	1,370,096	0	1,370,096	0	1,370,096
Uniform fire safety revenue	3,184	0	3,184	0	3,184
Grants - federal and state	32,110	0	32,110	0	32,110
Investment earnings	371	0	371	0	371
Sale of equipment	735	0	735	0	735
Transfers - internal activities	0	0	0	0	0
Total general revenues and transfers	1,406,496	0	1,406,496	0	1,406,496
Excess of revenues and transfers in over expenditures and transfers out	23,414	0	23,414	(23,414)	0
Changes in net position/fund balance	0	0	0	23,414	23,414
Net position/Fund balance:					
Beginning of the year	749,720	7,266	756,986	0	756,986
Cancellation of prior year encumbrances	0	0	0	0	0
End of the year	\$ 773,134	\$ 7,266	\$ 780,400	\$ 0	\$ 780,400

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

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to the Financial Statements

December 31, 2013

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

The financial statements of the Hamilton Township Fire Commissioners District No. 5 (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 Commissioners District No. 5 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.

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

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

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

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

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

## HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5

Notes to the Financial Statements

December 31, 2013

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

## HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5

Notes to the Financial Statements

December 31, 2013

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

#### Encumbrances

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

#### 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.

#### Inventories and prepaid expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.

#### Capital Assets

Capital assets, which include buildings, fire trucks, telecommunications and security equipment and office furniture and equipment, generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000. 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	35 years
Building improvements	10 - 20 years
Fire apparatus	5 - 20 years
Fire equipment	7 - 10 years
Office furniture and equipment	5 - 7 years
Telecommunications and security equipment	10 years

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to the Financial Statements

December 31, 2013

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

#### 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.

#### 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.

#### Fire District Taxes

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

## HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5

Notes to the Financial Statements

December 31, 2013

### 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 a non-interest bearing checking account and an interest bearing money market account. The balances in these accounts at December 31, 2013 were \$52,703 and \$129,017, respectively. The average interest rate for 2013 was .30%.

#### Concentration of Credit Risk

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

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

#### Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District or in the District’s name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository’s trust department or agent in the District’s name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District’s name. At December 31, 2013, the District’s deposits of \$181,720 are classified as Category 1 deposits.

### NOTE 3 – DEFERRED CHARGES FOR REFINANCING CAPITAL LEASE

The deferred charge, in the amount of \$265,000, resulted from refinancing of a capital lease for the purchase of an addition to the facility in September of 1992. This charge is being written off over a period of 264 months and charged to interest expense. The deferred charge balance at December 31, 2013 was \$17,066.

**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**  
Notes to the Financial Statements  
December 31, 2013

**NOTE 4 – FIXED ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Building	\$1,640,000	\$ 0	\$ 0	\$1,640,000
Building improvements	124,663	0	0	124,663
Fire apparatus	1,018,009	0	0	1,018,009
Fire equipment	140,942	0	0	140,942
Office furniture and equipment	37,101	0	27,629	9,472
Telecommunications and security equip.	<u>42,032</u>	<u>0</u>	<u>39,932</u>	<u>2,100</u>
Total Capital Assets, Being Depreciated	3,002,747	0	67,561	2,935,186
Less: Total Accumulated Depreciation	<u>2,052,665</u>	<u>95,224</u>	<u>67,561</u>	<u>2,080,328</u>
 Total Capital Assets, Being Depreciated, Net	 <u>950,082</u>	 <u>(95,224)</u>	 <u>0</u>	 <u>854,858</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 950,082</u>	 <u>\$(95,224)</u>	 <u>\$ 0</u>	 <u>\$ 854,858</u>

Office equipment with an original cost of \$27,629 and security equipment with an original cost of \$39,932, that were fully depreciated, were scrapped in 2013 and then written off the books in 2013. Depreciation expense of \$95,224 was charged to governmental activities as part of its cost of operations.

**NOTE 5 – ACCRUED EXPENSES**

Accrued expenses include professional fees that were incurred for the year ended December 31, 2013 but were not paid by that date.

**NOTE 6 – PENSION RETIREMENT SYSTEMS**

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

The plans do not maintain separate records for each reporting unit and, accordingly, the actuarial data for Fire District No. 5 is not available. The employee's portion is deducted biweekly from his/her paycheck and is paid to the state monthly. The District's contribution is paid on an annual basis and is computed and billed by the State Fund. The annual appropriation from the State of New Jersey for 2013 was \$85,904.



## HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5

Notes to the Financial Statements

December 31, 2013

### NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

#### Addition to Fire House

During 1990, the District entered into a lease agreement with the Mercer County Improvement Authority (MCIA) to acquire an addition to the firehouse located on Ruskin Avenue.

The lease for the addition to the facility called for varying semiannual payments to be made including an interest rate of 4.2% escalating to 7.3% by the end of the lease. Payments commenced in 1990, and were to continue through 2015, upon which time the title to the building and land were to be transferred to the Fire District. In September of 1992 the Fire Commissioners and MCIA refinanced the lease for the purchase of the addition to the new facility. This lease called for varying semi-annual payments to be made including an interest rate of 5.4% escalating to 5.75% by the end of the lease. These lease payments commenced August 1992 and were to continue through February 2015. In December 2002, the Fire Commissioners and MCIA, once again, refinanced the lease. This lease calls for varying semi-annual payments including an interest rate of 2.25% escalating to 4.125% by the end of the lease. This lease commenced December 31, 2002 and continues through December 31, 2014. On the date of maturity MCIA will sell the property to the District for the sum of one dollar. The balance payable on the capital lease at December 31, 2013 was \$155,000. Interest expense for the year ended December 31, 2013 was \$16,218.

Future scheduled payments under the terms of this agreement are as follows for the years ending December 31:

2014	\$160,982
and thereafter	<u>0</u>
Total future minimum lease payments	160,982
Less: Future interest	<u>(5,982)</u>
	155,000
Less: Current portion	<u>(155,000)</u>
	<u>\$ 0</u>

#### Purchase of Sutphen Fire Truck

In June 2006, the District entered into a lease agreement with Commerce Commercial Leasing, LLC to purchase a new Sutphen fire truck for a cost not to exceed \$400,000. The leasing company advanced the District \$260,000 in June 2006. In 2007, the District used \$140,000 of its reserve for capital assets to pay for the balance of the cost of the vehicle. This agreement requires annual payments of \$33,622, including interest at 4.97%, through June 2016. The first payment was due on June 1, 2007. The balance payable on the capital lease at December 31, 2013 was \$91,613. Interest expense for the year ended December 31, 2013 was \$7,610.

## HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5

Notes to the Financial Statements

December 31, 2013

### NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES (CONTINUED)

#### Purchase of Sutphen Fire Truck (continued)

Future scheduled payments under the terms of this agreement are as follows for the years ending December 31:

2014	\$ 33,622
2015	33,622
2016	33,622
and thereafter	<u>0</u>
Total future minimum lease payments	100,866
Less: Amount representing interest	<u>(9,253)</u>
	91,613
Less: Current portion	<u>(29,069)</u>
	<u>\$62,544</u>

### NOTE 8 – 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, 2013. The District received and expended \$14,199 for the year ended December 31, 2013.

### NOTE 9 – LEASES

The fire safety of the Township of Hamilton is administered through a series of fire districts organized, operated and funded pursuant to NJSA 40A:14-70 et seq.

The Fire Commissioners, District #5, Hamilton Township are elected members and provide fire support to the Volunteers to District 5, Hamilton Township (also known as the DeCou Hose Fire Company). There is no financial relationship between the Volunteers and the Fire Commissioners.

The Hamilton Township Fire Commissioners, District #5 lease their building from the DeCou Hose Fire Company. This is a 25 year lease that commenced on June 1, 1987 and ends on May 31, 2012. There was a month-to-month lease for June and July 2012. At December 31, 2012, the District and the Fire Company were in negotiations for a obtaining a new lease agreement. On June 19, 2013, the lease was extended through December 31, 2014. The rent expense for the year ended December 31, 2013 was \$19,900.

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to the Financial Statements

December 31, 2013

### **NOTE 10 – STATEMENT OF NET POSITION – ADJUSTMENTS**

In order to present the statement of net position in accordance with GASB 34, the District needed to make certain adjustments to the general fund balance sheet. The capital assets previously reported in the fixed asset group of accounts and long-term debt previously reported in the long-term debt group of accounts had to be posted to the general fund. Also, the ending fund balances had to be converted to the net asset classifications required under GASB 34. The adjustments shown on the statement of net position accomplish that task.

### **NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS**

#### HEALTHCARE

##### Plan Description

The Commissioners of Hamilton Township Fire Commissioners District No. 5, County of Mercer and State of New Jersey contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Commissioners of Hamilton Township Fire Commissioners District No. 5 authorized participation in the SHBP's post-retirement benefit program through a resolution.

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

##### Funding Policy

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Commissioners of Hamilton Township Fire Commissioners District No. 5, County of Mercer, State of New Jersey on a monthly basis. The Fire District funds the cost of these benefits through taxes. At December 31, 2013, there was one individual receiving retirement benefits.

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to the Financial Statements

December 31, 2013

### **NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

#### Funding Policy (continued)

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

The Commissioners of Hamilton Township Fire Commissioners District No. 5, County of Mercer, State of New Jersey contributions to SHBP for the year ending December 31, 2013 was \$151,680 of which \$25,904 was for retirees, which equaled the required contributions for the year.

#### SICK PAY

Each employee receives 180 hours of sick time per year. Unused sick time may be accumulated toward post-retirement payment. The calculation of accumulated time is based on an equation determined by the Commissioners of Hamilton Township Fire District No. 5, County of Mercer, State of New Jersey. It is based upon number of years already worked and approximate number of years to retirement for each employee who has accumulated sick time. An hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$19,000 for all employees. Based on accumulated sick days as of December 31, 2013, the accrued sick pay reserved for employees under the terms of the contract at death or retirement was \$73,728.

### **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.

**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to the Financial Statements

December 31, 2013

**NOTE 13 – LITIGATION**

As of the date of this report there is no litigation pending which, if decided adversely to the District would have a material impact on the District.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**

Schedule of Revenues and Expenditures

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,370,096	\$ 1,370,096	\$ 1,370,096	\$ 0
Designated surplus	0	39,313	27,010	(12,303)
Federal grant - FEMA	90,000	90,000	0	(90,000)
Investment income	500	300	371	71
Fire inspection revenue	6,000	6,000	3,184	(2,816)
Sale of fire equipment	25,900	1,000	735	(265)
Supplemental fire services grant	14,199	14,199	32,110	17,911
<b>Total Revenues</b>	<b>1,506,695</b>	<b>1,520,908</b>	<b>1,433,506</b>	<b>(87,402)</b>
<b>Expenditures:</b>				
General Government:				
Salaries and wages	\$ 641,087	\$ 635,000	\$ 636,407	\$ (1,407)
Fringe benefits	353,803	353,803	355,942	(2,139)
Administration:				
Advertising	250	150	90	60
Election expenses	250	0	0	0
Memberships and dues	500	300	180	120
Insurance	18,000	17,500	17,350	150
Office expenses	2,000	1,750	1,601	149
Professional fees	23,000	23,000	26,252	(3,252)
<b>Total Administration</b>	<b>44,000</b>	<b>42,700</b>	<b>45,473</b>	<b>(2,773)</b>
Operations:				
Computers, software and maintenance	15,000	15,000	14,200	800
EMS supplies	2,200	500	134	366
FEMA grant expenditures	100,000	90,000	0	90,000
Fire prevention and materials	3,700	4,100	3,958	142
Materials and supplies	6,000	4,000	0	4,000
Rent - building	12,000	19,000	19,902	(902)
Rent - water and hydrant	79,800	79,000	78,351	649
Repairs and maintenance	36,000	60,000	59,634	366
Telephone	10,000	10,000	10,749	(749)
Training	5,000	5,000	4,940	60
Uniforms and personal equipment	9,300	15,000	14,393	607
Utilities	14,000	13,000	12,939	61
<b>Total Operations</b>	<b>293,000</b>	<b>314,600</b>	<b>219,200</b>	<b>95,400</b>
<b>Total General Government</b>	<b>1,331,890</b>	<b>1,346,103</b>	<b>1,257,022</b>	<b>89,081</b>

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

**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**

Schedule of Revenues and Expenditures

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

For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Capital Outlay				
Payment of capital lease and loan principal	157,693	157,693	157,693	0
Interest on capital lease and loan	17,112	17,112	18,791	(1,679)
Total Capital Outlay	<u>174,805</u>	<u>174,805</u>	<u>176,484</u>	<u>(1,679)</u>
Total Expenditures	<u>1,506,695</u>	<u>1,520,908</u>	<u>1,433,506</u>	<u>87,402</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	(95,224)
Designated surplus is an inflow of resources for budgetary purposes but not for financial reporting purposes	(27,010)
Payment of principal on capital leases and notes payable is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	157,693
Deferred interest is an outflow for financial reporting purposes but is not an outflow of budgetary resources	(12,045)
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 23,414</u>



## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Notes to Required Supplementary Information

For the Year Ended December 31, 2013

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

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

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

OTHER SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE COMMISSIONERS FIRE DISTRICT No. 5**  
Schedule of Supplemental Fire Services Grant Expenditure Report  
For the Year Ended December 31, 2013

REVENUE

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

Total revenue \$ 14,199

EXPENDITURES

Insurance \$ 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 Commissioners District No. 5  
Hamilton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Hamilton Township Fire Commissioners District No. 5 as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Hamilton Township Fire Commissioners District No. 5's basic financial statements and have issued our report thereon dated June 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton Township Fire Commissioners District No. 5'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 Commissioners District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hamilton Township Fire Commissioners District No. 5'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 over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Township Fire Commissioners District No. 5'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 Commissioners District No. 5 in a separate letter dated June 13, 2014.

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  
June 13, 2014

## **HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**

Schedule of Findings and Responses

For the Year Ended December 31, 2013

This section identifies any material weaknesses or significant deficiencies in internal control and instances of non-compliance related to the December 31, 2013 financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Hamilton Township Fire Commissioners District No. 5.
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*.

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

None

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

The following prior year findings and recommendations were included with the December 31, 2012 audit report. The District's Response notes the actions taken by the District in 2013 in response to the findings in the 2012 audit report.

**12-01 Finding: Hamilton Township Fire Commissioners District No. 5 did not comply with New Jersey State statute P.L. 2011, c.167 (A-3908) which required all State, regional and local authorities, boards and commissions to establish and maintain an internet website or webpage by February 1, 2013.**

While performing the audit and reading the minutes, we noticed that the website was in the process of being developed but it was not completed by New Jersey's required due date of February 1, 2013.

#### **Recommendation:**

We recommend corrective actions be taken to ensure that District gets its website online as soon as possible. This will provide increased public access to the District's operations and activities and compliance with the State statute.

**HAMILTON TOWNSHIP FIRE COMMISSIONERS DISTRICT No. 5**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2013

**Current Year Status of Prior Year Findings (continued)**

**12-01 (Continued)**

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

The Fire Commissioners had the website operating and functional by the end of May 2013.